中國東方航空
CHINA EASTERN

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

(Stock Code: 00670)

WORLD-CLASS Hospitality WITH Eastern Charm

世界品位 東方魅力

ANNUAL REPORT 2014

CONTENTS

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 中國東方航空集團公司 (China Eastern Air Holding Company), the controlling shareholder of the Company
CES Finance	means 東航金控有限責任公司 (CES Finance Holding Co., Ltd), a wholly-owned subsidiary of CEA Holding and a substantial shareholder of the Company
CES Global	means 東航國際控股（香港）有限公司 (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
CES Lease Company	means 東航國際融資租賃有限責任公司 (CES International Financial Leasing Corporation Limited), a company incorporated in the China (Shanghai) Pilot Free Trade Zone of the PRC with registered capital of RMB1 billion, and is directly held as to: (i) 50% by CEA Holding; (ii) 35% by CES Global (an indirect wholly-owned subsidiary of CEA Holding); and (iii) 15% by 包頭盈德氣體有限公司 (Baotou Yingde Gases Co., Ltd.) (an independent third party, the sole shareholder of which is Yingde Gases Group Company Limited, a company listed on the Stock Exchange)
CES Media	means 東方航空傳媒股份有限公司 (China Eastern Airlines Media Co., Ltd), which is a controlled subsidiary of CEA Holding, and is interested as to 55% and 45% by CEA Holding and the Company respectively
China Eastern Air, CEA, or the Company	means 中國東方航空股份有限公司 (China Eastern Airlines Corporation Limited)
China Cargo Airlines	means 中國貨運航空有限公司 (China Cargo Airlines Co., Ltd.), a controlled subsidiary of Eastern Logistics, which is a wholly-owned subsidiary of the Company

DEFINITIONS

China United Airlines	means 中國聯合航空有限公司 (China United Airlines Co., Ltd.), a wholly-owned subsidiary of the Company
Code	means the Corporate Governance Code set out in Appendix 14 to the Listing Rules
Code-share	means a widely adopted marketing arrangement for all airlines across the world. Pursuant to the code-share agreements entered into with other airlines, an airline may conduct sales for the seats of code-share 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 Finance Company	means 東航集團財務有限責任公司 (Eastern Air Group Finance Co., Ltd.), which is a controlled subsidiary of CEA Holding, and is interested as to 53.75%, 21.25% and 25% by CEA Holding, CES Finance and the Company respectively
Eastern Air Overseas	means 東航海外（香港）有限公司 (Eastern Air Overseas (Hong Kong) Co., Ltd.), a wholly-owned subsidiary of the Company
Eastern Logistics	means 東方航空物流有限公司 (Eastern Airlines Logistics Co., Ltd.), a wholly-owned subsidiary of the Company
Eastern Tourism	means 東航旅業投資（集團）有限公司 (Eastern Air Tourism Investment Group Co., Ltd), a wholly-owned subsidiary of CEA Holding
Freight load factor	means the ratio of freight traffic volume to AFTK
Freight traffic volume	means the sum of cargo and mail load in tonnes multiplied by the distance flown for every route
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
Group	means the Company and its subsidiaries
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited
IFRS	means International Financial Reporting Standards
Jetstar Hong Kong	means Jetstar Hong Kong Limited, an associate of the Company
Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

Model Code	means the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
NYSE	means the New York Stock Exchange
Passenger load factor	means the ratio of passenger traffic volume to ASK
passenger traffic volume	means the sum of the number of passengers carried multiplied by the distance flown for every route
PRC	means the People's Republic of China
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
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
SFO	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Airlines	means 上海航空有限公司 (Shanghai Airlines Co., Ltd.), a wholly-owned subsidiary of the Company
Shanghai Airlines Tours	means 上海航空國際旅遊(集團)有限公司 (Shanghai Airlines Tours, International (Group) Co., Ltd.), a wholly-owned subsidiary of the Company
Shanghai Dongmei	means 上海東美航空旅遊有限公司 (Shanghai Dongmei Air Travel Co., Ltd.), a controlled subsidiary of Shanghai Airlines Tours, which is a wholly-owned subsidiary of the Company, and is interested as to 72.84% and 27.16% by Shanghai Airlines Tours and the Company respectively
Shareholder(s)	means the shareholder(s) of the Company
SkyTeam Alliance	means the SkyTeam Alliance, one of the three major airline 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

DEFINITIONS

The end of the Reporting Period	means 31 December 2014
The Reporting Period	means from 1 January 2014 to 31 December 2014
Total traffic volume	means the sum of the number of passengers carried multiplied by the distance flown for every route (every adult passenger assumed to account for 90 kilogrammes)
USA	means the United States of America
Weight of freight carried	means the actual weight of freight carried

FINANCIAL HIGHLIGHTS

(Prepared in accordance with International Financial Reporting Standards)

Expressed in RMB millions

	2010	2011	2012	2013	**2014**
Year ended 31 December					
Revenues	73,804	82,403	85,253	88,245	**90,185**
Other operating income	658	1,062	1,833	2,725	**3,685**
Operating expenses	(68,664)	(79,201)	(82,734)	(89,394)	**(87,812)**
Operating profit	5,798	4,264	4,352	1,576	**6,058**
Finance (costs)/income, net	(347)	561	(1,349)	576	**(2,072)**
Profit before income tax	5,519	4,932	3,137	2,217	**4,113**
Profit for the year attributable to the equity shareholders of the Company	5,056	4,661	3,072	2,373	**3,410**
Earning per share attributable to the equity shareholders of the Company (RMB)[1]	0.45	0.41	0.27	0.20	**0.27**
At 31 December					
Cash and cash equivalents	3,078	3,861	2,512	1,995	**1,355**
Net current liabilities	(27,184)	(29,679)	(35,948)	(40,472)	**(42,887)**
Non-current assets	91,293	101,092	111,214	127,458	**147,586**
Long term borrowings, including current portion	(27,373)	(30,321)	(32,856)	(36,175)	**(41,210)**
Obligations under finance leases, including current portion	(19,208)	(20,261)	(21,858)	(23,135)	**(38,695)**
Total share capital and reserves attributable to the equity shareholders of the Company	12,094	17,132	20,207	26,902	**29,974**

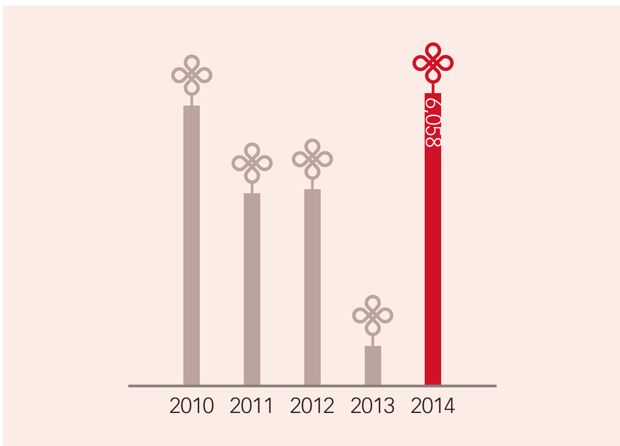
(1) The calculation of earnings per share for 2010 is based on the consolidated profit attributable to the equity shareholders of the Company divided by the weighted average number of 11,149,426,000 ordinary shares in issue. The calculation of earnings per share for 2011 and 2012 is based on the consolidated profit attributable to the equity shareholders of the Company divided by 11,276,538,860 ordinary shares in issue. The calculation of earnings per share for 2013 is based on the consolidated profit attributable to the equity shareholders of the Company divided by the weighted average number of 12,091,881,000 ordinary shares in issue. The calculation of earnings per share for 2014 is based on the consolidated profit attributable to the equity shareholders of the Company divided by 12,674,269,000 ordinary share in issue.

Revenues

(RMB millions)

Operating Profit

(RMB millions)



SUMMARY OF ACCOUNTING AND BUSINESS DATA

(Prepared in accordance with PRC Accounting Standards)

Profit for the year ended 31 December 2014

	RMB million
Net profit	3,547
Income from main operations	9,096
Income from other operations	1,005
Income from investments	142
Net income outside business	4,520

Major Accounting Data & Financial Indicators

(Expressed in RMB million)

		2013[2]	**2014**
1.	Operation revenue	88,109	**89,746**
2.	Net profit attributable to the equity shareholders of the Company	2,358	**3,417**
3.	Total assets	137,846	**137,411**
4.	Shareholders' equity	26,320	**28,356**
5.	Earnings per share (RMB)	0.20	**0.27**
6.	Net assets per share (RMB)	2.07	**2.24**

Notes:

1. Calculation of major financial indicators:
Earnings per share = Net profit attributable to the equity shareholders of the Company ÷ weighted average number of ordinary shares outstanding
Net assets per share = shareholders' equity at the end of the year ÷ total number of ordinary shares at the end of the year

2. These figures were re-presented. Please refer to Note 7 in the financial statements for details.

SUMMARY OF SELECTED OPERATING DATA

	As at 31 December		
	2014	2013	Change
Capacity			
ATK (available tonne – kilometres) *(millions)*	**22,538.50**	21,714.78	3.79%
– Domestic routes	**12,025.72**	11,572.95	3.91%
– International routes	**9,703.57**	9,377.23	3.48%
– Regional routes	**809.21**	764.60	5.83%
ASK (available seat – kilometres) *(millions)*	**160,585.07**	152,075.22	5.60%
– Domestic routes	**110,381.01**	104,459.31	5.67%
– International routes	**44,445.16**	42,181.19	5.37%
– Regional routes	**5,758.90**	5,434.72	5.96%
AFTK (available freight tonne – kilometres) *(millions)*	**8,085.84**	8,028.01	0.72%
– Domestic routes	**2,091.43**	2,171.61	–3.69%
– International routes	**5,703.50**	5,580.93	2.20%
– Regional routes	**290.91**	275.47	5.60%
Hours flown *(thousands)*	**1,625.14**	1,540.39	5.50%
Traffic			
RTK (revenue tonne – kilometres) *(millions)*	**16,122.38**	15,551.78	3.67%
– Domestic routes	**8,726.35**	8,321.46	4.87%
– International routes	**6,883.12**	6,749.46	1.98%
– Regional routes	**512.91**	480.85	6.67%
RPK (revenue passenger – kilometres) *(millions)*	**127,749.87**	120,461.13	6.05%
– Domestic routes	**88,191.50**	82,811.97	6.50%
– International routes	**35,191.49**	33,600.01	4.74%
– Regional routes	**4,366.89**	4,049.14	7.85%
RFTK (revenue freight tonne – kilometres) *(millions)*	**4,802.43**	4,857.18	–1.13%
– Domestic routes	**898.69**	959.29	–6.32%
– International routes	**3,776.09**	3,774.61	0.04%
– Regional routes	**127.66**	123.28	3.55%
Number of passengers carried *(thousands)*	**83,811.48**	79,093.68	5.96%
– Domestic routes	**71,004.87**	67,142.33	5.75%
– International routes	**9,649.06**	8,991.71	7.31%
– Regional routes	**3,157.55**	2,959.64	6.69%
Weight of freight carried (kg) *(millions)*	**1,363.37**	1,410.29	–3.33%
– Domestic routes	**660.63**	697.53	–5.29%
– International routes	**599.82**	613.56	–2.24%
– Regional routes	**102.92**	99.20	3.75%

SUMMARY OF SELECTED OPERATING DATA

	As at 31 December		
	2014	2013	Change
Load factors			
Overall load factor ***(%)***	**71.53**	71.62	–0.09 pts
– Domestic routes	**72.56**	71.90	0.66 pts
– International routes	**70.93**	71.98	–1.05 pts
– Regional routes	**63.38**	62.89	0.49 pts
Passenger load factor ***(%)***	**79.55**	79.21	0.34 pts
– Domestic routes	**79.90**	79.28	0.62 pts
– International routes	**79.18**	79.66	–0.48 pts
– Regional routes	**75.83**	74.51	1.32 pts
Freight load factor ***(%)***	**59.39**	60.50	–1.11 pts
– Domestic routes	**42.97**	44.17	–1.20 pts
– International routes	**66.21**	67.63	–1.42 pts
– Regional routes	**43.88**	44.75	–0.87 pts
Unit revenue index*			
Revenue tonne – kilometres yield ***(RMB)***	**5.282**	5.178	2.00%
– Domestic routes	**6.275**	6.226	0.80%
– International routes	**3.851**	3.680	4.64%
– Regional routes	**7.574**	8.077	–6.23%
Passenger – kilometres yield ***(RMB)***	**0.608**	0.605	0.50%
– Domestic routes	**0.608**	0.610	–0.41%
– International routes	**0.587**	0.564	4.18%
– Regional routes	**0.788**	0.846	–6.87%
Freight tonne – kilometres yield ***(RMB)***	**1.545**	1.565	–1.27%
– Domestic routes	**1.271**	1.303	–2.48%
– International routes	**1.546**	1.562	–1.04%
– Regional routes	**3.470**	3.707	–6.39%

* In calculating unit revenue index, the relevant revenue includes income generated from co-operation routes.

FLEET STRUCTURE

The Group has been continuously optimising its fleet structure in recent years. In 2014, the Group introduced a total of 75 aircraft of four major models including B777 series, B737 series, A330 series and A320 series and surrendered a total of 43 aircraft of various models, including A300 series and CRJ200 aircraft. With the introduction of B777 series aircraft and the entire retirement of A300 series and CRJ200 aircraft, the variety of aircraft models of the Group's fleet have been further streamlined and the fleet structure has been made younger.

As at 31 December 2014, the Group operated a fleet of 515 aircraft, which included 485 passenger aircraft, 12 freighters and 18 business aircraft held under trust.

Fleet structure as at 31 December 2014 *(Units)*

No.	Model	Self-owned and under finance lease	Under operating lease	Sub-total	Average fleet age (Years)
Total number of passenger aircraft		**347**	**138**	**485**	**6.06**
Wide-body aircraft		**48**	**10**	**58**	**5.56**
1	B777–300ER	4	–	4	0.2
2	B767	6	–	6	13.8
3	A340–600[Note]	4	–	4	10.9
4	A330–300	9	7	16	7.3
5	A330–200	25	3	28	2.8
Narrow-body aircraft		**299**	**128**	**427**	**6.13**
6	A321	39	–	39	4.5
7	A320	113	41	154	6.4
8	A319	24	5	29	3.7
9	B757–200[Note]	4	1	5	9.7
10	B737–800	44	68	112	4.4
11	B737–700	49	13	62	7.2
12	B737–300[Note]	16	–	16	17.4
13	EMB–145LR[Note]	10	–	10	8.3
Total number of freighters		**2**	**10**	**12**	**6.07**
14	B747-400ER	2	2	4	7.5
15	B757–200F[Note]	–	2	2	8.5
16	B777F	–	6	6	4.3
Total number of passenger aircraft and freighters		**349**	**148**	**497**	**6.1**
Business aircraft held under trust				**18**	
Total number of aircraft				**515**	

Note: A340-600, B737–300, B757 series and EMB-145LR will be retired from the Company's fleet in the coming years.

FLEET PLAN

The Group will continue to streamline and optimise its fleet structure. The future fleet of the Group is expected to mainly comprise four models, namely B777 series for long-haul, A330 series for long-and-medium-haul, and A320 series and B737NG series for medium-and-short-haul. Older aircraft models that have high energy-consumption characteristics will be actively phased out.

Introduction and Retirement Plan of Aircraft for 2015 to 2016 *(Units)*

Model	2015		2016	
	Introduction	Retirement	Introduction	Retirement
Passenger aircraft				
A320 series	29	11	30	6
A330 series	7	–	–	–
A340-600	–	4	–	–
B777 series	5	–	5	–
B737 series	39	18	35	15
B757	–	5	–	–
EMB-145LR	–	5	–	5
Total number of passenger aircraft	**80**	**43**	**70**	**26**
Freighters				
B747-400ER	–	1	–	–
B757-200F	–	2	–	–
Total number of freighters	–	**3**	–	–
Total	**80**	**46**	**70**	**26**

Notes:

1. As at 31 December 2014, according to confirmed orders, the Company planned to introduce 166 aircraft and retire 54 aircraft in 2017 and future years.

2. The abovementioned quantity and timing for the introduction and retirement of aircraft will be subject to adjustment based on market conditions and flight capacity allocation.

MILESTONES 2014

2014

24 January

Memorandum of understanding on cooperation was duly signed by CEA and the Destination Department of Disneyland in Shanghai.

28 MAY

CEA was awarded the “Best Main Board Blue Chip Company” in 2013.

31 MAY

Airbus A300 model retired from CEA’s operating fleet.

19 JUNE

CEA ranked among top 10 of the “Most Competitive Asia Airline 2014” and the “Most Popular Asia Airline 2014”.

25 JUNE

CEA’s Shanghai-Toronto direct flight officially commenced operation.

2 JULY

China United Airlines, a subsidiary of CEA, transformed into a low-cost airline.

MILESTONES 2014

9 SEPTEMBER

CEA held a presentation seminar with the brand new VIS (visual identity system).

24 SEPTEMBER

CEA received the first Boeing 777-300ER passenger aircraft from Boeing Company.

6 NOVEMBER

CEA cooperated with China UnionPay to launch "in-flight-ground connection (空地互聯)", the world's first cloud payment platform.

17 NOVEMBER

CEA signed a joint marketing cooperation agreement with Qantas with a view to enhancing the cooperation in joint marketing and airport services of China-Australia major flight.

4 DECEMBER

CEA was ranked the top of the "Golden Bauhinia Award" of the "Best Listed Company" for three consecutive years.

7 DECEMBER

- China Eastern Airlines E-Commerce Co., Ltd. (東方航空電子商務有限公司), CEA's wholly-owned subsidiary, was formally established in Shanghai.
- Eastern Airlines Technology Co., Ltd. (東方航空技術有限公司) was formally established in Shanghai.

CHAIRMAN'S STATEMENT

Liu Shaoyong
Chairman

Dear shareholders,

I am pleased to present the report on the operating results of the Group for the year ended 31 December 2014. On behalf of the entire staff of the Group, I would like to extend my sincere thanks to the Shareholders.

Business Overview

In 2014, the global economy shambled towards recovery circuitously and major economies became increasing diversified. The global air transportation market showed diversified trends due to the worldwide uneven growth of the economy. Benefiting from factors such as the continued growth of the Chinese economy, improved domestic consumption trends and demand for leisure travel and consumption, demand from domestic aviation market continued to grow. However, industry capacity accelerated rapidly with intensified competition in core markets. Facing the complicated business environment, the Group, on the precondition of securing safe operation, has been strengthening passenger and freight transportation marketing, continuously improving service quality, stringently controlling cost and steadily pushing for transformation. As a result, the Group achieved favourable results of operations.

In 2014, the Group recorded operating revenue of RMB90,185 million, representing an increase of 2.20% from the last year. Net profit attributable to the equity holders of the Company was RMB3,410 million, representing an increase of 43.70% from the last year.

Review of Operations

Safe operation

The Group places great emphasis on ongoing safe operation. In 2014, the Group continued to facilitate the construction and application of the Safety Management System (SMS) and strictly implementing risk management. The Group also put greater efforts in safety inspection and supervision as well as fulfillment of responsibilities in relation to safety enhancement. The Group enhanced its flight training management and commenced specialised training covering pilots management and transition to B777-300ER aircraft to reinforce the foundations of flight safety. Emphasizing technology applications, the Group established a research institute of flight safety technology application to provide intellectual support to the Group's ongoing safe operations. In 2014, the Group had 1,625,140 hours and 713,500 flights flown, which increased by 5.50% and 3.90%, respectively over the same period last year.

Passenger transportation marketing

Facing unfavourable factors such as geopolitical instability, decreasing demand from high-end business travelers and formation of a high–speed railway network, the Group has proactively responded and maintained growth in its passenger transportation business. Passenger revenue amounted to RMB75,261 million, representing an increase of 3.20% from the same period last year.

In 2014, the Group adopted a scientific approach in formulating its flight plans and flexibly adjusted its operating capability according to peak and off-peak seasons and market changes. The Group enhanced the establishment of its sales control platform, optimised cabin seat configuration and tightened control over the authority of sales personnel and improved the income level. The Group adjusted and optimised aircraft models for international routes, and further enhanced marketing capabilities of its overseas sales team. The Group put greater effort in products research and development, enriched and promoted its first and business class products and value-added products. Utilising mobile network platforms and digital marketing, sales channels were expanded to increase the proportion of direct sales. In 2014, the number of newly registered members of the mobile application grew by 425,245 members or by 3.2 times from the same period last year while the proportion of revenue from direct sales increased by 5.4%. Through proactively developing its corporate customers and frequent flyer members, the Group optimised its customer structure. As at the end of 2014, the Group's total number of corporate customers reached 5,550, representing an increase of 11.24% from the same period last year, and its total number of frequent flyer members amounted to 22.84 million.

Hub Development

With Shanghai as a core hub and Kunming and Xi'an as regional hubs, the Group continued to expand its route network to provide additional connecting opportunities and consolidate its market influence in these three major hubs. New routes from Pudong to Toronto and Auckland were introduced at Shanghai Pudong hub while flight frequency for international routes to New York, Los Angeles, London and Paris was increased to enlarge the coverage of the Shanghai hub network. The Kunming hub launched a new route from Kunming to Paris, which is the first inter-continental route in Yunnan Province, and continued to optimise route network and flight schedules for Kunming to East Asia, Southeast Asia and West Asia. The Group proactively utilised above-plateau aircraft to expand its above-plateau route network and the flight destinations of Xi'an hub were increased to 70.

In 2014, the Group accounted for 48.9%, 37.3%, 41.3% and 30.7% of the total market share at Shanghai Hongqiao International Airport, Shanghai Pudong International Airport, Kunming Airport and Xi'an Airport, respectively, in terms of total flight departures and arrivals, and accounted for 47.3%, 34.7%, 37.6% and 30.3% of the total market share at Shanghai Hongqiao International Airport, Shanghai Pudong International Airport, Kunming Airport and Xi'an Airport, respectively, in terms of passenger throughput. The Group continued to maintain relatively strong influence in its market at Shanghai core hub and Kunming and Xi'an regional hubs. The differences in market share between the above two statistics were mainly affected by factors such as aircraft models and flight frequency.

The Group proactively promoted international cooperation among members and non-members airlines of SkyTeam Alliance at various levels and expanded its route network to increase its brand recognition. The Group implemented transit service cooperation with China Airlines, Delta Airlines and Air France between different terminals at Shanghai Pudong International Airport. By optimising transit connection with Delta Airlines, joint sales were facilitated. By increasing the number of code-share flights, co-operations with Air France were enhanced. By establishing joint operation with Qantas, cooperation on the China-Australia route was comprehensively improved.

Service Quality

Adhering to the service philosophy of "Customer-Oriented and Dedicated Service", the Group enhanced basic service management, formulated a three-year service plan to optimise the Company's "Service Manual", and improved the evaluation system for service quality on an ongoing basis.

The Group continuously enhanced its product quality based on a customer-oriented approach. By utilising information technology to establish a convenient online service platform, the Group was able to promote self check-in. Self check-in rates of domestic flights increased to 40%. Through launching intelligent customer service platforms on its official website, WeChat and Weibo, communication channels with travelers were expanded. The implementation of irregular flight service and program of enhancing baggage transportation service led to the improvement of the notification rate of irregular flight service and quality of baggage transportation, which improved overall customer experiences.

In September 2014, the Group introduced B777 aircraft, which is equipped with advanced cabin facilities. Focusing on the B777 aircraft and assessing needs from the perspective of a passenger's flight experience, the Group's service flow, in-flight catering, in-flight supplies and entertainment system are well-designed to provide comprehensive services and demonstrate the Group's advanced service quality. Meanwhile, the Group upgraded and modified cabin configuration of aircraft for other long-and-medium routes to further improve cabin environment. The Group continuously increased service input, advanced renovation of VIP lounges and establishment of lounges for the first and business classes at Shanghai, Beijing, Chengdu, Lanzhou, Jinan and Nanjing airports and thus, provided passengers with a more comfortable experience.

Freight transportation and logistics

In 2014, the global aviation freight transportation business recovered slowly. The Group achieved relatively significant improvement in results by controlling flight capacity and enhancing marketing efforts. The Group further streamlined its fleet of freighters and terminated the leases of two older freighters in order to reduce operating costs. By improving the utilisation rate of freighters and providing flexible flight capacity options, the Group's market share in Europe and America was stabilised. The Group has also established a regional freight hub in Zhengzhou by launching cargo flights from Zhengzhou to Amsterdam and Chicago and establishing a Zhengzhou-based regulated truck delivery network which covered 28 locations in China. The Group also refined its cabin management by enhancing its management on capacity and fares.

Meanwhile, the Group proactively promoted the transformation of freight transportation and logistics business and expanded value-added businesses such as logistics integration and express delivery. The Group established a logistics resources bank which covers 510 suppliers with domestic suppliers generally covering the entire country. The Group also completed the layout of international suppliers network in four major regions, including Shanghai, Europe, America and Southeast Asia. The Group also proactively participated in cross-border e-commerce business by providing logistics solutions for cross-border e-commerce and completing self-development of the "cross-border e-commerce logistics business system". The Group enhanced global trading procurement and imported the best and freshest in-season products from regions such as North America and South America.

Cost Control

The Group continued to intensify comprehensive budget management and enhance follow-up tracking of budget items in order to improve the accuracy of budget control. With continuous optimisation of its fleet and routes, fuel consumption was reduced and aircraft fuel costs were lowered. The Group strengthened its management for termination of aircraft leases and engine repairs, with the goal of lowering aircraft maintenance costs. The Group strictly controlled new staff recruitment, optimised the retirement schemes, improved labour efficiency and strengthened labour cost management. The Group also strengthened capital management to improve capital utilisation efficiency with a focus on capital management of subsidiaries and overseas operating units. The Group also diversified its financing channels and reduced financing costs. In 2014, the Company issued RMB3.3 billion of offshore RMB-denominated bonds and RMB4 billion of PRC super short-term commercial paper at relatively low costs.

Reform and Transformation

In 2014, the Group continued its various efforts in deepening reform and transformation in various operations. In order to proactively respond to the trend of rapid development of domestic and international low-cost airlines, the Group transformed China United Airlines, a wholly-owned subsidiary of the Group, into a low-cost airline in July 2014 and commenced an innovative way of simultaneously operating both full service carrier and low-cost carrier. We have adopted an innovative asset management model and established 東航技術有限公司 (Eastern Airlines Technology Co., Ltd.) to explore the transformation of supporting assets to operational assets. The Group also attempted to establish in-flight internet access, and in July 2014, the Group completed trial operations of the first WIFI-equipped commercial passenger flight in Mainland China. In December 2014, an e-commerce company was established to carry out planning and integration of various products and service resources to provide customers with one-stop travel-related integrated products and service solutions.

Brand and Social Responsibilities

While pursuing sustainable enterprise development, the Group has adopted a social responsibility philosophy with respect to corporate decision making and operations, which seeks to unify corporate development and social responsibility.

In 2014, the Group has adopted the new company logo of CEA with four B777 aircraft painted with the new logo and commenced operations to demonstrate a brand new corporate image. The Group's "accurate, exquisite, refined and wonderful" service has been increasingly and positively recognised by passengers. The Group completed the significant transportation assurance tasks for charter flights for the Conference on Interaction and Confidence-Building Measures in Asia (CICA), Youth Olympic Games, APEC meeting and West Africa Anti-Ebola Event and the Group earned high praise from the public.

The Group's charity service campaign "Love at China Eastern Airlines" was awarded the Gold Award at the 首屆中國青年志願者服務項目大賽 (First Chinese Young Volunteers Services Contest). In 2014, the "Love at China Eastern Airlines" campaign have organised activities such as visiting welfare and nursing homes, subsidising Hope Schools and schools for urban and rural migrant workers' children and caring for children at schools for hearing-speaking impaired, voluntary blood donation, environmental protection and activities which promote public code of conduct. 4,649 projects were launched with a staff and members participation count of 248,860, serving a total of 193,187 people. Through interaction with the community, the Group has established a charity brand image of "delivering love and serving the community".

In 2014, the Group was recognised as "Top 50 Most Valuable Chinese Brands" by WPP, a global brand communication firm; awarded the "China Securities Golden Bauhinia Award" and ranked first as the "Best Listed Company Award" by Ta Kung Pao in Hong Kong for three consecutive years; and ranked among top 10 in terms of "Most Competitive Asia Airline 2014" and "Most Popular Asia Airline 2014" in the 5th World Airline Competitiveness Rankings.

Outlook for 2015

The Group would like to bring to the attention of readers of this report that this report contains certain forward-looking statements, including a general outlook of international and domestic economies and the aviation industry, and descriptions of the Group's future operating plans for 2015 and beyond. Such forward-looking statements are subject to many uncertainties and risks, many of which are beyond the control of the Group. The actual events that occur may be materially different from these forward-looking statements.

In 2015, despite a solid foundation, the global economy is expected to experience weak recovery with insufficient total demand. The PRC economy is expected to generally have slowing growth. With this complicated operating environment, the Group will leverage on opportunities arising from related regulations and the development of domestic tourism economy to focus on the following areas in order to achieve better operating results:

1. reinforcing safety responsibilities system, strengthening its safety culture and enhancing awareness of safety responsibilities to maintain continuous safety;

2. strengthening the market share of its hubs, optimising interline transit, enhancing operating abilities of international routes to increase revenue level of passenger and freight transportation;

3. upgrading service quality, enhancing online services integration, improving service standards and processes, reinforcing service management;

4. strengthening cost control, enhancing management on capital, improving debt structure to realise lower cost with higher efficiency;

5. intensifying transformation, exploiting the leading effect of information technology by emphasizing technological application of, among others, big data and mobile internet; promoting the construction and operation of e-commerce platform, intensifying the promotion of operating efficiency of the transformation of China United Airlines, maintaining continuous promotion of the new commercial logistics transformation model of "Freight Expressway + E-commerce + Trading".

REVIEW OF OPERATIONS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

As a member of SkyTeam, the Group has extended its flight network from Shanghai to 1,052 cities in 177 countries via close cooperation with SkyTeam member airlines. Our Eastern Miles frequent flyer program now has 22.84 million members.

Headquartered in Shanghai, the Group is one of the leading airlines in China. It has been listed in Shanghai, Hong Kong and New York since 1997, which is the first airline in the civil aviation industry in China that achieved listing in three markets. Adhering to the philosophy of "Customer-Oriented and Dedicated Service", the Group has been providing safe and comfortable air journeys to passengers for many years. As at the end of 2014, the fleet of the Company comprised a total of 515 modern aircraft and freighters. Leveraging upon Shanghai core hub and Xi'an and Kunming regional hubs, it has established and extended its aviation transportation network to cover 1,052 destinations in 177 countries. With an extensive global outreach, the Company provided quality services to more than 80 million travelers all over the world. The Company joined SkyTeam Alliance in 2011. Its Eastern Miles frequent flyer program now has 22.84 million members who can enjoy member benefits offered by 20 airlines of SkyTeam Alliance and lounge access to 516 lounges worldwide. With the vision of "establishing a world-class and happy CEA", the Company strives to become an integrated aviation services and logistics services provider that is "cherished by staff, preferred by customers, satisfied by shareholders and trusted by society".

Operating Revenues

In 2014, there was an increase in the Group's passenger revenues, which amounted to RMB75,261 million, representing an increase of 3.2% from the previous year, and accounted for 91.13% of the Company's traffic revenues in 2014. Passenger traffic volume was 127,749.87 million passenger-kilometres, representing a 6.1% increase from the previous year.

The passenger traffic volume of the Group's domestic routes was 88,191.50 million passenger-kilometres, representing an increase of 6.5% from the previous year. Compared to 2013, domestic passenger revenues increased by 2.16% to RMB51,647 million, accounting for 68.62% of the Group's passenger revenues.

The passenger traffic volume of the Group's international routes was 35,191.49 million passenger-kilometres, representing a 4.7% increase from the previous year. Compared to 2013, international passenger revenues increased by 7.16% to RMB20,301 million, accounting for 26.97% of the Group's passenger revenues.

The passenger traffic volume of the Group's regional routes was 4,366.89 million passenger-kilometres, representing an increase of 7.8% from the previous year. Compared to 2013, regional passenger revenues decreased by 3.33% to RMB3,313 million, accounting for 4.40% of the Group's passenger revenues.

In 2014, cargo and mail traffic revenues amounted to RMB7,328 million, representing a decrease of 3.62% from the previous year, and accounting for 8.87% of the Company's traffic revenues in 2014. Cargo and mail traffic volume was 4,802.43 million tonne-kilometres, representing a decrease of 1.1% from last year.

In 2014, other revenues were RMB7,596 million, representing a decrease of 1.53% from the previous year, primarily due to a decrease in the income from tour operations and ground services of the Company.

REVIEW OF OPERATIONS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Ma Xulun
Vice Chairman, President

Operating Expenses

In 2014, the Group's total operating cost was RMB87,812 million, representing a decrease of 1.77% from previous year.

Analysis of the changes in other items under operating costs of the Group is set out as follows:

Aircraft fuel costs accounted for the most substantial part of the Group's operating costs. In 2014, the average price of fuel decreased by 4.73% compared to that of last year. The Group's total aviation fuel consumption was approximately 4,757,400 tonnes, representing an increase of 3.45% from last year. Jet fuel expenditures of the Group reached RMB30,238 million, representing a decrease of 1.44% from last year.

Take-off and landing charges amounted to RMB9,440 million, or an increase of 2.72% from last year, and was primarily due to the increase in the number of take-off and landings from last year.

Gain on fair value movements of derivative financial instruments was RMB11 million, representing a decrease of 38.89% from previous year.

Depreciation and amortisation amounted to RMB9,183 million, representing an increase of 11.63% from last year, and was primarily due to the addition of new aircraft and engines to expand fleet.

Wages, salaries and benefits amounted to RMB11,270 million, representing a decrease of 16.23% from last year, and was primarily due to changes to the Company's retirement benefit policies.

Aircraft maintenance expenses amounted to RMB4,453 million, representing a decrease of 5.05% from last year, and was primarily due to the enhancement in the Company's aircraft maintenance abilities and a decrease in the number of aircraft under material repairs.

Food and beverage expenses were RMB2,364 million, representing an increase of 4.23% from last year, and was primarily due to the increased passengers.

Aircraft operating lease rentals amounted to RMB4,502 million, representing a decrease of 2.24% from last year, and was primarily due to a decrease in the number of aircraft held through operating leases.

Other operating lease rentals amounted to RMB637 million, representing a decrease of 6.19% from last year, and was primarily due to a decrease in leasehold properties.

Selling and marketing expenses were RMB4,120 million, representing a decrease of 0.46% from last year, and was primarily due to decreased basic standards of handling fees of agency businesses.

The amount of civil aviation infrastructure levies payable to CAAC was RMB1,656 million, representing an increase of 5.75% compared to last year. This increase was primarily due to an increase in miles flown during the year.

Ground service and other expenses were RMB4,998 million, representing a decrease of 2.10% over the previous year. The decrease was primarily due to a decrease in corresponding expenses following a decrease in the income from tour operations and ground services of the Company.

Indirect operating expenses were RMB4,950 million, representing an increase of 7.07% compared to last year. This was primarily attributable to an increase in corresponding expenses following the expansion of fleet of the Company.

Other operating income

In 2014, other operating income of the Group amounted to RMB3,685 million, which represented an increase of 35.23% from last year, primarily due to an increase in income from co-operation routes of the Company.

Finance Income/Costs

In 2014, the Group's finance income was RMB88 million, which is a decrease of 95.86% from RMB2,125 million of the same period last year. Finance costs amounted to RMB2,160 million, representing an increase of 39.44% from last year. The above fluctuations were primarily due to the Group recording net exchange losses in 2014 as compared to net exchange gains in the same period last year, leading to the substantial year-on-year increase of finance costs for the period.

Profit

As a result of the foregoing, the Group's profit attributable to the equity shareholders of the Company in 2014 was RMB3,410 million, representing a 43.70% increase as compared to the Group's profit attributable to the equity shareholders of the Company of RMB2,373 million in 2013. This results was also primarily due to the continuous improvement of the Group's operating abilities and the decrease of jet fuel prices, as well as adjustments to the retirement benefit policies of our employees.

Liquidity and Capital Structure

The Group generally finances its working capital requirements through business operations and short-term bank loans. As at 31 December 2014 and 2013, the Group's cash and cash equivalents amounted to RMB1,355 million and RMB1,995 million, respectively. Net cash inflow generated from the Group's operating activities was RMB12,295 million and RMB10,806 million, respectively, for 2014 and 2013. Capital expenditures for the purchase of aircraft were partly funded by internal funds, the balance of which was mainly financed by long-term and short-term borrowings and finance leasing. In 2014 and 2013, the Group's net cash outflow from investment activities was RMB24,033 million and RMB17,028 million, respectively. In 2013, net cash inflow from the Group's financing activities was RMB5,730 million. In 2014, net cash inflow from the Group's financing activities was RMB11,112 million, which was primarily due to new substantial borrowings and finance leases during the period.

The Group generally operates with net current liabilities. As at 31 December 2014, the Group's current liabilities exceeded its current assets by RMB42,887 million. The Group has been and believes it will continue to be capable of financing its working capital requirements by obtaining loans from banks and various financing means such as the issuance of bonds.

The Group monitors its capital on the basis of its debt ratio, which is calculated as total liabilities divided by total assets. As at 31 December 2014, the debt ratio of the Group was 80.84%.

As at 31 December 2014 and 2013, the Group's borrowings payable within one year were RMB28,676 million and RMB23,285 million, respectively. As at 31 December 2014, the Group's borrowings payable from one to two years, from three to five years and beyond five years were RMB8,801 million, RMB10,868 million and RMB10,844 million, respectively, as compared to RMB6,606 million, RMB9,952 million and RMB10,758 million, respectively, as at 31 December 2013.

As at 31 December 2014, the Group's borrowings comprised USD-denominated borrowings of USD7,025 million and RMB-denominated borrowings of RMB16,205 million. Fixed-rate borrowings accounted for 36.98% of the total borrowings, and floating-rate borrowings accounted for 63.02% of the total borrowings. As at 31 December 2013, the Group's borrowings comprised USD-denominated borrowings of USD5,776 million and RMB-denominated borrowings of RMB15,386 million. Fixed-rate borrowings accounted for 28.38% of the total borrowings, and floating-rate borrowings accounted for 71.62% of the total borrowings.

The Group's obligations under finance leases as at 31 December 2014 and 2013 were RMB38,695 million and RMB23,135 million, respectively. As at 31 December 2014, the Group's lease obligations payable within two years, from three to five years and beyond five years were RMB9,007 million, RMB11,482 million and RMB18,206 million, respectively, as compared to RMB5,945 million, RMB8,651 million and RMB8,539 million, respectively, as at 31 December 2013. The Group's obligations under finance leases comprised only floating-rate obligations.

As at 31 December 2014, the Group's obligations under finance leases comprised USD-denominated obligations of USD5,954 million, SGD-denominated obligations of SGD201 million, HKD-denominated obligations of HKD1,203 million and JPY-denominated obligations of JPY7,309 million. As at 31 December 2013, the Group's obligations under finance leases comprised USD-denominated obligations of USD3,067 million, SGD-denominated obligations of SGD224 million, HKD-denominated obligations of HKD1,336 million and JPY-denominated obligations of JPY8,222 million.

Interest Rate Fluctuation

The Group's total interest-bearing liabilities (including long-term and short-term borrowings, finance leases payable and bonds payable) as at 31 December 2014 and 2013 were RMB97,884 million and RMB73,736 million, respectively, of which short-term liabilities accounted for 33.99% and 35.62%, respectively, for those years. Most of the long-term interest-bearing liabilities were liabilities with floating interest rates. Both of the short-term liabilities and the long-term interest-being liabilities were affected by fluctuations in current market interest rates.

The Group's interest-bearing liabilities were primarily denominated in USD and RMB. As at 31 December 2014 and 2013, the Group's liabilities denominated in USD accounted for 81.14% and 75.61%, respectively, of total liabilities while liabilities denominated in RMB accounted for 16.56% and 20.88%, respectively, of total liabilities. Fluctuations in the USD and RMB interest rates have and will continue to have significant impact on the Group's finance costs. As at 31 December 2013, the notional amount of the outstanding interest rate swap agreements was approximately USD844 million. As at 31 December 2014, such amount was USD801 million and these agreements will expire between 2015 and 2024.

Exchange Rate Fluctuation

As at 31 December 2014, the Group's total interest-bearing liabilities denominated in foreign currencies, converted to RMB, amounted to RMB81,679 million, of which USD liabilities accounted for 97.24% of the total amount. Therefore, a significant fluctuation in foreign exchange rates will subject the Group to significant foreign exchange loss/gain arising from the translation of foreign currency denominated liabilities, which will also affect the profitability and development of the Group. The Group typically uses hedging contracts for foreign currencies to reduce the foreign exchange risks for foreign currency revenue generated from ticket sales and expenses to be paid in foreign currencies. The Group's foreign currency hedging contracts mainly involve the sales of JPY and the purchase of USD at fixed exchange rates. As at 31 December 2013, foreign currency hedging contracts held by the Group amounted to a notional amount of USD38 million. Such amount was USD39 million as at 31 December 2014, and will expire between 2015 and 2017.

In 2014, the Group's net foreign exchange losses were RMB203 million. In 2013, the Group's net foreign exchange gains were RMB1,977 million.

Fluctuation of Fuel Prices

In 2014, assuming other factors remain constant, if the average price of jet fuel had increased or decreased by 5%, jet fuel costs of the Group would have increased or decreased by approximately RMB1,512 million.

In 2014, the Group did not engage in any aviation fuel hedging activities.

Risk Analysis

1. Macro-economic Risk

The aviation transportation industry is closely related to macro-economic development. Civil aviation transportation industry is more sensitive to macro-economic climate, which directly affects the development of economic activities, disposable income of residents and changes in amount of import and export activity. These factors will in turn affect the demand for passenger and cargo services. If the macroeconomic climate, worsens, the Company's results of operations and financial condition may be adversely affected.

2. Policy and Regulation Risk

The aviation transportation industry is relatively sensitive to policies and regulations. Changes in domestic and foreign economic environment and the continuous development of aviation industry could result in the relevant laws and regulations and industry policies to be adjusted accordingly. Such changes may, to a certain extent, result in uncertainties to the future operating results of the Company.

3. Flight Safety Risk

Flight safety is the principle and foundation for airlines to maintain normal operations and good reputation. Bad weather, mechanical failure, human errors, aircraft and equipment irregularities or failures and other *force majeure* events may have an adverse effect on the flight safety of the Company.

4. Human Resources Risk

Various airlines have continued to increase investment in flight capacity and newly-established airlines have launched their operations. This contributed to competition among domestic airlines for core technical staff such as pilots, cabin crew, operations and control staff as well as major management personnel. If the core technical human resources reserves are unable to sufficiently address the outflow of core personnel, or fail to adequately respond to the rapid growth of the Company's operational scale, the business and operations of the Company may be adversely affected.

5. Competition Risk

With the liberalisation of the domestic aviation market, development of low-cost airlines and the strengthening position of leading international airlines, future competition in the domestic and overseas aviation transportation industries will be intensified and may adversely affect the results of operations and revenue of the Company.

There is a certain level of overlap between the railway transportation, road transportation and air transportation in respect of medium to short distance transportation means. With the development of railway and road transportation network, the domestic civil aviation market may be affected. Certain of the Company's routes will experience continuous competitive pressure.

6. Risk Associated with the Fluctuation of Fuel Prices

Jet fuel is one of the major expenses of airlines. The fluctuations of international crude oil prices and adjustments on domestic jet fuel prices have an impact on the Company's profitability. Therefore, significant fluctuations of future oil prices in the international markets or adjustments on domestic jet fuel prices may have a significant impact on the Company's results of operations.

7. Interest Rate Fluctuation Risk

The majority of the Company's liabilities are attributable to USD-denominated liabilities and RMB-denominated liabilities resulting from introduction of aircraft and engines. Therefore, changes in interest rates of USD and RMB may increase repayment costs of the Company's existing loans that carry floating interest rates, as well as future finance costs, which in turn may affect the implementation of material operating plans regarding the introduction of aircraft and the results of operations and financial condition of the Company.

8. Exchange Rate Fluctuation Risk

Fluctuations in the foreign currency exchange rates against RMB may lead to foreign exchange loss/gain arising from the translation of foreign currency such as USD, denominated liabilities of the Company and increase in overseas purchase costs, which will materially affect the results of operations of the Company.

9. Information Technology Safety Risk

The network information system of the Company covers all operational process, from front-end service to back-office support and imposes new requirements on traditional management and work processes of the Company. If there are any design discrepancies, operation default or interruption in the network information system of the Company, or if it experiences external network attacks, the Company's business and operations may be affected or result in leakage of customers' data. The occurrence of any of the foregoing may have an adverse effect on the brand image of the Company. Future upgrades of information technology that are required will challenge the reliability of the Company's existing systems.

10. Development and Transformation Risk

While the Company expands to new international markets and carries out external investments or mergers and acquisition, it may face risks including business decision-making, foreign laws and management risks which may affect the results of implementing the development strategies of the Company.

During the process of transformation, the Company will explore the e-commerce market to reduce aviation operation costs and innovative asset management methods, with new requirements for the overall operating management abilities of the Company. The Company may be unable to achieve expected goals.

11. Suppliers Risk

The aviation transportation industry requires high technology and high operating costs. There are limited available suppliers in respect of key operating resources including aircraft, engines, flight spare parts, jet fuel and information technology services. Airlines generally obtain operating resources through centralised purchases to reduce operating costs. If the Company's major suppliers are adversely affected, this may have an adverse impact on the business and operations of the Company.

12. Other Force Majeure and Unforeseeable Risks

The aviation transportation industry is highly sensitive to external factors. Natural disasters, public health emergencies, terrorist attacks and political instability may affect the normal operation of airlines. Flight suspension, decrease in passenger capacity and income, as well as increased safety and insurance costs may adversely affect the business and operations of the Company.

Pledges on Assets and Contingent Liabilities

The Group generally finances the purchases of aircraft through finance leases and bank loans secured by its assets. As at 31 December 2013, the value of the Group's assets used to secure certain bank loans was RMB24,306 million. As at 31 December 2014, the value of the Group's assets used to secure certain bank loans was RMB23,117 million, representing a decrease of 4.89% compared to last year.

As at 31 December 2014, the Group had no significant contingent liabilities.

Capital Expenditure

The Company's capital expenditure comprises of aircraft, engines, aviation equipment and other fixed assets and investments, which mainly includes aircraft, engines and aviation equipment. According to the agreements entered into in relation to aircraft, engines and aviation equipment, as at 31 December 2014, we expect our future capital expenditures for aircraft, engines and aviation equipment to be, in the aggregate, approximately RMB105,011 million, including approximately RMB25,830 million in 2015 and RMB18,249 million in 2016, in each case subject to contractual changes or any change relating to inflation. We plan to finance our capital commitments through a combination of funds generated from operations, existing bank credit facilities, bank loans, leasing arrangements and other external financing arrangements.

Capital Requirements

The foreseeable capital expenditure of the Group is primarily for supporting daily operations, purchase of aircraft, engines and equipment and investment in fixed assets projects, among which fixed assets projects mainly comprise infrastructure projects such as the CEA base (west district) phase II ancillary project at Shanghai Hongqiao International Airport and the CEA base project at the Beijing new airport.

Human Resources

As at 31 December 2014, the Group had 69,849 employees, the majority of whom were located in the PRC. The wages of the Group's employees generally consisted of basic salaries and performance bonuses. The Group was not involved in any major labour disputes with its employees, nor did it experience any significant turnover of employees or encounter any difficulties in recruiting new employees.

Total number of staff	69,849
Number of staff of the Company	43,960
Number of staff of major subsidiaries	25,889
Number of retired staff whose expenses are committed by the Company and major subsidiaries	5,432

Composition of Professionals

Category of Professionals	Number of Professionals
Pilots	6,205
Flight attendants and other aircrew	12,203
Maintenance personnel	10,542
Ground services and others	30,261
Operation control	2,004
Information technology	670
Sales and marketing	3,892
Management	4,072
Total	**69,849**

Education Level

Category of Education Level	Number of Staff
Master and above	1,330
Bachelor	24,478
Non-degree tertiary	25,105
Other	18,936
Total	**69,849**

Employees Training Program

The Company puts great emphasis on employees training by improving the structure of its training system, strengthening front-line training, intensifying management training and innovating cultivation model to nurture a team of excellent talents who are able to accommodate the innovation and development of the Company and better satisfy the Company's business development needs and talent team building requirements.

Management Personnel Training

In 2014, the Company organised the two-session "Workshop for Senior Management" with 52 participants and formulated the Management Procedures of "Workshop for Senior Management" (《"高管工作坊"管理程序》) to solidify progress of projects. It also organised the three-session "Management Forum" to study pressing problem and share strategic ideas. It provided training on "Operational Leadership" and "Team Leadership" to continually optimise its training system and implement advanced training in leadership. Focusing on training sessions at different management levels, it commenced leadership research project with GE and Rolls – Royce for the mid-level management to promote project training in leadership.

Core Technician Training

In 2014, the Company strengthened practical teaching sessions such as case study, scenario simulation, emergency response and co-training of different teams to ensure effective outcome of professional pilot training, cabin service training and operational training. The Company focused on cultivating personnel of key positions and commenced specialised trainings covering pilots management and transition to B777-300ER aircraft, with a view to serving major business of the Company.

Substituting Talents Training

The Company places great emphasis on the establishment of substituting talents pool by formulating the corresponding training plan for staff at different levels. In 2014, on top of "Yan Program" (燕計劃), "Yi Program" (翼計劃) and "Xiang Program" (翔計劃), the Company further refined its substituting talents training system and selected 86 staff from "Ying Program" (鷹計劃). According to the appraisal of Leadership Development Centre for Substituting Talents (後備人才領導力發展中心), 11 staff from Xiang Program and 7 staff from Yi Program were placed in tier-one. According to the competency model for management trainees of CEA, 30 staff were selected to the second session of Yan Program.

Diversification of Learning Platform

In 2014, by starting from learning experience, the Company provided 402 quality courses on the CEA E-learning website and connected with its master data platform to increase the usage of server and enhance online learning and examination. The number of visitors accumulated to more than 22.51 million since its launching.

The "Palm Lesson" was upgraded and extended on the "Leadership Institute" to provide all staff with featured courses such as corporate culture, company strategies, crisis management as well as more than 50 WeChat-Lecture (微課程) such as "CEA's Strategies step by step" (東航戰略step by step) and "Run! It's time for CEA" (快跑，東航時間到了).

Since its establishment on WeChat early this year, CEA crew training has been providing trainings to flight crew and regularly distributing more than 150 messages in 70 issues related to WeChat-Lectures (微課程), WeChat-Guidance (微指導), WeChat-Notice (微通知), WeChat-Activities (微活動) and industrial news.

Critical Accounting Policies

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and potentially result in materially different results under different assumptions and conditions.

Our audited consolidated financial statements have been prepared in accordance with IFRS. Our principal accounting policies are set forth in Note 2 to our audited consolidated financial statements. IFRS requires that we adopt the accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial position. However, different policies, estimates and assumptions in critical areas could lead to materially different results. The critical accounting policies adopted and estimates and assumptions made in the preparation of these financial statements are identified and set forth in Note 4 to our audited consolidated financial statements.

Taxation

The Company is subject to income tax at a rate of 25% (2013: 25%). Our effective tax rate, however, may be lower than the rate of 25% because certain subsidiaries were incorporated in jurisdictions where the applicable income tax rate is 16.5% or 15% rather than 25%. We had carried forward tax losses of approximately RMB2,275 million as at 31 December 2014 (2013: RMB5,239 million), which can be used to set off future taxable income between 2015 and 2019.

REPORT OF DIRECTORS

The Board is pleased to present the audited financial report of the Group for the year ended 31 December 2014.

Group Activities and Results

The Company, with its headquarters in Shanghai, is one of the three largest air carriers in the PRC in terms of the total tonne-kilometres and number of passengers carried in 2014. The results of the Group for the year ended 31 December 2014 and the financial position of the Company and the Group as at that date, prepared in accordance with IFRS and PRC Accounting Standards, are set out in the financial statements.

Details of the Company's principal subsidiaries are set out in note 22 to the financial statements of the Group prepared in accordance with IFRS.

The geographical analysis of the Group's revenue from its business is as follows:

Revenue

	PRC Accounting Standard RMB million	IFRS RMB million
Domestic	60,092	60,531
Regional (Hong Kong, Macau and Taiwan)	3,799	3,799
International	25,855	25,855
Total	89,746	90,185

Dividends

Based on the audited financial statements of the Company under the PRC Accounting Standards for Business Enterprises as at and for the year 2014, the retained earnings of the parent company was RMB21 million as at 31 December 2014. Based on the audited financial statements of the Company under the IFRS as at and for the year 2014, the accumulated loss of the parent company was RMB385 million as at 31 December 2014.

Pursuant to the PRC Company Law and its Articles of Association, the Company must recover its losses incurred in previous years with its profit for the year before any dividend distributions are made to its shareholders. The basis of dividend distribution of the Company is the distributable profit of the parent company, which is subject to the principle of adopting the lesser of the profit after tax under the PRC accounting standards and IFRS. As at 31 December 2014, the Company has been recording accumulated losses under IFRS. The Board recommended that no dividend be distributed for the year 2014 and no share capital of the Company be increased through capitalisation of its capital reserve. The dividend profit distribution proposal for the year 2014 shall be submitted to the 2014 annual general meeting for consideration.

Share Capital

1. As at 31 December 2014, the share capital structure of the Company is set out as follows:

			Total number of shares	Approximate percentage in shareholding (%)
I	**A Shares**			
	1.	Listed shares with trading moratorium	698,865,000	5.514
	2.	Listed shares without trading moratorium	7,782,213,860	61.402
II	**H Shares**			
	1.	Listed shares with trading moratorium	698,865,000	5.514
	2.	Listed shares without trading moratorium	3,494,325,000	27.570
III	**Total number of shares**		12,674,268,860	100

Note:

As at 31 December 2014, among the listed A shares of the Company, the Company had 698,865,000 A shares with trading moratorium held by CEA Holding and its wholly-owned subsidiary, CES Finance, and 7,782,213,860 A shares without trading moratorium. Among the listed H shares of the Company, the Company had 698,865,000 H shares with trading moratorium held by CES Global, an overseas wholly-owned subsidiary of CEA Holding, and 3,494,325,000 H shares without trading moratorium. The total number of shares of the Company amounted to 12,674,268,860 shares.

Number of Shareholders

As at 31 December 2014, the total number of registered Shareholders was 241,846, of which 241,215 are holders of A shares and 631 are holders of H shares.

Substantial Shareholders

So far as the Directors are aware, each of the following persons, not being a Director, chief executive, Supervisor or member of the Company's senior management, had, as at 31 December 2014, an interest and/or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise, as at 31 December 2014, interested in 5% or more of any class of the then issued share capital of the Company, or was otherwise, as at 31 December 2014, a substantial shareholder (as defined in the Listing Rules) of the Company:

			As at 31 December 2014		
Name of Shareholders	Type of shares held	Number of shares held	Percentage of shareholding in the Company's total issued share capital	Percentage of shareholding in the Company's total issued A shares	Percentage of shareholding in the Company's total issued H shares
CEA Holding *(Note 1)*	A shares	5,530,240,000	43.64%	65.21%	—
CEA Holding *(Note 2)*	H shares	2,626,240,000	20.72%	—	62.63%
HKSCC Nominees Limited *(Notes 3 to 5)*	H shares	4,179,493,198	32.97%	—	99.67%

Notes:

Based on the information available to the Directors as at 31 December 2014 (including such information as was available on the website of the Hong Kong Stock Exchange) and so far as they are aware of, as at 31 December 2014:

1. Among such A shares, 5,072,922,927 A shares (representing approximately 59.81% of the Company's then total issued A shares) were held by CEA Holding in the capacity of beneficial owner; and 457,317,073 A shares (representing approximately 5.39% of the Company's then total issued A shares) were held by CES Finance in the capacity of beneficial owner, which in turn was 100% held by CEA Holding.

2. Such H shares were held by CES Global in the capacity of beneficial owner, which in turn was 100% held by CEA Holding.

3. Among the 4,179,493,198 H shares held by HKSCC Nominees Limited, 2,626,240,000 H shares (representing approximately 62.63% of the Company's then total issued H shares) were held by CES Global in the capacity of beneficial owner, which in turn was 100% held by CEA Holding.

4. Among the 4,179,493,198 H shares held by HKSCC Nominees Limited, Citigroup Inc. had, through controlled corporations, an interest in an aggregate of 250,730,631 H shares (representing approximately 5.97% of the Company's then total issued H shares). Citigroup Inc. had interest in the aforesaid 250,730,631 H shares of the Company in the following manners:

   (a) 239,065,948 H shares (representing approximately 5.701% of the Company's then total issued H shares) were held in lending pool by Citibank N.A. in the capacity of custodian corporation/approved lending agent, which in turn was 100% held by Citicorp Holdings Inc., which in turn was 100% held by Citigroup Inc.;

   (b) 10,617,082 H shares (representing approximately 0.253% of the Company's then total issued H shares) were held by Citigroup Global Markets Limited in the capacity of beneficial owner or person having a security interest in shares, which in turn was 100% held by Citigroup Global Markets Europe Limited, which in turn was (i) 64.67% held by Citigroup Financial Products Inc.; (ii) 35.22% held by Citigroup Global Markets International LLC; and (iii) 0.11% held by Citigroup Global Markets (International) Finance AG. Each of Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG was 100% held by Citigroup Financial Products Inc., which in turn was 100% held by Citigroup Global Markets Holdings Inc., which in turn was 100% held by Citigroup Inc.;

   (c) 1,000,000 H shares (representing approximately 0.028% of the Company's then total issued H shares) were held by Citigroup First Investment Management Limited in the capacity of beneficial owner or person having a security interest in shares, which in turn was 100% held by Citigroup Global Markets Hong Kong Holdings Limited, which in turn was 100% held by Citigroup Global Markets Overseas Finance Limited, which in turn was (i) 51.86% held by Citigroup Global Markets (International) Finance AG; and (ii) 48.14% held by Citigroup Global Markets Switzerland Holding GmbH. Citigroup Global Markets (International) Finance AG was 100% held by Citigroup Financial Products Inc., which in turn was 100% held by Citigroup Global Markets Holdings Inc., which in turn was 100% held by Citigroup Inc.. Citigroup Global Markets Switzerland Holding GmbH was 100% held by Citigroup Financial Products Inc., which in turn was 100% held by Citigroup Global Markets Holdings Inc., which in turn was 100% held by Citigroup Inc.; and

   (d) 47,600 H shares (representing approximately 0.001% of the Company's then total issued H shares) were held by Automated Trading Desk Financial Services, LLC in the capacity of beneficial owner or person having a security interest in shares, which in turn was 100% held by Automated Trading Desk, LLC, which in turn was 100% held by Automated Trading Desk Holdings, Inc., which in turn was 100% held by Citigroup Acquisition LLC, which in turn was 100% held by Citigroup Financial Products Inc., which in turn was 100% held by Citigroup Global Markets Holdings Inc., which in turn was 100% held by Citigroup Inc..

5. Among the 4,179,493,198 H shares held by HKSCC Nominees Limited, 215, 943,000 H shares (representing approximately 5.14% of the Company's then total issued H shares) were held by Norges Bank in the capacity of beneficial owner.

Save as disclosed above, based on the information available to the Directors and so far as they are aware, as at 31 December 2014, among the 4,179,493,198 H shares held by HKSCC Nominees Limited, no other person had any interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

According to the relevant disclosure requirements laid down by the CSRC, as at the end of the Reporting Period, the 10 largest registered Shareholders and the 10 largest registered Shareholders of shares with trading moratorium and the 10 largest registered Shareholders of shares without trading moratorium on the register of members of the Company and their respective shareholdings are as follows:

THE 10 LARGEST REGISTERED SHAREHOLDERS OF THE COMPANY AND THEIR RESPECTIVE SHAREHOLDINGS

Name of Shareholders	Percentage (%)	Shareholding as at 31 December 2014	Increase/ (decrease) in shareholding in 2014	Type of shares	Charged or locked-up shares	Nature of shares held
CEA Holding	40.03	5,072,922,927	0	241,547,927 shares with trading moratorium	Nil	A shares
HKSCC Nominees Limited (including CES Global)	32.97	4,179,493,198	1,109,900	698,865,000 shares with trading moratorium (2,626,240,000 shares held by CES Global)	Unknown	H shares
CES Finance	3.61	457,317,073	0	457,317,073 shares with trading moratorium	Nil	A shares
China National Aviation Fuel Holding Company	3.32	421,052,632	0	Listed	Unknown	A shares
Jin Jiang International Holdings Company Limited	2.71	343,288,860	0	Listed	Unknown	A shares
Shanghai Alliance Investment Limited	2.57	325,685,429	-101,400,000	Listed	Unknown	A shares
Sinotrans Air Transportation Development Co., Ltd.	0.66	83,157,894	0	Listed	Unknown	A shares
Bank of China Group Investment Limited	0.17	21,997,755	0	Listed	Unknown	A Shares
Shanghai Aijian Trust Co. Ltd – Single Fund Trust AJXT-HBTZ-XT-20130529	0.15	19,137,600	19,137,600	Listed	Unknown	A Shares
Shanghai Light Industry Co., Ltd. for Foreign Economic & Technical Co-operation	0.15	18,574,343	0	Listed	Unknown	A Shares

THE 10 LARGEST REGISTERED SHAREHOLDERS OF SHARES WITHOUT TRADING MORATORIUM AND THEIR RESPECTIVE SHAREHOLDINGS

Name of Shareholders	Shareholding of shares without trading moratorium as at 31 December 2014	Type of shares held
CEA Holding	4,831,375,000	A shares
HKSCC Nominees Limited (including CES Global)	3,480,628,198	H shares
China National Aviation Fuel Holding Company	421,052,632	A shares
Jin Jiang International Holdings Company Limited	343,288,860	A shares
Shanghai Alliance Investment Limited	325,685,429	A shares
Sinotrans Air Transportation Development Co., Ltd.	83,157,894	A shares
Bank of China Group Investment Limited	21,997,755	A shares
Shanghai Aijian Trust Co. Ltd – Single Fund Trust AJXT-HBTZ-XT-20130529	19,137,600	A Shares
Shanghai Light Industry Co., Ltd. for Foreign Economic & Technical Co-operation	18,574,343	A Shares
Shanghai Tex Holding Co., Ltd.	18,574,270	A Shares

Description of any related party or concert party relationship among the above Shareholders:

Among the 4,179,493,198 shares held by HKSCC Nominees Limited, 2,626,240,000 shares were held by CES Global in the capacity of beneficial owner. CES Finance was 100% held by CEA Holding; CES Global was 100% held by CES Finance. Therefore, CES Global was 100% indirectly held by CEA Holding. The Company is not aware of any related party or concert party relationship among other Shareholders of shares without trading moratorium.

THE 10 LARGEST REGISTERED SHAREHOLDERS OF SHARES WITH TRADING MORATORIUM AND THEIR RESPECTIVE SHAREHOLDINGS

No.	Name of Shareholders	Shareholding of shares with trading moratorium	Details of listing availability		Trading moratorium condition
			Date available for listing	Additional number of shares available for listing	
1	CEA Holding	241,547,927	17 April 2016	241,547,927	Non-listed, locked-up for 36 months
2	CES Finance	457,317,073	17 April 2016	457,317,073	Non-listed, locked-up for 36 months
3	CES Global	698,865,000	22 June 2016	698,865,000	Non-listed, locked-up for 36 months

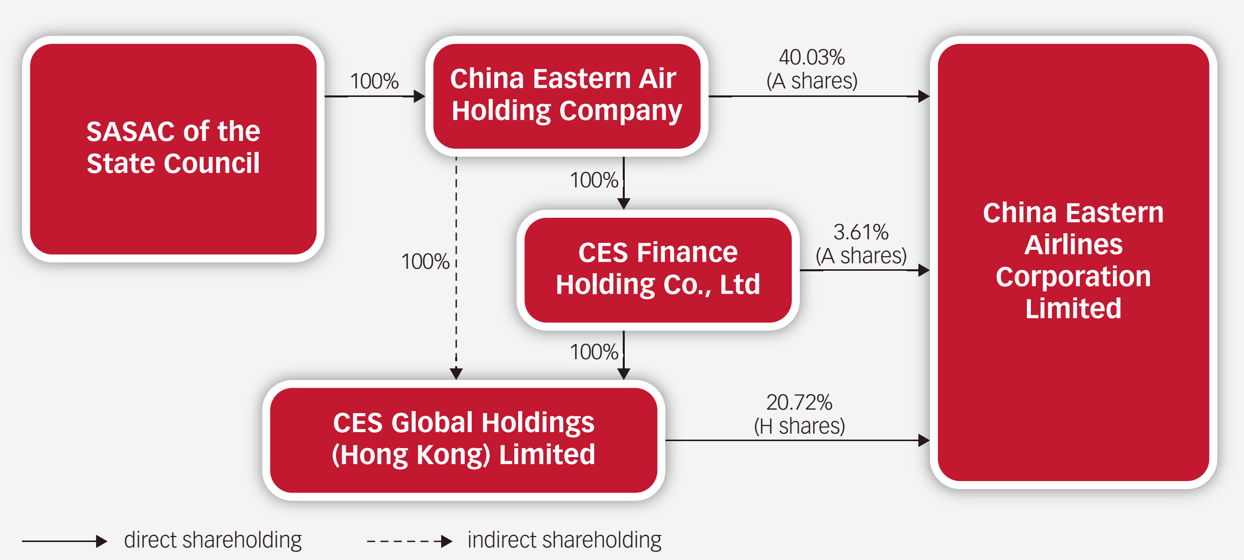
Description of any related party or concert party relationship among the above Shareholders: CES Finance was 100% held by CEA Holding; CES Global was 100% held by CES Finance, CES Global was 100% indirectly held by CEA Holding.

Controlling Shareholder and De Facto Controller

There has been no change in the Company's controlling Shareholder or de facto controller in the year.

CEA Holding is the controlling Shareholder of the Company and its legal representative is Mr. Liu Shaoyong. It was established in August 2002. Its organization code is 74424573-X and its registered capital amounts to RMB12,876,321,000. CEA Holding's scope of business includes the management of all state-owned assets and state-owned equity of its group and its investment enterprises which are formed by state investment. CEA Holding, headquarter based in Shanghai, is one of the three largest core state-owned aviation transportation groups as central enterprises under the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council of the PRC. Since 2009, CEA Holding has earned profit consecutively. It proactively adapted to the new changes in both domestic and overseas markets and followed the development trend of aviation transportation industry. With "being outstanding and strengthened by scientific development" as the subject and "reformation, innovation, transformation and development" as the main direction, CEA Holding innovated and transformed its business model to facilitate the synergetic development of aviation transportation industry and related industries and to support the Company to become a competitive world class aviation transportation enterprise. As at 31 December 2014, no share of the Company held by CEA Holding was pledged.

The de facto controller of the Company is SASAC of the State Council.



Purchase, Sale or Redemption of Securities

During the financial year of 2014, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities ("Securities", having the meaning ascribed thereto under Section 1 of Appendix 16 to the Listing Rules).

Significant Differences between the Corporate Governance Practices of the Company's Home Jurisdiction and the Corporate Governance Practices required to be followed by U.S. Companies Under the New York Stock Exchange's Listing Standards

As a company incorporated in the PRC and listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the NYSE, the Company is subject to not only applicable PRC laws and regulations, including the PRC Company Law, the PRC Securities Law, the Corporate Governance Standards for Listed Companies and Guidance Opinions regarding the Establishment of the Independent Director System in Listed Companies (the "Independent Director Guidance"), but also Hong Kong laws and regulations, including the Listing Rules, the Companies Ordinance and the SFO, as well as applicable U.S. federal securities laws and regulations, including the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002. Based on NYSE's listing standards, the NYSE imposes a series of corporate governance standards for companies listed on the NYSE. However, the NYSE permits foreign private issuers to follow their respective "home country" practices and grants waivers for compliance with certain corporate governance standards. One of the conditions for such waiver is for the foreign private issuer to disclose in its annual report how the corporate governance practices in its "home country" differ from those required of U.S. companies under the NYSE's listing standards.

In accordance with the requirements of Section 303A.11 of the NYSE Listed Company Manual, the following is a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards:

Section 303A.01 of the NYSE Listed Company Manual provides that the Board of the listed companies must have a majority of independent Directors. As a company listed in the PRC, the Company is subject to the requirement under the Independent Director Guidance that at least one-third of the Board be independent as determined thereunder. As a company listed in Hong Kong, the Company is also subject to the requirement under the Listing Rules that at least three members of the Board shall be independent, and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise. The Company currently has four independent non-executive Directors out of a total of ten Directors. The standards for establishing independence set forth under either the Independent Director Guidance or the Listing Rules differ from those set forth in the NYSE Listed Company Manual.

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. The Company is not required under the applicable PRC law to hold such executive sessions.

Section 303A.04 of the NYSE Listed Company Manual provides that listed companies must have a nominating/corporate governance committee composed entirely of independent directors. Under the PRC laws and the applicable listing rules in the PRC, a majority of the members of the nomination committee must be independent directors. Section 303A.04 of the NYSE Listed Company Manual also provides that the nominating/corporate governance committee of a listed company must have a written charter that addresses (i) the committee's purpose and responsibilities; and (ii) an annual performance evaluation of the committee. Listed companies must also post the committee charter on their company website and provide the website address in their annual report. The establishment of the Nomination Committee was considered and resolved and its charter was passed at the third regular meeting of the fifth session of the Board held on 28 April 2009. The merging of the Nomination Committee and the Remuneration and Appraisal Committee into the Nominations and Remuneration Committee was agreed at the 36th ordinary meeting of the fifth session of the Board held on 19 March 2010 and the "Working Rules of the Nominations and Remuneration Committee" was passed. The Nominations and Remuneration Committee consists of three members, two of which are independent non-executive Directors of the Company. The "Working Rules of the Nominations and Remuneration Committee" is published on the Company's website.

Section 303A.05 of the NYSE Listed Company Manual provides that listed companies must have a compensation committee composed entirely of independent directors. In addition, compensation committee members must satisfy the independence requirements specific to compensation committee membership set forth in Section 303A.02(a)(ii). The factors to be considered for independence include whether the committee member receives any consulting, advisory or other compensatory fees from the company and whether such director is affiliated with the listed company or its subsidiary. Under the PRC laws and the applicable listing rules in the PRC, a majority of the members of the remuneration committee must be independent directors. As above, the Nominations and Remuneration Committee of the Company is composed of two independent non-executive Directors and one Director.

Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual provides that listed companies must have an audit committee composed entirely of independent directors. In addition, audit committee members must satisfy the independence requirements set forth in Section 303A.02(a)(ii). The factors to be considered for independence include whether the committee member receives any consulting, advisory or other compensatory fees from the company and whether such director is affiliated with the listed company or its subsidiary. Under the PRC laws and the applicable listing rules in the PRC, a majority of the members of the audit committee must be independent directors. As above, the Audit and Risk Management Committee of the Company is composed of two independent non-executive Directors and one Director.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. As required under the Sarbanes-Oxley Act of 2002, the Company has adopted a code of ethics that is applicable to the Company's Directors, Supervisors, President, Chief Financial Officer and other members of senior management.

Pre-Emptive Rights

Under the Articles of Association and the PRC laws, no pre-emptive right exists, which requires the Company to offer new shares to its existing Shareholders on a pro rata basis.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has at all times during the year ended 31 December 2014 maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08(1)(a) of the Listing Rules.

Shareholdings of Directors, Supervisors and Senior Management

Names, relevant information of and shares held by the Directors, the Supervisors and members of senior management of the Company as at 31 December 2014 are as follows:

Name	Position	Age	Effective date and expiry date of appointment		Number of listed A shares of the Company held–personal interest (shares)	Capacity in which the A shares were held
Liu Shaoyong	Chairman	56	26 June 2013	30 June 2016	0	–
Ma Xulun	Vice Chairman, President	51	26 June 2013	30 June 2016	0	–
Xu Zhao	Director	46	26 June 2013	30 June 2016	0	–
Gu Jiadan	Director	59	26 June 2013	30 June 2016	0	–
Li Yangmin	Director, Vice President	52	26 June 2013	30 June 2016	3,960 *(Note 1)*	Beneficial Owner
Tang Bing	Director, Vice President	48	26 June 2013	30 June 2016	0	–
Sandy Ke-Yaw Liu	Independent Non-executive Director	67	26 June 2013	30 June 2016	0	–
Ji Weidong	Independent Non-executive Director	58	26 June 2013	30 June 2016	0	–
Li Ruoshan	Independent Non-executive Director	66	26 June 2013	30 June 2016	0	–
Ma Weihua	Independent Non-executive Director	67	29 October 2013	30 June 2016	0	–
Yu Faming	Chairman of the Supervisory Committee	61	26 June 2013	30 June 2016	0	–
Xi Sheng	Supervisor	52	26 June 2013	30 June 2016	0	–
Ba Shengji	Supervisor	57	26 June 2013	30 June 2016	0	–
Feng Jinxiong	Supervisor	53	26 June 2013	30 June 2016	0	–
Yan Taisheng	Supervisor	61	26 June 2013	30 June 2016	0	–
Tian Liuwen	Vice President	56	26 June 2013	30 June 2016	0	–
Wu Yongliang	Vice President, Chief Financial Officer	52	26 June 2013	30 March 2016	3,696 *(Note 2)*	Beneficial Owner

Name	Position	Age	Effective date and expiry date of appointment		Number of listed A shares of the Company held–personal interest (shares)	Capacity in which the A shares were held
Feng Liang	Vice President	51	27 August 2013	30 June 2016	0	–
Sun Youwen	Vice President	55	24 March 2014	30 June 2016	62,731 *(Note 3)*	Beneficial Owner
Wang Jian	Board Secretary	42	26 June 2013	30 June 2016	0	–
Shao Ruiqing	Independent Non-executive Director	58	26 June 2013	29 April 2014	0	–
Shu Mingjiang	Vice President	47	26 June 2013	24 March 2014	0	–
Total	–	–	–	–	70,387	–

Note 1: representing approximately 0.000031% of the Company's total issued shares as at 31 December 2014.

Note 2: representing approximately 0.000029% of the Company's total issued shares as at 31 December 2014.

Note 3: representing approximately 0.00049% of the Company's total issued shares as at 31 December 2014.

H Shares Appreciation Rights

In 2012, the Company implemented H shares appreciation rights scheme for the first time. As authorised at the shareholders' meeting of the Company, the Board authorized and confirmed the date of grant for the first scheme was 30 November 2012 and the granting price was HK$2.67. The H share appreciation rights granted under this scheme shall be valid for a period of 5 years from the date of grant. The lock-up period of the share appreciation rights shall be the 24 months from the date of grant, during which no share appreciation right shall be exercised. Subject to the satisfaction of performance appraisal indicators, incentive recipients may exercise their share appreciation rights in equal installments within three years (36 months) after the expiration of the lock-up period (i.e. to be effective for 1/3 annually).

According to the Company's Initial Grant Scheme of the H Shares Appreciation Rights Scheme, in November 2012, the scope of the incentive recipients includes 139 Directors, senior management and key managerial and technical personnel of the Company. As at 31 December 2014, the shares appreciation rights held by a total of 22 incentive recipients of the Company void automatically due to work changes, retirement and resignation of such recipients. There were 117 remaining incentive recipients.

Regarding the 117 remaining incentive recipients, it was planned that the first tranche of H Shares appreciation rights (accounted for one-third of the total number of appreciation rights) would be exercised on 1 December 2014. As the Company failed to satisfy all relevant exercise objectives in the year 2013, such first tranche of shares appreciation rights void automatically.

The particulars of H shares appreciation rights held by the Company's Directors and the senior management appointed by the Board as at 31 December 2014 were as follows:

Name	Position	Numbers of shares appreciation rights held at the beginning of the year (Ten thousand shares)	Numbers of shares appreciation rights granted during the Reporting Period (Ten thousand shares)	Numbers of exercisable shares appreciation rights during the Reporting Period (Ten thousand shares)	Numbers of exercised shares appreciation rights during the Reporting Period (Ten thousand shares)	Exercise price of shares appreciation rights (HK$)	Numbers of shares appreciation rights held at the end of the Reporting Period (Ten thousand shares)	Market price of H shares as at the end of the Reporting Period (HK$)
Liu Shaoyong	Chairman	100	0	33.33	0	2.67	66.67	3.72
Ma Xulun	Vice Chairman, President	100	0	33.33	0	2.67	66.67	3.72
Xu Zhao	Director	86	0	28.67	0	2.67	57.33	3.72
Gu Jiadan	Director	86	0	28.67	0	2.67	57.33	3.72
Li Yangmin	Director, Vice President	86	0	28.67	0	2.67	57.33	3.72
Tang Bing	Director, Vice President	86	0	28.67	0	2.67	57.33	3.72
Tian Liuwen	Vice President	71	0	23.67	0	2.67	47.33	3.72
Wu Yongliang	Vice President, Chief Financial Officer	71	0	23.67	0	2.67	47.33	3.72
Feng Liang	Vice President	57	0	19	0	2.67	38	3.72
Sun Youwen	Vice President	57	0	19	0	2.67	38	3.72
Wang Jian	Board secretary	57	0	19	0	2.67	38	3.72

For information related to the H shares appreciation rights of the Company, please refer to the relevant announcements or circular of the Company dated 28 August 2012, 20 October 2012, 9 November 2012 and 30 November 2012 which are published on the website of the Hong Kong Stock Exchange.

Brief biographical details in respect of each of the Directors, Supervisors and members of senior management of the Company are as follows:

Mr. Liu Shaoyong is currently the Chairman of the Company and president and deputy party secretary of CEA Holding. Mr. Liu joined the civil aviation industry in 1978 and was appointed as vice president of China General Aviation Corporation, deputy director of Shanxi Provincial Civil Aviation Administration of the PRC, general manager of the Shanxi Branch of the Company, and director general of Flight Standard Department of CAAC. Mr. Liu served as President of the Company from December 2000 to October 2002, vice minister of the CAAC from October 2002 to August 2004, president of China Southern Air Holding Company from August 2004 to December 2008, chairman of China Southern Airlines Co., Ltd. from November 2004 to December 2008. In December 2008, Mr. Liu was appointed as president and deputy party secretary of CEA Holding, and became the Chairman of the Company since February 2009. Mr. Liu is also currently the board member of International Air Transport Association, the board member of Association for Relations Across the Taiwan Straits and the vice chairman of the first session of the supervisory committee of China's Listed Companies Association. Mr. Liu graduated from the China Civil Aviation Flight College and obtained an Executive Master of Business Administration (EMBA) degree from Tsinghua University. Mr. Liu holds the title of commanding pilot.

Mr. Ma Xulun is currently the vice chairman, president and deputy party secretary of the Company, and party secretary of CEA Holding. Mr. Ma was previously vice president of China Commodities Storing and Transportation Corporation, deputy director general of the Finance Department of the CAAC and vice president of Air China International Corporation Limited. In 2002, after the restructuring of civil aviation industry he was appointed as vice president of general affairs of Air China International Corporation Limited. Mr. Ma served as president and deputy party secretary of Air China International Corporation Limited from September 2004 to January 2007. Mr. Ma became a party member of China National Aviation Holding Company from December 2004 to December 2008, and deputy general manager of China National Aviation Holding Company from January 2007 to December 2008. In December 2008, Mr. Ma was appointed as president and deputy party secretary of the Company and deputy party secretary of CEA Holding. Since February 2009, Mr. Ma has become a Director of the Company. Mr. Ma served as party secretary of CEA Holding and vice chairman of the Company with effect from November 2011. Mr. Ma is also currently the deputy director-general of Association of Shanghai Listed Companies. Mr. Ma graduated from Shanxi University of Finance and Economics and Huazhong University of Science and Technology. Mr. Ma holds a master's degree and is a PRC certified accountant.

Mr. Xu Zhao is currently a Director of the Company, and the chief accountant of CEA Holding. Mr. Xu served as engineer and accountant of Dongfeng Motor Group Company Limited, manager of the finance department of Shanghai Yanhua High Technology Limited Company, and chief financial officer of Shaanxi Heavy Duty Automobile Co., Limited. Since November 2006, Mr. Xu has served as the chief accountant of CEA Holding. He was a Supervisor of the Company from June 2007 to November 2011. He has served as a Director of the Company since June 2012. Mr. Xu graduated from Chongqing University, majoring in moulding, and The Chinese University of Hong Kong, majoring in accounting, and holds a master's degree. Mr. Xu is qualified as an engineer and an accountant, and is a certified public accountant in the PRC.

Mr. Gu Jiadan is currently a Director of the Company, and vice president and a party member of CEA Holding. Mr. Gu was the assistant to president, and the general manager of the commerce department and the party secretary of Shanghai Airlines Co., Ltd (上海航空股份有限公司). From May 2005 to August 2009, he was a party member and vice president of Shanghai Airlines Co., Ltd. From August 2009 to January 2010, he was the acting president of Shanghai Airlines Co., Ltd. From January 2010 to July 2011, he was vice president and a party member of CEA Holding and the party secretary of Shanghai Airlines Lo., Ltd. Since July 2011, Mr. Gu has served as the vice president and a party member of CEA Holding. He was appointed as a Director of the Company with effect from June 2012. Mr. Gu holds a master's degree and is a senior economist.

Mr. Li Yangmin is currently a Director, party secretary and vice president of the Company, and a party member of CEA Holding. Mr. Li joined the civil aviation industry in 1985. He was previously deputy general manager of the aircraft maintenance base and the manager of air route department (航線部) of Northwest Company (西北航空公司), general manager of the aircraft maintenance base of China Eastern Air Northwest Branch Company and vice president of China Eastern Air Northwest Branch Company. Since October 2005, he has also been a vice president of the Company. He served as Safety Director of the Company from July 2010 to December 2012. He has become a party member of CEA Holding since May 2011. He was appointed the party secretary and Director of the Company with effect from June 2011. He also served as the chairman of China Cargo Airlines from February 2012 to January 2013. Mr. Li graduated from the Civil Aviation University of China and Northwestern Polytechnical University with master's degrees and obtained an Executive Master of Business Administration (EMBA) degree from Fudan University. He is also a qualified professor-level senior engineer.

Mr. Tang Bing is currently a Director, vice president of the Company, and party member of CEA Holding. Mr. Tang joined the civil aviation industry in 1993. He served as vice executive president (general manager in China Office) of 珠海摩天宇發動機維修有限公司 (MTU Maintenance Zhuhai Co., Ltd.), office director of China Southern Airlines Holding Company and president of 重慶航空有限公司 (Chongqing Airlines Company Limited). From December 2007 to May 2009, he served as chief engineer and general manager of the Aircraft Engineering Department of China Southern Airlines Company Limited. From May 2009 to December 2009, he was appointed as president of the Beijing Branch of the Company and was the president of Shanghai Airlines from January 2010 to December 2011. He served as the chairman of Shanghai Airlines since January 2012 and a Vice President of the Company since February 2010, and was appointed a party member of CEA Holding in May 2011 and a Director of the Company in June 2012. Mr. Tang graduated from Nanjing University of Aeronautics and Astronautics majoring in electrical technology. He obtained a Master of Business Administration (MBA) degree from the Administration Institute of Sun Yat-sen University, an Executive Master of Business Administration (EMBA) degree from the School of Economics and Management of Tsinghua University and a doctoral degree in national economics from the Graduate School of Chinese Academy of Social Sciences. He is also a qualified senior engineer.

Mr. Sandy Ke-Yaw Liu is currently an independent non-executive Director of the Company. He joined the civil aviation industry in Taiwan in 1969 and served in 台灣中華航空公司 (China Airlines) in various capacities, including director of corporate planning, director of marketing planning in its Corporate Office in Taiwan, vice president for marketing and sales and vice president for commerce, and president in the Corporate Office. In addition, Mr. Liu served as a director of 台灣華信航空 (Taiwan Mandarin Airlines), 台灣遠東航空 (Taiwan Far Eastern Air Transport), 台灣華膳空廚 (Taiwan China Pacific Catering Service) and 台灣桃園航勤服務公司 (Taiwan Taoyuan International Airport Service Company), as well as chairman of 台灣華儲物流公司 (Taiwan Air Cargo Terminal). He served as the chief operating officer for the Asia region of 美國Expeditors國際物流公司 (America Expeditors International Logistics Company). Mr. Liu graduated from Taiwan Shih Hsin University and attended advanced study programmes at Stanford University twice in 1990 and 1993.

Mr. Ji Weidong is currently an independent non-executive Director of the Company. Mr. Ji was an associate professor and professor at the School of Law of Kobe University, Japan. Since 2008, he has been the dean and chair professor of Koguan Law School of Shanghai Jiao Tong University. In addition, he is currently an honorary professor at Kobe University, Japan. Mr. Ji graduated from the Department of Law of Peking University. Mr. Ji completed his master's and doctoral degrees in law at the Graduate School of Kyoto University, Japan and obtained his doctoral degree from Kyoto University, Japan. From September 1991 to July 1992, he was a visiting scholar at Stanford Law School.

Mr. Li Ruoshan is currently an independent non-executive Director of the Company. Mr. Li was a deputy dean of the School of Economics and a deputy director of the Accounting Department of the School of Economics of Xiamen University; and a deputy dean of the School of Management, director of the Accounting Department, and director of the Finance Department of Fudan University. Mr. Li is currently a professor and PhD supervisor of the Accounting Department of the School of Management of Fudan University. He is also the deputy director of the Members' Rights Protection Commission of the Chinese Institute of Certified Public Accountants, the vice president of the Shanghai Accounting Society and Shanghai Auditing Society, a member of the Consultant Professional Committee for Listed Companies of the Shanghai Stock Exchange and a consultant professional of the Committee for Accounting Standards of the Ministry of Finance. In 2010, Mr. Li was awarded the "The Best 10 Independent Directors in China" by the Shanghai Stock Exchange. Mr. Li graduated from Xiamen University, majoring in accounting and obtained the first doctoral degree in auditing in China. He further studied abroad in Belgium and the Massachusetts Institute of Technology in the United States.

Mr. Ma Weihua is currently an independent non-executive Director of the Company. Mr. Ma is currently the chairman of Wing Lung Bank Limited in Hong Kong, a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, the vice chairman of China Chamber of International Commerce, a member of the Standing Council of China Society for Finance and Banking, the president of One Foundation, an independent director of each of 中國石油化工股份有限公司 (China Petroleum & Chemical Corporation) and an independent director of China World Trade Center Co., Ltd. Mr. Ma served as an executive director, president and chief executive officer of China Merchants Bank Co., Ltd, the chairman of CIGNA & CMC Life Insurance Company Limited and the chairman of China Merchants Fund Management Co., Ltd. Mr. Ma obtained a doctorate degree in economics and is an adjunct professor at several higher educational institutions including Peking University and Tsinghua University.

Mr. Yu Faming is currently the chairman of the Supervisory Committee of the Company, and a party member and the head of party disciplinary inspection group of CEA Holding. Mr. Yu served as deputy head of the Survey and Research Department of the Policy Research Office of the Ministry of Labour and Human Resources of the PRC, head of the Integration Division of the Department of Policy and Regulation of the Ministry of Labour and Human Resources of the PRC, deputy head of the Labour Science Research Institute of the Ministry of Labour of the PRC, deputy head and head of the Labour Science Research Institute of the Ministry of Labour and Social Security of the PRC and head of the Training and Employment Department of the Ministry of Labour and Social Security of the PRC. From June 2008 to May 2011, he served as head of the Employment Department of the Ministry of Human Resources and Social Security of the PRC. Since May 2011, he has been party member and head of party disciplinary inspection group of CEA Holding. Since June 2011, he has served as the chairman of the Supervisory Committee of the Company. Mr. Yu graduated from Shandong University majoring in philosophy. He holds the title of associate research fellow.

Mr. Xi Sheng is currently a Supervisor of the Company and chief auditor of CEA Holding. Mr. Xi served as the deputy head of the foreign affairs department II of the foreign funds utilization and application audit department and the head of the liaison and reception office of the foreign affairs department of the National Audit Office of the PRC and the deputy head of the PRC Audit Institute (中國審計事務所). He was also the head of the fixed assets investment audit department of the National Audit Office of the PRC, and the party secretary and a special commissioner of the Harbin office of the National Audit Office of the PRC. He served as the head of the personnel and education department of the National Audit Office of the PRC from January 2007 to September 2009. He was the head of the audit department of CEA Holding from September 2009 to November 2012. Mr. Xi has served as the chief auditor of CEA Holding since September 2009. Mr. Xi is also the council member of China Institute of Internal Audit, a member of International Institute of Internal Auditors, a committee member of international relations committee of the institute and committee of executive committee of 亞洲內審組織 (Asia Internal Audit Organisation). Mr. Xi graduated from Jiangxi University of Finance and Economics with undergraduate education background. He is a senior auditor, a Chinese Certified Public Accountant (CPA) and an International Certified Internal Auditor (CIA).

Mr. Ba Shengji is currently a Supervisor of the Company and the chairman of the labour union of CEA Holding. Mr. Ba joined the civil aviation industry in 1978. He served as the section manager and deputy head of the finance department. He was the chief officer of the auditing office of the Company from March 1997 to October 1997, chief officer of the auditing office of CEA Holding from October 1997 to July 2000, head of the audit department of CEA Holding from July 2000 to January 2003, chief officer of disciplinary committee office, head of supervision department and head of audit department of CEA Holding from January 2003 to May 2003. He served as the deputy head of party disciplinary inspection group, chief officer of disciplinary committee office, head of supervision department and head of the audit department of CEA Holding from May 2003 to November 2006. He was the secretary of the disciplinary committee of the Company from November 2006 to November 2009 and the secretary of the disciplinary committee and chairman of the labour union of the Company from November 2009 to November 2011. He served as the deputy secretary of the party committee and secretary of the disciplinary committee of the Company from November 2011 to August 2013. He has served as the chairman of the labour union of CEA Holding since August 2013. Mr. Ba graduated from Shanghai Television University.

Mr. Feng Jinxiong is currently a Supervisor and general manager of the Audit Department of the Company and a head of the audit department of CEA Holding. Mr. Feng joined the civil aviation industry in 1982, and served as deputy head and head of the Planning Department of the Company, head of the Finance Department and deputy chief accountant of CEA Holding, manager of the Human Resources Department of the Company, vice president of CES Finance, and deputy general manager of the Shanghai Security Department of the Company. He also served as president of the China Eastern Airlines Wuhan Co., Ltd. from 2007 to 2009. Since February 2009, he has been general manager of the Audit Department of the Company. He has been a Supervisor of the Company since March 2009. He has been the head of the audit department of CEA Holding from May 2014. Mr. Feng graduated from the Civil Aviation University of China and the Graduate School of the Chinese Academy of Social Sciences, holding a master's degree.

Mr. Yan Taisheng is currently a Supervisor of the Company. Mr. Yan joined the civil aviation industry in 1973, and served as chief of the Board secretariat of the general office of the Company, general manager of 上海民航東大實業公司 (Shanghai Civil Aviation Dong Da Industry Company) and deputy head and head of the general office of the labour union of the Company. He was the vice chairman of the labour union of the Company from 2005 to May 2014, and retired on 1 June 2014. Mr. Yan graduated from East China Normal University.

Mr. Tian Liuwen is currently a vice president of the Company and a party member of CEA Holding. Mr. Tian served as manager of the Beijing Sales Department under the Marketing and Sales Division of China General Aviation Corporation. He was also the head of the general manager office and chairman of the labour union and deputy general manager of the Shanxi Branch of the Company. From June 2002 to January 2008, he was the vice president and subsequently president of the Hebei Branch of the Company. From April 2005 to January 2008, he was the president of the Beijing Base of the Company. He served as general manager of China Eastern Airlines Jiangsu Co., from January 2008 to December 2011. Since December 2011, he has been the vice president of the Company. From December 2011 to June 2013, he was the president of Shanghai Airlines. Since June 2014, he has been a party member of CEA Holding. He obtained an EMBA degree from Nanjing University and is qualified as senior economist.

Mr. Wu Yongliang is currently a vice president and chief financial officer of the Company. Mr. Wu joined the civil aviation industry in 1984 and served as deputy head and subsequently head of the Finance Department of the Company, head of Planning and Finance Department of the Company and head of the Finance Department of CEA Holding. From 2001 to March 2009, he served as deputy chief accountant and head of the Finance Department of CEA Holding. From April 2009 onwards, he has served as chief financial officer of the Company. He has been a vice president of the Company since December 2011. Mr. Wu graduated from the Faculty of Economic Management of Civil Aviation University of China, majoring in planning and finance. He also graduated from Fudan University, majoring in business administration (MBA). Mr. Wu was awarded the postgraduate qualification and is a certified accountant.

Mr. Feng Liang is currently a vice president and the chief engineer of the Company. Mr. Feng joined the civil aviation industry in 1986 and worked in aircraft maintenance base routes department of the Company. From 1999 to 2006, he used to serve as the head of the aircraft maintenance base engineering technology department, chief engineer of the base and general manager of the base. He also served as the general manager of 東航工程技術公司 (China Eastern Air Engineering & Technique) after it was established in September 2006. He has served as the chief engineer of the Company since August 2010, the chief security officer of the Company from December 2012 to December 2014 and the vice president of the Company since August 2013. Mr. Feng was graduated from Civil Aviation University of China, majored in aircraft electrical equipment maintenance and obtained an MBA degree from Shanghai Jiao Tong University.

Mr. Sun Youwen is currently the vice president of the Company. Mr. Sun joined the civil aviation industry in 1980, and served as a squadron leader and the leader of the shanghai flight division. He served as the vice president of China Eastern Airlines Jiangsu Corporation Limited from April 2007 to November 2009 and the general manager of the shanghai flight division of the Company from December 2009 to April 2012. He was appointed as the chief pilot of the Company and the general manager of the shanghai flight division of the Company from April 2012 to March 2014 and has served as the vice president and chief pilot of the Company from March 2014 to July 2014. He has been a vice president of the Company since July 2014. Mr. Sun graduated from the Flight College of Civil Aviation Flight University of China (中國民用航空飛行學院), majored in aircraft driving and obtained an Executive Master of Business Administration (EMBA) degree from the Institute of Management of Fudan University.

Mr. Wang Jian is currently the Board secretary and the Head of the Board secretariat of the Company. Mr. Wang joined the Company in 1995 and served as deputy head of the Company's office and deputy general manager of the Shanghai Business Office of the Company. From September 2006 to May 2009, he was the deputy general manager in the Shanghai Base of China Southern Airlines Company Limited. He served as the head of the Board secretariat of the Company and a representative of the Company's Securities affairs from May 2009 to April 2012. He was appointed as the Board secretary and the head of the Board secretariat of the Company in April 2012. Mr. Wang graduated from Shanghai Jiao Tong University and has an MBA postgraduate degree from East China University of Science and Technology and an EMBA degree from Tsinghua University as well as a qualification certificate for board secretaries of listed companies issued by the Shanghai Stock Exchange.

Mr. Shao Ruiqing was an independent non-executive Director of the Company during the Reporting Period. Mr. Shao was deputy dean and dean of the School of Economics and Management of Shanghai Maritime University. He served as deputy dean at Shanghai Lixin University of Commerce since March 2004. Mr. Shao was also a professor in accounting and mentor to doctoral students. Mr. Shao served as an independent non-executive Director of the Company from June 2010 to April 2014. Mr. Shao was awarded the special allowance by the State Council of the PRC in 1995. He is currently a consultative committee member of the Ministry of Transport of the PRC, as an expert in finance and accounting. Mr. Shao graduated from Shanghai Maritime University, Shanghai University of Finance and Economics and Tongji University with a bachelor's degree in economics, and master's and doctoral degrees in management. Mr. Shao has spent two and a half years studying and being senior visiting scholar in the U.K. and Australia.

Mr. Shu Mingjiang was a Vice President of the Company during the Reporting Period. Mr. Shu joined the civil aviation industry in 1989. He served as vice president of general affairs of 上海東方飛行培訓有限公司 (Shanghai Eastern Flight Training Co., Ltd.), deputy head of the Safety Monitoring Division, vice manager and subsequently manager of the Safety Monitoring Department of the Company, deputy general manager of the Shanghai Flight Division of the Company and vice president of the Yunnan Branch of the Company. From November 2006 to December 2009, he was the chief pilot and general manager of the Operating Control Division of the Company. From December 2009 to November 2011, Mr. Shu was the president of the Beijing Branch of the Company. He was a vice president of the Company from December 2011 to March 2014. Mr. Shu was appointed as the chief safety controller of CEA Holding from February 2014 and the chief safety controller of the Company from December 2014. Mr. Shu graduated from the Flight College of Civil Aviation Flight University of China, majoring in aircraft driving, and obtained a master's degree in flight safety management jointly held by Civil Aviation University of China, ENAC, France and ENSICA, France, and an Executive Master of Business Administration (EMBA) degree from School of Management of Fudan University.

Changes in the Members of the Board and Management Personnel

On 24 March 2014, the sixth ordinary meeting of the seventh session of the Board considered and passed the resolution regarding the change in Vice President of the Company and appointed Mr. Sun Youwen as a Vice President of the Company. Mr. Shu Mingjiang ceased to be a Vice President of the Company due to work reallocation.

Mr. Shao Ruiqing, due to personal commitments, tendered his resignation as an independent non-executive Director of the Company with effect from 29 April 2014 in accordance with relevant requirement.

Cessation

Name	Date of Cessation	Reason for Change	Position
Shu Mingjiang	24 March 2014	Work reallocation	Vice President
Shao Ruiqing	29 April 2014	Personal commitments	Independent Non-executive Director

Appointment

Name	Date of Appointment	Reason for Change	Position
Sun Youwen	24 March 2014	Appointed by the sixth ordinary meeting of the seventh session of the Board	Vice President

Change of Particulars of Directors or Supervisors under Rule 13.51B(1) of the Listing Rules

Mr. Xi Sheng, a Supervisor, ceased to act as a supervisor of 東航旅業投資(集團)有限公司 (Eastern Air Tourism Investment (Group) Co., Ltd.) (a subsidiary of CEA Holding) with effect from August 2014.

Mr. Feng Jingxiong, a Supervisor, was appointed as a supervisor of 北京東投置業有限公司 (Beijing Dongtou Properties Company Limited) (a subsidiary of the Company) with effect from September 2014 and a supervisor of 東方航空技術有限公司 (China Eastern Airlines Technology Co., Ltd.) (a subsidiary of the Company) with effect from December 2014.

Shareholdings of Chief Executive, Supervisors and Senior Management

Save as disclosed above, as at 31 December 2014, none of the Directors, chief executive, Supervisors or members of senior management of the Company and their respective associates had any other interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (including any interest or short position which any of such Directors, chief executive, Supervisors or members of senior management of the Company and their respective associates were taken or deemed to have under such provisions of the SFO), or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applied to the Directors).

In 2014 and as at 31 December 2014, none of the Directors, chief executive, Supervisors, members of senior management of the Company and/or any of their spouses or children under the age of eighteen were granted any right, and the Company had not made any arrangement enabling any of them, to subscribe for equity securities or debt securities of the Company.

As at the date of this report, Mr. Liu Shaoyong (the Chairman of the Company), Mr. Xu Zhao and Mr. Gu Jiadan (Directors), Mr. Yu Faming (the chairman of the Supervisory Committee of the Company), Mr. Xi Sheng and Mr. Ba Shengji (Supervisors) are employees of CEA Holding, which is a company having an interest in the Company's shares required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Service Contracts of Directors and Supervisors

None of the Directors or Supervisors has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the Reporting Period (the term 'contract of significance' having the meaning ascribed thereto in paragraph 15 of Appendix 16 to the Listing Rules).

Remuneration

Directors and supervisors

Details of the remuneration of Directors and Supervisors are set out in note 9 to the financial statements prepared in accordance with IFRS.

H shares appreciation rights scheme

Details of the grant of the H shares appreciation rights of the Company are set out in the section headed "Report of Directors—H Shares Appreciation Rights" of this report.

Major Suppliers and Customers

In 2014, purchases by the Company from the largest and five largest suppliers accounted for 21.87% and 36.00%, respectively, of the total annual purchases of the Company. Total income from sales to the Company's five largest customers amounted to approximately RMB7,519 million, accounting for 8.37% of the Company's total revenue. None of the Directors, Supervisors or any of their respective associates nor any Shareholders who, to the knowledge of the Directors, hold 5% or more of the Company's share capital has any interest in any of the above mentioned suppliers and customers.

Medical Insurance

The majority of the Group's PRC employees participate in the medical insurance schemes organised by the municipal governments, under which the Group and its employees are required to contribute to the schemes approximately 12% and 2%, respectively, of the employee's basic salaries. For those employees who participate in these schemes, the Group has no other obligation for the payment of medical expense beyond such contributions. For the year ended 31 December 2014, the Group's medical insurance contributions charged to the income statement amounted to RMB533 million (2013: RMB478 million).

Employees' Retirement Scheme

Details of the Company's employee retirement scheme and post-retirement benefits are set out in note 38 to the financial statements prepared in accordance with IFRS.

Staff Housing Benefits

Details of the Group's staff housing benefits are set out in note 39 to the financial statements prepared in accordance with IFRS.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 34 to the financial statements prepared in accordance with IFRS.

Interest Capitalized

Interest capitalized by the Group as calculated in accordance with IFRS for the year ended 31 December 2014 was RMB623 million.

Property, Plant And Equipment

Movements in property, plant and equipment of the Company and the Group during the year are set out in note 19 to the financial statements prepared in accordance with IFRS.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2014 and profit appropriation by the Company are set out in note 43 to the financial statements prepared in accordance with IFRS.

Donations

During the year, the Group made donations for charitable purposes amounting to approximately RMB1.09 million.

Material Litigation

As at 31 December 2014, the Group was not included in any material litigation, arbitration or claim.

Significant Events

1. On 28 February 2014, the Company entered into an agreement with Airbus SAS in Shanghai, PRC regarding the purchase of seventy brand new A320NEO aircraft from Airbus SAS, which are expected to be delivered to the Company in stages from 2018 to 2020. On the same date, the Company entered into a disposal agreement with Airbus SAS regarding the disposal of seven Airbus A300-600 aircraft and certain spare parts and spare engines. For details, please refer to the announcement of the Company dated 28 February 2014 issued in Hong Kong.

2. On 6 March 2014, in order to raise funds, Eastern Air Overseas, a wholly-owned subsidiary of the Company, issued RMB2.5 billion guaranteed bonds with an interest rate of 4.8% due 2017 to professional investors in Hong Kong, which was listed on the Hong Kong Stock Exchange. For details, please refer to the announcements of the Company dated 7 March 2014 and 13 March 2014 issued in Hong Kong.

3. On 18 March 2014, the Company paid for the accrued interest from 18 March 2013 to 17 March 2014 of the first tranche of the 2012 corporate bonds which was issued on 20 March 2013 and listed on the Shanghai Stock Exchange on 22 April 2013. The first tranche of the corporate bonds are 10-year fixed interest rate bonds, with an amount of RMB4.8 billion, issue price of RMB100 each and a coupon interest rate of 5.05%. On 30 April 2014, Dagong International Credit Rating Co., Ltd. evaluated this tranche of corporate bonds and issued a credit rating report. For details, please refer to the announcements of the Company dated 10 March 2014 and 30 June 2014 issued in Hong Kong.

4. On 14 May 2014, in order to raise funds, the Company completed the issuance of the 2014 first tranche of super short-term commercial paper, with an issuance amount of RMB4 billion, with a maturity of 270 days, with the nominal value of RMB100 per unit and an issuance interest rate of 4.95%. For details, please refer to the announcement of the Company dated 14 May 2014 issued in Hong Kong.

5. On 14 May 2014, in order to raise funds, Eastern Air Overseas, a wholly-owned subsidiary of the Company, issued an additional RMB800 million guaranteed bonds with an interest rate of 4.8% due 2017 to professional investors in Hong Kong, which was listed on the Hong Kong Stock Exchange. For details, please refer to the announcements of the Company dated 15 May 2014 and 22 May 2014 issued in Hong Kong.

6. On 13 June 2014, the Company entered into an agreement with Boeing Company in Shanghai, PRC to purchase eighty brand new B737 series aircraft from Boeing Company. The above aircraft will be delivered to the Company in stages from 2016 to 2020. On the same day, the Company entered into an agreement with Boeing Company regarding the disposal of fifteen B737-300 aircraft and five B757 aircraft to Boeing Company. For details, please refer to the announcement of the Company dated 13 June 2014 issued in Hong Kong.

7. On 26 June 2014, the 2013 annual general meeting of the Company considered and approved the Resolution on Amendments to Parts of the Terms of the Articles of Association (《關於修訂〈公司章程〉部分條款的議案》). It was agreed that amendments will be made to corresponding terms in the Articles of Association of the Company in connection with the priority of cash dividends to share dividends in profit distributions and intervals for cash dividend distributions. For details, please refer to the announcement of the Company dated 26 June 2014 issued in Hong Kong.

8. On 9 February 2015, the Company redeemed the 2014 first tranche of RMB4 billion 4.95% super short-term commercial paper, which was issued on 14 May 2014. The commercial papers had a maturity of 270 days at a nominal value of RMB100 per unit. For details, please refer to the announcement of the Company dated 4 February 2015 issued in Hong Kong.

9. On 12 February 2015, in order to raise funds, the Company completed the issuance of the 2015 first tranche of super short-term commercial paper in the amount of RMB3 billion, with a maturity of 180 days and nominal value of RMB100 per unit and an issuance interest rate of 4.5%. For details, please refer to the announcement of the Company dated 13 February 2015 issued in Hong Kong.

10. On 18 March 2015, the Company paid for the accrued interest from 18 March 2014 to 17 March 2015 of the first tranche of the 2012 corporate bonds which was issued on 18 March 2013 and listed on the Shanghai Stock Exchange on 22 April 2013. The first tranche of the corporate bonds are RMB4.8 billion 5.05% 10-year fixed interest rate bonds, with an issue price of RMB100 each. For details, please refer to the announcement of the Company dated 10 March 2015 issued in Hong Kong.

11. On 27 March 2015, in order to raise funds, the Company completed the issuance of the 2015 second tranche of super short-term commercial paper in the amount of RMB3 billion, with a maturity of 180 days and nominal value of RMB100 per unit and an issuance interest rate of 4.5%. For details, please refer to the announcement of the Company dated 27 March 2015 issued in Hong Kong.

Connected Transactions

1. On 17 July 2014, to support the operation and development of Jetstar Hong Kong, Eastern Air Overseas, a wholly-owned subsidiary of the Company, and Jetstar Hong Kong, an associated company of the Company, entered into a loan agreement pursuant to which Eastern Air Overseas will provide a loan of USD60 million to Jetstar Hong Kong at fair market interest rates. This transaction constitutes a connected transaction of the Company. For details, please refer to the announcement of the Company dated 18 July 2014 issued in Hong Kong.

2. On 15 August 2014, to realise the economies of scale of the Group's tourism ticket business and increase its comprehensive competitiveness, Shanghai Airlines Tours, a wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Eastern Tourism, pursuant to which, Shanghai Airlines Tours acquired 72.84% equity interest in Shanghai Dongmei from Eastern Tourism at a consideration of RMB32,147,700. This acquisition has been completed and Shanghai Dongmei has become an indirect holding company of the Company. This acquisition constitutes a connected transaction of the Company. For details, please refer to the announcement of the Company dated 15 August 2014 issued in Hong Kong.

3. On 14 November 2014, the Company entered into the Aircraft Finance Lease Framework Agreement with CES Lease Company. The Company leased 14 aircraft under finance lease from the wholly-owned subsidiaries which CES Lease Company intended to incorporate in the China (Shanghai) Pilot Free Trade Zone or the Tianjin Dongjiang Bonded Zone of the PRC. By utilising a finance lease structure in the PRC domestic bonded zone with CES Lease Company to introduce the 14 aircraft, CES Lease Company can provide value added tax invoices for the interest payments under the Aircraft Finance Lease to the Company, and therefore, the Company can use it to deduct value added tax. Moreover, the handling fee charged by CES Lease Company under the Aircraft Finance Lease is far less than the deductible value added tax in respect of the interest payments, thereby reducing the Company's aggregate financing costs in introducing the 14 aircraft. The transaction constitutes a connected and disclosable transaction of the Company. For details, please refer to the announcements of the Company dated 14 November 2014 and 15 January 2015 and the circular dated 5 December 2014 issued in Hong Kong.

4. On 22 December 2014, the Company, CEA Holding and CES Finance (as shareholders of Eastern Air Finance Company) agreed to inject a total of RMB1,500 million into Eastern Air Finance Company in proportion according to their respective shareholding in Eastern Air Finance Company, allowing them to seize the opportunity of financial reforms and innovations in the China (Shanghai) Pilot Free Trade Zone, to enhance their anti-risk ability and financial services capabilities, to increase their domestic and foreign financing capacities, and thus satisfying the capital demand of the Company and CEA Holding. The Company will contribute a pro-rata amount of RMB375 million in cash. For details, please refer to the announcement of the Company dated 22 December 2014 issued in Hong Kong.

Continuing Connected Transactions

The estimated transaction caps for the continuing connected transactions, which were considered and approved by the Board and at the general meetings of the Company, and their actual amounts incurred up to 31 December 2014, are set out as follows:

Unit: RMB thousand

Category	Actual amount incurred up to 31 December 2014	The approved 2014 estimated transaction caps
Financial services (balance)		
– balance of deposit	369,078	6,000,000
– balance of loans	198,428	6,000,000
Catering supply services	851,136	1,000,000
Import and export agency services	119,954	120,000
Production and maintenance services	141,864	150,600
Property services	50,049	110,000
Advertising agency services	4,755	50,000
Sales agency services *(Note)*	5,406	30,000
Hotel accommodation services	506	38,150

Note: On 15 August 2014, Shanghai Airlines Tours, a subsidiary of the Company, entered into the equity transfer agreement with Eastern Tourism, pursuant to which, Shanghai Airlines Tours agreed to acquire 72.84% equity interest in Shanghai Dongmei held by Eastern Tourism at a consideration of RMB32,147,700. This acquisition has been completed and Shanghai Dongmei has become a subsidiary of the Group with its consolidated financial information consolidated into the Group's financial statements. Upon the completion of the acquisition, the provision of sales agency services to the Group by Shanghai Dongmei no longer constitutes daily connected transactions of the Company.

For details regarding the existing continuing connected transactions, please refer to the Company's 2013 annual report.

The Company's independent non-executive Directors have reviewed such continuing connected transactions during the year 2014 and confirmed that:

(a) the transactions have been entered into by the Group in its ordinary and usual course of its business;

(b) the transactions have been entered into either (i) on normal commercial terms or (ii) (where there are not sufficient comparable transactions to judge whether they are on normal commercial terms) on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(c) the transactions have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Ernst & Young, the auditors of the Company have carried out procedures on the above connected transactions disclosed herein for the year ended 31 December 2014 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

In respect of each related party transaction disclosed in note 47 to the financial statements prepared in accordance with IFRS, the Company confirms that it has complied with the relevant requirements under the Listing Rules (if applicable). Save as disclosed above, the related party transactions set out in note 47 to the financial statements prepared in accordance with IFRS do not constitute connected transactions under the Listing Rules.

Independent Non-Executive Directors' Opinion

Independent non-executive Directors have performed auditing work and issued an independent opinion on the external guarantees the Company has provided, as required by the relevant requirements of the CSRC. The Company has strictly observed the relevant laws and regulations as well as its Articles of Association while it has also imposed strict control on the external guarantees provided. As at 31 December 2014, none of the Company and its subsidiaries included in the consolidated financial statements has provided any guarantee to the Company's controlling shareholder and other related parties, other non-corporate bodies and individuals.

Auditors

Ernst & Young was the Company's auditors for its Hong Kong and US financial report in 2014, and Ernst & Young Hua Ming LLP was the Company's auditors for domestic financial report in 2014.

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Limited Company and PricewaterhouseCoopers Certified Public Accountants in Hong Kong acted as the auditors of the Company in 2012. On 26 June 2013, the shareholders of the Company considered and approved in the 2012 annual general meeting of the Company the appointment of: (i) Ernst & Young Hua Ming LLP as the Company's auditors for its domestic and US financial report in 2013 and the Company's auditors for internal control in 2013; and (ii) Ernst & Young as the auditors for the Company's auditors for the Hong Kong financial report in 2013.

On behalf of the Board

Liu Shaoyong
Chairman

Shanghai, the PRC
27 March 2015

CORPORATE GOVERNANCE

Corporate Governance Practices

The Company has established a formal and appropriate corporate governance structure. The Company has also placed emphasis on the corporate governance principle of having transparency, accountability and safeguarding the interests of all Shareholders.

The Board believes that sound corporate governance is essential to the development of the Company's operations. The Board regularly reviews our corporate governance practices to ensure that the Company operates in accordance with the laws, regulations and requirements of the listing jurisdictions, and that the Company continuously implements corporate governance of a high efficiency.

The Company's corporate governance practices include but are not limited to the following:

Articles of Association, Rules of Meeting of General Meetings, rules of meeting of the Board, rules of meeting of the Supervisory Committee, working regulations of independent directors, management regulations of connected transactions and articles of association of the audit and risk management committee, articles of association of the planning and development committee, working rules of the nominations and remuneration committee, detailed working rules for the aviation safety and environment committee, working regulations of presidents, management regulations of investor relationship, detailed implementation rules for the management of investor relationship, management regulations of connected transactions, detailed implementation rules for connected transactions, regulations on external guarantee and the interim administrative regulations concerning hedging businesses.

For the year ended 31 December 2014 and as at the date of publication of this annual report, the Board has reviewed the relevant provisions and corporate governance practices under the codes of corporate governance adopted by the Company, and took the view that the Company's corporate governance practices during the year ended 31 December 2014 met the requirements under the code provisions in the Code. In certain aspects, the code of corporate governance adopted by the Company is more stringent than the provisions set out in the Code. The following sets out the major aspects which are more stringent than the Code.

Major aspects which are more stringent than provisions set out in the Code:

– 11 meetings of the Board were held during the financial year of 2014. The Company is governed by the Board. The Board is responsible for the leading and control of the Company. The Directors are jointly responsible for the affairs of the Company by directing and supervising the affairs of the Company.

Directors

As at 31 December 2014, the Board consists of ten Directors, including six directors, namely Mr. Liu Shaoyong (Chairman), Mr. Ma Xulun, Mr. Xu Zhao, Mr. Gu Jiadan, Mr. Li Yangmin and Mr. Tang Bing, and four independent non-executive Directors, namely Mr. Sandy Ke-Yaw Liu, Mr. Ji Weidong, Mr. Li Ruoshan and Mr. Ma Weihua. Names, personal particulars and conditions of appointment of the Directors are set out in page 36 to 43 of this report.

Independent non-executive Directors shall possess specialised knowledge and experience. They shall be able to play their roles of supervising and balancing to the fullest extent to protect the interests of Shareholders and the Company as a whole. The Board considers that they shall be able to exercise independent judgment effectively, which complies with guidelines on assessment of independence pursuant to Rule 3.13 of the Listing Rules. Pursuant to Rule 3.13 of the Listing Rules, the Company has received the annual confirmation letters from each of the independent non-executive Directors on their independence. All Directors (including independent non-executive Directors) are appointed for a term of 3 years. The formal appointment letters and the Articles of Association have set out the terms and conditions of their appointment. Other than working relationships, Directors, Supervisors and members of senior management of the Company do not have any financial, business or family connection with one another.

Powers of the Board

On a periodic basis, the Board reviews the relevant performance against proposed budgets and business objectives of each operating unit. It also exercises a number of powers retained by the Board, including the following:

- responsibility for convening general meetings and reporting to Shareholders on its work in such meeting;
- implementing resolutions passed in general meetings;
- deciding on the operating plan and investment proposals of the Company;
- formulating the annual preliminary and final budget proposals;
- formulating the Company's profit distribution proposal and the proposal to offset losses;
- formulating the Company's proposals to increase or reduce the registered capital and proposals to issue debt securities;
- drawing up proposals for the Company's merger, demerger and dissolution;
- deciding on the Company's internal management structure;
- employing or dismissing the Company's President and Board Secretary; appointment or dismissal of the Vice President and Chief Financial Officer of the Company on the nomination of the President, and the determination of their remuneration;
- formulating the basic management systems of the Company;
- formulating proposals to amend the Articles of Association;
- discharging any other powers and functions granted in general meeting.

The Board and the relevant specialized committees are also responsible for the completeness of financial information and are responsible for maintaining an effective internal control system and for risk management of the Group, as well as preparing the financial statements of the Company. Setting the business objectives and overseeing the daily operations of the Company are the responsibilities of the Chief Executive Officer. The Articles of Association specify the duties and authorities of the Board and the management. The Board periodically reviews the duties and functions of the Chief Executive Officer and the powers delegated to him to ensure that such arrangements are appropriate. In order to ensure the balance of powers and authorization, the roles of the Chairman and the Chief Executive Officer have been clearly defined. The Chairman of the Company is Mr. Liu Shaoyong, and the Chief Executive Officer is Mr. Ma Xulun, a Director and the President of the Company. There are also other senior officers who are responsible for the daily management of the Company within their scope of duties.

The Board continued to made strenuous efforts to establish and improve the Company's corporate governance policies. In addition to corporate governance policies such as Rules of Meeting of General Meetings, Rules of Meeting of the Board, Working Regulations of Presidents and Working Regulations of Independent Directors, the Company has also established the Information Disclosure Management System, Management Regulations of Connected Transactions and Management Regulations of External Guarantees for specific operations.

During the Reporting Period, the Company has formulated and improved the relevant constitutional documents and policies in a timely manner based on the regulatory requirements and work requirements; amended corresponding terms in the Articles of Association in connection with the priority of cash dividends to share dividends in profit distributions and intervals for cash dividend distributions; formulated the management method and operation procedures in respect of the changes to the shares held by the Directors, Supervisors and senior management of the Company; formulated and issued Risk Management Manual (風險控制手冊) and Internal Common Transactions Manual (公司內部常見交易手冊).

General Meetings

The procedures for Shareholders to convene an extraordinary general meeting and to send enquiries to the Board, and the procedure for proposing resolutions at general meetings are as follows:

According to the relevant requirements of the Articles of Association and Rules of Meeting of General Meetings of the Company, Shareholders may convene a general meeting on their own, the major rules of which are as follows:

- Shareholder(s) either individually or jointly holding over 10% of the Company's shares may request the Board to convene an extraordinary general meeting. Such request shall be made to the Board in writing. The Board shall, in accordance with the requirement of laws, administrative regulations and the Articles of Association, make a response in writing on whether or not it agrees to convene an extraordinary general meeting within 10 days upon receipt of such request.

- If the Board refuses to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of such request, Shareholder(s) either individually or jointly holding over 10% of the Company's shares may propose to convene an extraordinary general meeting to the Supervisory Committee. Such proposal shall be made to the Supervisory Committee in writing.

- If the Supervisory Committee agrees to convene the extraordinary general meeting, a notice convening the general meeting shall be issued within 5 days upon receipt of such request. Should there be any amendments to the original proposal in the notice, the consent of the relevant Shareholders shall be obtained.

- If the Supervisory Committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the general meeting, in which case, Shareholder(s) either individually or jointly holding over 10% of the Company's shares for more than 90 consecutive days shall have the right to convene and preside over the meeting by themselves.

Pursuant to the relevant requirements of the Articles of Association and Rules of Meeting of General Meetings of the Company, Shareholders have the right to inspect or make copies of the Articles of Association, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee and financial or accounting reports. Shareholders may request to inspect the accounting books of the Company. In such case, such request shall be made to the Board secretariat of the Company in writing and state its purposes. If the Company, on reasonable grounds, considers that the Shareholders are inspecting the accounting books for improper purposes and may result in damage to the Company's legal interests, the Company may refuse the inspection and make written response to the Shareholders stating its reasons within 15 days upon delivery of the written request by the Shareholders. If the Company refuses the inspection, the Shareholders may make proposal to the People's Court to request the Company to provide inspection of the accounting books of the Company.

Pursuant to the relevant requirements of the Articles of Association and Rules of Meeting of General Meetings of the Company, the procedures for the Shareholders to propose resolutions at the general meeting are as follows:

– Shareholder(s) either individually or jointly holding over 3% of the issued shares of the Company carrying the right to vote may propose extraordinary resolutions and submit the same in writing to the convener prior to the holding of the general meeting. However, subject to the requirement of the Listing Rules, the Company shall issue supplemental circular of the new extraordinary resolutions and the relevant materials to the Shareholders not less than 10 business days before the date of holding the general meeting, therefore, the time for the proposing Shareholders to propose new extraordinary resolutions shall not be later than such time limit for issuing the supplemental circular to the Shareholders and shall consider and provide the Company reasonable time to prepare and despatch the supplemental circular.

– The aforesaid proposed resolutions shall be reviewed by the Board and shall be included in the agenda of such meeting if the matters fall within the scope of terms of reference of the general meeting. The convener shall announce the content of the extraordinary resolutions by issuing a supplemental notice of the general meeting upon receipt of the proposed resolutions as soon as possible. If the Board considers that the content of the proposed resolutions do not fall within the scope of terms of reference of the general meeting, explanation and description shall be given at such general meeting, which, together with the content of such proposed resolutions and explanation of the Board, shall be published along with the resolutions of the general meeting in announcement after the conclusion of the meeting.

– the Board shall review the proposed resolutions in accordance with the following principles:

  (1) Relevance. The Board shall review the resolutions proposed by the Shareholders. Matters in resolutions proposed by the Shareholders which have direct impact on the Company and are not outside the terms of reference of the general meeting as stipulated in the laws, regulations and the Articles of Association shall be submitted to the general meeting for discussion. For matters which fail to meet the above requirements, it is recommended not to submit the proposed resolutions for discussion at the general meeting.

  (2) Procedural issues. The Board may make decisions on procedural issues concerning resolutions proposed by the Shareholders. Consent of the proposing Shareholders shall be obtained if the proposed resolutions will be split up or combined for voting. In the event of any objection to the change by the proposing Shareholders, the convener of the general meeting may present the procedural issues to the general meeting for decision and discussions shall be conducted in accordance with the procedures decided by the general meeting.

Please refer to the section headed "Corporate Governance – Investor Relations" of this report for details of the contact information for Shareholders to inspect the relevant information and propose extraordinary resolutions.

General Meetings:

– The 2013 annual general meeting of the Company was held on 26 June 2014 at the Meeting Centre, Shanghai International Airport Hotel (上海國際機場賓館), 2550 Hongqiao Road, Shanghai, the PRC. For details, please refer to the Company's announcement dated 26 June 2014.

– The 2015 first extraordinary general meeting of the Company was held on 15 January 2015 at Shanghai International Airport Hotel (上海國際機場賓館), 2550 Hongqiao Road, Shanghai, the PRC. For details, please refer to the Company's announcement dated 15 January 2015.

Attendance rate of Directors at general meetings of the Company was as follows:

Directors	Attendance/ Eligibility of Meetings	Attendance rate
Liu Shaoyong	2/2	100%
Ma Xulun	2/2	100%
Xu Zhao	2/2	100%
Gu Jiadan	2/2	100%
Li Yangmin	2/2	100%
Tang Bing	2/2	100%
Sandy Ke-Yaw Liu	2/2	100%
Ji Weidong	2/2	100%
Li Ruoshan	2/2	100%
Ma Weihua	2/2	100%
Shao Ruiqing (resigned)	0/0	–

Meeting of the Board

The Chairman leads the Board to ensure that the Board performs its various duties effectively and he is responsible for drawing up the agenda of the meeting of the Board and considering other matters that the other Directors propose to be included in the agenda. The agenda together with documents of the Board should be, as far as practicable, circulated at least 3 days prior to the meeting of the Board or its specialized committees. The Chairman is also obliged to ensure that all the Directors are suitably briefed on matters to be raised in the meeting of the Board. The Chairman ensures that the Directors receive information that is accurate, timely and clear. Through on-the-job training of Directors, continuous participation in meetings of the Board and of specialized committees of the Board and meetings with key persons in headquarters and other departments, the Directors are encouraged to update their skills, knowledge and their understanding of the Group.

The Company has established a specialized organization, i.e. the secretariat of the Board, to work for the Board. All the Directors have access to the service of the Company Secretary. The Company Secretary periodically updates the Board of the latest information on governance and regulatory matters. The Directors may seek independent professional advice through the Chairman for the purpose of performing their duties, with the cost borne by the Company. Specialized committees may also seek professional advice. The Company Secretary is responsible for the records of the Board meetings. These minutes of meetings together with other related documents for the Board meetings shall be made available to all members of the Board. Board meetings are meant to enable the Directors to have open and frank discussions.

In order to ensure sound corporate governance, as at the date of publication of this annual report, the Board had 4 committees in place: Audit and Risk Management Committee, Nominations and Remuneration Committee, Planning and Development Committee and Aviation Safety and Environment Committee with their terms of reference drawn up in accordance with the principles set out in the Code. The Company Secretary drafted the minutes of meetings for these committees, and the committees report to the Board.

The Board held 11 meetings in 2014. Details of attendance of each Director at the Board meetings during the Reporting Period were as follows:

Directors	Attendance/ Eligibility of Meetings	Attendance rate
Liu Shaoyong	11/11	100%
Ma Xulun	11/11	100%
Xu Zhao	11/11	100%
Gu Jiadan	11/11	100%
Li Yangmin	11/11	100%
Tang Bing	11/11	100%
Sandy Ke-Yaw Liu	11/11	100%
Ji Weidong	11/11	100%
Li Ruoshan	11/11	100%
Ma Weihua	11/11	100%
Shao Ruiqing (resigned)	5/5	100%

Note: Each Director attended the respective Board meetings in person.

Directors' Interests

All the Directors shall declare to the Board upon their first appointment their capacities as directors or any other positions held in other companies or institutions, the declaration of which shall be renewed once a year. When the Board discusses any motion or transaction and considers any Director has any conflict of interest, the Director shall declare his interest and abstain from voting, and will excuse himself as appropriate. The Company shall, pursuant to guidelines applicable to the Company, request from Directors their confirmation if they or their associates are connected with any transactions entered into by the Company or its subsidiaries during the Reporting Period. Material related party transactions have been disclosed in the notes to the financial statements prepared in accordance with IFRS of this annual report.

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the securities transactions code for the Directors. Each of the Directors and the Supervisors has been provided with a copy of the Model Code upon his appointment.

All the Directors and the Supervisors have confirmed that they have complied with the Model Code in 2014.

The Company has also adopted the related provisions set out in Appendix 14 to the Listing Rules, and has established its Code of Conduct for Securities Transactions by Employees of the Company according to its own situation and with reference to the Model Code as set out in Appendix 10 to the Listing Rules. The aforesaid code of conduct shall apply to the conduct of dealings in the securities of the Company by the Supervisors and members of senior management of the Company.

In addition, pursuant to the requirements of the Rules Governing the Listing of Stock on Shanghai Stock Exchange, the shares of the Company transferred by each of the Directors, Supervisors and members of senior management of the Company every year shall not exceed 25% of the total number of shares held by each of them, and they are not allowed to purchase the shares of the Company within six months after they have sold their shares. They are also not allowed to sell the shares of the Company within six months after they have bought the shares of the Company. Additionally, within six months after their retirement, they are not allowed to transfer the shares of the Company held by them.

All the employees who may have unpublished price sensitive information related to the Group are also required to comply with the Model Code. During the Reporting Period, the Company is not aware of any breach of laws and regulations.

Directors' Responsibilities in Respect of Financial Statements

The Directors confirm that they are responsible for the preparation of the financial statements of the Group.

The Auditors' Report of the Company's auditors in respect of the financial statements is set out on page 70 of this annual report.

Training of Directors

Content of development of skills and training	Directors participated
Participation of qualification training for independent Directors of listed companies organized by the Shanghai Stock Exchange in February 2014	Ma Weihua
Seminars for Chairman and President organized by the CSRC and China's Listed Companies Association in June 2014	Ma Xulun
Training on the monitoring policies for inside information and practical cases given by Commerce & Finance Law Office in June 2014	All Directors
Participation of further training for independent Directors organized by the Shanghai Stock Exchange in July 2014	Sandy Ke-Yaw Liu, Ji Weidong
Participation of further training for Directors organized by the Association of Shanghai Listed Companies in December 2014	Li Yangmin
From January to December 2014, the Company consolidated and compiled the latest laws and regulations as well as regulation updates of domestic and overseas capital markets and reported them to all the Directors in the form of "Directors Information". All the Directors completed the training by self-study.	All Directors
The Company regularly consolidated and compiled the latest laws and regulations and regulatory developments in the domestic and international capital markets, and organized training sessions for all Directors during the Board meetings convened in 2014	All Directors

Training of Company Secretary

During the year 2014, our Company Secretary took no less than 15 hours of relevant professional training. The Board secretariat of the Company is responsible for arranging and reviewing the training and continuous professional development of the Directors and the members of the senior management of the Company.

Audit and Risk Management Committee

As at 31 December 2014, the Audit and Risk Management Committee of the Company comprised Mr. Li Ruoshan, Mr. Ji Weidong and Mr. Xu Zhao. Mr. Li Ruoshan and Mr. Ji Weidong are independent non-executive Directors. Mr. Li Ruoshan is the chairman of the committee and possesses professional qualifications in accounting. Mr. Li Ruoshan replaced Mr. Shao Ruiqing to be the chairman of the Audit and Risk Management Committee on 29 April 2014 upon the resignation of Mr. Shao Ruiqing.

The Audit and Risk Management Committee is a specialized committee under the Board. It is responsible for checking and monitoring the financial reports and internal control of the Company, checking and evaluating the overall risk management of the Company, in particular the risk management and risk control system for material decision, significant events and major business, and overseeing their implementation.

(1) Internal Control System

The Board shall be responsible for the overall internal control system of the Company/Group and periodically review the effectiveness of the internal control system through the Audit and Risk Management Committee. The internal control system of the Company is essential to risk management which, in turn, is important in ensuring that operational objectives can be achieved. Internal control procedures are designed to prevent assets from unauthorized use or disposal, to ensure the maintenance of appropriate accounting records and to provide reliable financial information either for internal use or for dissemination externally. However, the control procedures aim at reasonably (but not absolutely) assuring that there will not be material misrepresentation, loss or misconduct. The internal control system is prepared in accordance with the relevant laws, subsidiary regulations and constitutional documents.

The Company reviews the effectiveness of its internal control system annually, which includes control over finance, operations, compliance with laws and regulations as well as risk management. The results of the review have been reported to the Audit and Risk Management Committee and the Board.

The Board confirms that the Company has systems and procedures in place to identify, manage and report material risks in the course of achieving its strategic objectives. The Board continues to monitor risks with the support of the specialized committees and senior management.

(2) Internal Audit

The Company's internal audit department is responsible for conducting an independent audit of whether or not the internal control system is sufficient and effective. The auditing plan is prepared using a risk based approach and is discussed and finalized by the Audit and Risk Management Committee annually. Other than the pre-determined scope of work for each year, the department is also required to conduct other specific audits.

The Group's internal audit department primarily reports to the President; it may also report directly to the chairman of the Audit and Risk Management Committee. All the internal audit reports are delivered to the Chairman of the Board, the President, Chief Financial Officer, the management of the department being audited and the related departments. The outcome of each audit, in summary, will also be discussed with the Audit and Risk Management Committee. The Board and the Audit and Risk Management Committee of the Company actively monitor the number and seriousness of the inspection results submitted by the internal audit department, and the relevant corrective measures taken by the relevant department.

(3) Risk Management

The Audit and Risk Management Committee of the Company is responsible for checking and evaluating the overall risk management of the Company and overseeing their implementation; checking and evaluating the risk management and risk control system and duties on developing aviation fuel, foreign exchange and interest rate hedging businesses and overseeing their implementation.

The internal audit department of the Company has undertaken related risk management duties and reports to the Audit and Risk Management Committee periodically. It is responsible for coordinating the implementation of appropriate procedures to manage the operational risks of the Group.

The Audit and Risk Management Committee held nine meetings in 2014. In each meeting, senior management and external and internal auditors were invited to attend. Based on the reports of the external and internal auditors, according to the accounting principles and practices, and internal controls adopted by the Group with a view to comply with the requirements of the Listing Rules, the Audit and Risk Management Committee conducted reviews of audits, internal control, risk management and financial statements. The Group's first quarterly results, interim results and third quarterly results for 2014 and the final results for 2014 had been discussed in the Audit and Risk Management Committee's meetings before they were submitted to the Board for approval.

Attendance rate of members of the Audit and Risk Management Committee meetings is as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Li Ruoshan	9/9	100%
Ji Weidong	9/9	100%
Xu Zhao	5/5	100%
Shao Ruiqing (resigned)	4/4	100%

Note: All members of the Audit and Risk Management Committee attended the respective Audit and Risk Management Committee meetings in person.

In addition, the Audit and Risk Management Committee also conducted other compliance work to comply with PRC and USA reporting requirements in 2014, including guiding and overseeing the development of internal controls, hearing and reviewing the overall plan for risk management, implementing risk management work in accordance with the requirements of the relevant regulatory authorities in full scale, reviewing the Company's compliance with the Sarbanes-Oxley Act and considering the work undertaken by the management, including management assessment, to ensure the Company's compliance with internal control regulations under Section 404 of the Sarbanes-Oxley Act.

The articles of association for the Audit and Risk Management Committee are posted on the website of the Company www.ceair.com.

External Auditors

For the Reporting Period, the annual audit fees payable to the external auditors (both international and domestic auditors) is estimated to be RMB14.5 million for the regular annual audit of the Group's 2014 financial statements prepared under IFRS and PRC Accounting Standards and the other relevant documents applicable for the purpose of Annual Report in Form 20-F filing. During the Reporting Period, the external auditors did not receive any non-audit services fee from the Group. The auditors' remuneration shall be approved by the Audit and Risk Management Committee and the Board.

The Audit and Risk Management Committee obtained a brief understanding of the scope of the non-audit services and related fees and was satisfied that the non-audit services (in respect of the nature of service and the total cost of non-regular audit services compared to regular audit service fee) had not affected the independence of the accounting firm.

Planning and Development Committee

As of 31 December 2014, the Planning and Development Committee of the Company comprised three members: Mr. Li Yangmin, Mr. Tang Bing and Mr. Ji Weidong, all of whom are Directors. Mr. Li Yangmin, a Director, is the chairman of the committee. Mr. Ji Weidong replaced Mr. Zhao Ruiqing to be a member of the Planning and Development Committee on 29 April 2014 upon the resignation of Mr. Zhao Ruiqing.

The Planning and Development Committee is a specialized committee under the Board. It is responsible for studying, considering and making plans or recommendations in regard to the long term development plans and material investment decisions of the Company and overseeing their implementation. Its main duties are:

– to consider the annual operational goals of the Company and make recommendations to the Board;

– to consider the annual investment proposal of the Company and make recommendations to the Board;

– to consider the material investments (other than the annual investment proposal) of the Company and make recommendations to the Board;

– to consider the development plan of the Company and make recommendations to the Board;

– to study and consider the fleet development plan and aircraft purchase plan of the Company and submit independent report to the Board;

– to study other major events which may have influence on the development of the Company and make recommendations in connection with the same;

– to oversee the implementation of the above matters and conduct inspection of the same;

– to consider other matters as authorized by the Board and oversee their implementation.

Attendance of members of the Planning and Development Committee meetings is as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Li Yangmin	8/8	100%
Tang Bing	8/8	100%
Ji Weidong	5/5	100%
Shao Ruiqing (Resigned)	3/3	100%

Note: All members of the Planning and Development Committee attended the respective Planning and Development Committee meetings in person.

The Planning and Development Committee is responsible for studying, considering and making plans or recommendation in regard to the long term development plans and material investment decisions of the Company and overseeing their implementation. The opinions and advice by the Planning and Development Committee in 2014 are as follows:

– Advice regarding key investment projects for the year:

(1) The formulation of investment proposals shall be in line with the general development plan of the Company and implementation of the proposals shall be controlled on this basis;

(2) Budget shall be strictly controlled in the implementation of investment proposals and the impacts of economic volatility and market factors shall be considered in order to reasonably arrange funds and control costs;

(3) Risk management and control system shall be improved to strengthen the risk management and control in all stages;

(4) Assessment system shall be improved and the effectiveness of key investment projects shall be examined.

The articles of association for the Planning and Development Committee are posted on the website of the Company www.ceair.com.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee of the Board comprises three members: Mr. Liu Shaoyong, Mr. Sandy Ke-Yaw Liu and Mr. Ma Weihua. Mr. Liu Shaoyong is a Director and the chairman of the committee *(Note)*, while both Mr. Sandy Ke-Yaw Liu and Mr. Ma Weihua are independent non-executive Directors. Mr. Ma Weihua replaced Mr. Ji Weidong to be a member of the Nominations and Remuneration Committee on 29 April 2014. Mr. Ji Weidong ceased to be a member of the Nominations and Remuneration Committee.

Note: With effect from 29 April 2014, when considering and approving nomination related matters, the Nominations and Remuneration Committee shall be chaired by Mr. Liu Shaoyong; when considering and approving remuneration related matters, the Nominations and Remuneration Committee shall be chaired by Mr. Sandy Ke-Yaw Liu.

The main duties of the Nominations and Remuneration Committee of the Board are:

- to make recommendations to the Board regarding its size and composition based on the relevant provisions of the Company Law and in the light of specific circumstances such as the characteristics of the Company's equity structure;

- to study the criteria and procedures for selecting Directors and management personnel, and to make recommendations to the Board;

- to conduct wide-ranging searches for qualified candidates to become Directors and members of the management personnel;

- to examine the candidates for the positions of Director and manager and make recommendations in connection with the same;

- to examine candidates for other senior management positions whose engagement is subject to approval by the Board and make recommendations in connection with the same;

- to study and review the policies and plans for remuneration of the Directors and senior management personnel;

- to study the criteria for assessing the Directors and senior management personnel, carry out such assessments, and make recommendations in connection with the same;

- to evaluate the performance of the Directors and senior management personnel based on the Company's actual business circumstances, and make recommendations in connection with the same;

- to be responsible for monitoring the implementation of the Company's remuneration system; and

- other matters delegated by the Board.

According to the Working Rules of the Nominations and Remuneration Committee of the Board of Directors, the procedure for electing Directors and management personnel is as follows:

(1) the Nominations and Remuneration Committee shall actively liaise with the relevant departments of the Company to study the requirement for Directors and management personnel, and produce a written document thereon;

(2) the Nominations and Remuneration Committee may conduct a wide-ranging search for candidates for the positions of Director and manager within the Company, within enterprises controlled by the Company or within enterprises in which the Company holds equity, and on the human resources market;

(3) the profession, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the initial candidates shall be compiled as a written document;

(4) the Nominations and Remuneration Committee shall listen fully to the opinion of the nominee regarding his/her nomination;

(5) a meeting of the Nominations and Remuneration Committee shall be convened, and the qualifications of the initial candidates shall be examined on the basis of the conditions for appointment of Directors and managers;

(6) before the selection of a new Director and the engagement of a new member of the management personnel, the recommendations of and relevant information on the relevant candidate(s) shall be submitted to the Board; and

(7) the Nominations and Remuneration Committee shall carry out other follow-up tasks based on the decisions of and feedback from the Board.

Attendance of members of the Nominations and Remuneration Committee meetings are as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Liu Shaoyong	3/3	100%
Sandy Ke-Yaw Liu	3/3	100%
Ma Weihua	0/0	–
Ji Weidong (ceased to be a member on 29 April 2014)	3/3	100%

Note: All members of the Nominations and Remuneration Committee attended the respective Nominations and Remuneration Committee meetings in person.

Under the leadership of the Board, the Nominations and Remuneration Committee performed their duties diligently to standardize the election of Directors and members of senior management of the Company, establish and refine the incentive and assessment mechanism of Directors and members of senior management of the Company and realize the long-term goals of the Company. Major tasks completed by the Nominations and Remuneration Committee were as follows:

(1) Carefully reviewed the remuneration of Directors, Supervisors and senior management in 2013 and procured the disclosure in the 2013 annual report in accordance with the relevant rules.

(2) According to the relevant requirements set out in the Working Rules of the Nominations and Remuneration Committee of the Board of Directors, reviewed and approved to nominate to the Board Mr. Sun Youwen as the Vice President of the Company.

(3) According to the relevant requirements set out in the Listing Rules of the Shanghai Stock Exchange and Hong Kong Stock Exchange and the Corporate Governance Standards for Listed Companies and governance needs, proposed to the Board adjustments regarding the composition of the Audit and Risk Management Committee, Planning and Development Committee and Nominations and Remuneration Committee under the seventh session of the Board.

Remuneration Policy of Directors

Directors generally do not receive remuneration from the Company except independent non-executive Directors who receive a fixed remuneration. However, Directors who serve in other administrative positions of the Company will receive salary separately for those positions.

Certain Directors received emoluments from CEA Holding, the parent of the Company, in respect of their directorship or senior management positions in the Company and its subsidiaries.

Generally, the policy regarding the remuneration packages of Directors are aimed primarily at linking the remuneration of Directors and their performance to the objectives of the Company, in order to motivate them in their performance and retain them. Pursuant to the policy, the Directors are not allowed to approve their own remuneration.

The major composition of remuneration of the Directors include basic salary and bonus.

Basic Salary

The Directors review the basic salary of each Director on an annual basis pursuant to the remuneration policy of the Company. In 2014, pursuant to the service contracts entered into between the Company and each of the Directors, the Directors are entitled to receive a fixed basic salary.

Bonus

Bonuses are calculated based on the measurable performance and contribution of the operating units for which the Directors are responsible.

Remuneration Policy of Independent Non-executive Directors

Remuneration (before tax) received by the Company's independent non-executive Directors in 2014 were as follows:

Sandy Ke-Yaw Liu	RMB120,000
Ji Weidong	RMB120,000
Shao Ruiqing	0
Li Ruoshan	RMB120,000
Ma Weihua	RMB120,000

Mr. Shao Ruiqing resigned as an independent non-executive Director with effect from 29 April 2014. He received no remuneration during the year of 2014.

Remuneration of Senior Management

The remunerations payable to the members of the senior management of the Company in 2014 are set out as follows:

Name	Position (Notes)	Remuneration before tax (RMB ten thousand)
Ma Xulun	Vice Chairman, President	74.53
Li Yangmin	Director, Vice President	66.91
Tang Bing	Director, Vice President	63.15
Feng Jinxiong	Supervisor	43.63
Yan Taisheng	Supervisor	17.47
Tian Liuwen	Vice President	51.80
Wu Yongliang	Vice President, Chief Financial Officer	50.37
Feng Liang	Vice President	49.07
Sun Youwen	Vice President	73.94
Wang Jian	Board Secretary	48.74
Shu Mingjiang	Vice President	26.24
Total	–	613.85

Notes:

1. The confirmation of remuneration of the Company's senior management is based on the Interim Management Measures on Remuneration of Management Officers of China Eastern Airlines Corporation Limited and System Plan on the Work Position and Remuneration of China Eastern Airlines Corporation Limited;

2. According to relevant regulations and assessment schemes, a portion of remuneration payment of the Company's senior management was deferred according to the assessment to their terms. A portion of the remuneration for the three years from 2010 to 2012 was deferred to 2014. The deferred remuneration payment of Mr. Ma Xulun amounted to approximately RMB246,900 per year. The deferred remuneration payment of Mr. Li Yangmin amounted to approximately RMB133,500 per year. The deferred remuneration payment of Mr. Tang Bin amounted to approximately RMB126,500 per year. The deferred remuneration payment of Mr. Tian Liuwen amounted to approximately RMB44,400 per year. The deferred remuneration payment of Mr. Wu Yongliang amounted to approximately RMB100,400 per year. The deferred remuneration payment of Mr. Feng Liang amounted to approximately RMB66,900 per year. The deferred remuneration payment of Mr. Shu Mingjiang amounted to approximately RMB73,200 per year;

3. Mr. Yan Taisheng, a Supervisor, retired since 1 June 2014. Therefore, the remuneration disclosure period is from January to May 2014;

4. Mr. Shu Mingjiang, a Vice President, is a pilot. His remuneration includes air crewman packages. He resigned at the end of March 2014. Therefore, the remuneration disclosure period is from January to March 2014;

5. Mr. Sun Youwen, a Vice President, is a pilot. His remuneration includes air crewman packages. He was appointed at the end of March 2014. Therefore, the remuneration disclosure period is from April to December 2014.

Aviation Safety and Environment Committee

The Aviation Safety and Environment Committee comprises Mr. Ma Xulun, Mr. Li Yangmin and Mr. Sandy Ke-Yaw Liu, and Mr. Ma Xulun serves as the chairman of the committee.

The Aviation Safety and Environment Committee is a specialized committee under the Board. It is responsible for consistent implementation of the relevant laws and regulations of national aviation safety and environmental protection, examining and overseeing the aviation safety management of the Company, studying, considering and making recommendation on aviation safety plans and major issues of the related safety duties and overseeing their implementation, studying, considering and making recommendation on major environmental protection issues in relation to aviation carbon emission on domestic and international levels and overseeing their implementation.

Attendance of members of the Aviation Safety and Environment Committee meetings are as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Ma Xulun	2/2	100%
Li Yangmin	2/2	100%
Sandy Ke-Yaw Liu	2/2	100%

Note: All members of the Aviation Safety and Environment Committee attended the respective Aviation Safety and Environment Committee meetings in person.

Members of the Aviation Safety and Environment Committee made some advice regarding work safety and environmental protection work of the Company for 2014:

(1) The Company shall continue to enhance its capabilities in safety control in order to meet the continuing development needs of the Company's fleet scale;

(2) Fully push the implementation of SMS management and monitor the implementation of risk control measures;

(3) Strict management and strict requirement in order to enhance the establishment of systems and working style;

(4) The Company shall closely monitor and proactively respond to ETS (Emission Trading Scheme) of European Union, implement the testing work on carbon emission in Shanghai and pursue support from favourable policies.

The Detailed Working Rules for the Aviation Safety and Environment Committee are posted on the website of the Company www.ceair.com.

Investor Relations

The Company undertakes that the disclosure it makes is fair and the reports it provides are comprehensive and transparent. The ultimate responsibility of the Chairman of the Board is to ensure effective communication with investors and to ensure that the Board is aware of the views of major Shareholders. Accordingly, the Chairman is required to meet major Shareholders in this regard and the routine communication of the Board with the major Shareholders is conducted through the Company Secretary.

The Company has drawn up and implemented the Information Disclosure Management System and has further improved the Company's information disclosure system in order to ensure the accuracy, completeness and timeliness of information disclosed to the public; the Company has also established an information disclosure office for which the Company Secretary is responsible. The information disclosure office is mainly responsible for the collection, summerisation and compilation of basic information for disclosure, as well as drawing up the rules and systems for information disclosure and related internal control and procedures. It is also responsible for monitoring the correct implementation of the various control measures.

The Company has also drawn up and implemented the Investor Relations Management System and the Detailed Implementation Rules for Management of Investor Relations to clarify the basic principles and structure of investor relations management, as well as the details and duties of investor relations, so as to further foster corporate integrity and self-discipline, to realize standardized operation, to achieve the ultimate goals of maximizing corporate value and Shareholders' interests and to ensure that interests of investors are protected.

The Company has released information in relation to its quarterly results.

In the latest annual general meeting held on 26 June 2014 in Shanghai, the meeting was open to all the shareholders and the media. A total of 17 Shareholders attended in person or by proxy.

At the annual general meeting, each matter was proposed as an individual resolution and voted by poll.

Investors and the public may access the Company's website and download related documents from online database. The website also sets out details of each of the Group's operations. Announcements, notices or other documents issued by the Company may also be downloaded from the website of the Company.

In 2014, the Board Secretary, the managers of investor relations department and capital market department of the Company received visits of investors for 45 batches and 89 person/time in total, participated in 9 annual meetings held by security dealers and communicated with 85 investor/time, organized 2 regular results roadshows, convened 6 telephone conferences with analysts regarding regular release of financial results.

Based on the information publicly available to the Company and to the best knowledge of the Directors, at least 25% of issued share capital of the Company was held by the public. As at 31 December 2014, there were a total of 241,846 Shareholders on the Company's register of members.

For any enquiries to the Board, Shareholders may contact the Company Secretary by phone at 8621-22330928, 22330921 or by e-mail at ir@ceair.com or they may put forward their questions in the annual general meeting or extraordinary general meetings directly. In respect of the procedures for Shareholders to convene annual general meeting or extraordinary general meetings and propose resolutions, they may enquire with the Company Secretary through the aforesaid channels.

Board Secretary	Wang Jian
Address	The Secretariat of the Board, China Eastern Airlines Corporation Limited, 92 Konggang 3rd Road, Changning District, Shanghai
Telephone	021-22330928
Fax	021-62686116
Email	ir@ceair.com

Representative of the Company's securities affairs	Yang Hui
Address	The Secretariat of the Board, China Eastern Airlines Corporation Limited, 92 Konggang 3rd Road, Changning District, Shanghai
Telephone	021-22330921
Fax	021-62686116
Email	davidyang@ceair.com

Changes in Constitutional Documents

Please refer to section headed "Report of Directors – Significant Events" of this annual report for details of the amendments of the Articles of Association made in 2014.

On behalf of the Board

Liu Shaoyong
Chairman

Shanghai, the PRC
27 March 2015

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

With the attitude of being responsible to all the Shareholders, the Supervisory Committee of the Company proactively launched its work, truly performed its duties of supervision and protected the legal interests of the Company and all the Shareholders in 2014 based on the Company Law and the Articles of Association.

I. Meetings Convened by the Supervisory Committee

1. On 25 March 2014, the Supervisory Committee convened a meeting, at which it adopted the Report of the Supervisory Committee for the year 2013 and submitted to the 2013 annual general meeting for discussion. The Supervisory Committee also reviewed full text and summary of the resolution on daily connected transactions of the Company for the year 2013, internal control assessment report of the Board of the Company for the year 2013, financial report of the Company for the year 2013, the profit distribution proposal and report, and the report on the deposit and actual use of proceeds of the Company, and expressed an audit opinion.

2. On 28 April 2014, the Supervisory Committee convened a meeting, at which it reviewed the 2014 first quarterly financial report and the first quarterly report and expressed an audit opinion.

3. On 28 August 2014, the Supervisory Committee convened a meeting, at which it reviewed the 2014 interim financial report, full text and summary of the Company's interim report, as well as the resolution on daily connected transactions for the first half of 2014, and expressed an audit opinion.

4. On 28 October 2014, the Supervisory Committee convened a meeting, at which it reviewed the 2014 third quarterly financial report and the Company's third quarterly report and expressed an audit opinion.

II. Independent Opinion of the Supervisory Committee

1. Legality of the Operation of the Company

In 2014, the Supervisory Committee monitored the procedures of convening the general meetings and Board meetings of the Company and their resolutions, execution of the resolutions passed in the general meetings by the Board, and execution of the resolutions passed in the Board meetings by the management. It is of the view that the Company has strictly complied with the Company Law, the Securities Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the Listing Rules of The Stock Exchange of Hong Kong Limited, the Articles of Association and other regulations in drawing operational decisions, monitored its operations based on law, continuously optimized the internal control system and further enhanced its corporate governance standards. The Directors and the senior management of the Company were able to protect the interests of the Shareholders and the Company as a whole and carry out their duties with dedication. The Supervisory Committee did not discover any of their actions that in any way violated laws, regulations, or the Articles of Association or were prejudicial to the interests of the Company.

2. Financial Position of the Company

The Supervisory Committee seriously reviewed the Company's 2014 financial report, 2014 profit distribution proposal, 2014 annual report and the 2014 financial audit report issued by the PRC and international auditors expressing unqualified opinions. The Supervisory Committee resolved that the Company's 2014 financial report truly reflects the financial position and operating results of the Company for the year 2014. The Supervisory Committee agreed to the 2014 financial audit report issued by the auditors and the 2014 profit distribution proposal of the Company.

3. Purchases or Sale of Assets of the Company

In 2014, the Supervisory Committee conducted examination on the resolutions in respect of major acquisitions, asset disposal and connect transactions. The Supervisory Committee did not discover any acts of insider trading, any acts prejudicial to the interests of the Shareholders or resulting in loss of assets or prejudice to the interests of the Company.

4. Connected Transactions of the Company

In 2014, the Supervisory Committee conducted examination on the resolutions in respect of the connected transactions of the Company. The Supervisory Committee conducted examinations on all the connected transactions of the Company in the current year, and believes that all the contracts, agreements and other relevant documents related to the connected transactions of the Company in the current year had complied with the legal procedures and the terms of the transactions were fair and reasonable to the Company and the Shareholders as a whole. The connected transactions were dealt with under stringent principles of "fairness, impartiality and transparency". The Supervisory Committee did not discover any acts of insider trading or breach of good faith by the Board in making decisions, signing agreements and information disclosure.

5. Internal Control of the Company

The Supervisory Committee reviewed the Assessment Report of the Company's Internal Control for the year 2014 in a prudent and cautious manner and has no objection with the self-assessment report of the Board. The Supervisory Committee also seriously reviewed the internal control audit report issued by the auditor. The Supervisory Committee considers that the Company has a developed internal control regulation system in place and the implementation in actual circumstances is satisfactory.

The Supervisory Committee is extremely grateful for the continuous support for its work offered by all the Shareholders, the Board and its staff.

On behalf of the Supervisory Committee

Yu Faming
Chairman of the Supervisory Committee

Shanghai, the PRC
27 March 2015

SOCIAL RESPONSIBILITIES

Social Responsibilities

The Company is committed to establishing a world class CEA externally and achieving the vision of "cherished by staff, preferred by customers, satisfied by shareholders and trusted by society" as well as building a "happy CEA" internally, in order to build a common value, strong sense of belonging and great loyalty. The Company's social responsibilities cover three aspects, namely, economic responsibilities, social responsibilities and environmental responsibilities. The Company promised to facilitate and innovate in all aspects by adopting a scientific philosophy of social responsibilities. By maintaining its integrity and adhering to good business ethics, the Company takes on social responsibilities to protect environment, care for its employees, push ahead sustainable development and achieve ongoing operation.

Responsibilities to Staff

Employees are important for establishing a "happy CEA" while enthusiasm of employees is a pre-condition for establishing a world class CEA. CEA adopts a strategy of deploying outstanding personnel for a leading enterprise. To enhance quality of employees, it built a fair and impartial competition mechanism as well as an open and transparent participation mechanism. It is also concerned about employee's expectations and life by developing a harmonious labour relationship, in order to achieve harmony development of employees and the enterprise and build a loving home for its employees.

Responsibilities to Customers

CEA embraces the philosophy of "continuous safe" and has strong sense of responsibility and mission to ensure aviation safety. It proactively utilise the Internet, streamline its customer base, categorise its products into segment markets and thoroughly promote integrated, personalised, automated, convenient and refined services to optimise customer experiences.

Responsibilities to Shareholders

Adopting the philosophy of steady innovation and open-minded attitude towards cooperation, CEA established a modern effective and standardised corporate governance mechanism, a stringent and meticulous risk management mechanism and a dedicated and devoted team cooperation mechanism. It promoted the modernisation of corporate governance system and governance capacity to create sustainable and stable investment returns for its shareholders, share its achievements and bring a bright future for the enterprise.

Responsibilities to Society

While pursuing self-development, CEA proactively implemented the requirements of environmental protection under the Global Compact by advocating low-carbon flight, promoting application of high and new technology, reducing energy consumption, supporting and participating in community construction, engaging in social services, and striving to establish an energy-saving, environmental-friendly and harmonious enterprise.

Awards obtained in 2014

During the Reporting Period, the performance of CEA's social responsibilities management was satisfactory and received wide recognition from the society. Major awards related to social responsibilities are as follows:

(1) Awarded "China Securities Golden Bauhinia Award" and ranked first as the "Best Listed Company Award" by Ta Kung Pao in Hong Kong for three consecutive years.

(2) Ranked among top 10 in terms of "Most Competitive Asia Airline 2014" and "Most Popular Asia Airline 2014" in the 5th World Airline Competitiveness Rankings.

(3) Recognised as "Top 50 Most Valuable Chinese Brands" by WPP for three consecutive years.

(4) Recognised as a leading poverty alleviation entity among central government authorities and other entities, and a leading entity of social poverty alleviation in 2013 by the Yunnan provincial government and committee.

(5) Ranked among Top 25 Companies with the Most Innovative Capacity in China by Fortune China Magazine.

(6) Awarded "Best Midcap Company" by Hong Kong Asiamoney Magazine for the second consecutive year.

(7) Awarded "Best Main Board Blue Chip Company" in 2013 by Sina Finance.

(8) Awarded "2014 Top 100 Employers" and "The Most Preferred Employer among Female" by zhaopin.com.

(9) Granted "The Best Cooperation Partners" in the 9th Changi Airline Awards.

(10) Granted "2013 The Most Outstanding Ground Services Award" by the capital airport.

(11) Granted ISO27001 Information Security Management System Certification.

(12) Recognised as "2014 Model Enterprise in Mobile Information Sector in China".

(13) "Love at China Eastern Airlines" was awarded the Gold Award at the 首屆中國青年志願者服務項目大賽 (First Chinese Young Volunteers Services Contest) and "The Outstanding Voluntary Service Project".

(14) "Workshop for Senior Management" project was awarded "2014 The Best Learning Project for Enterprises in China".

(15) The passenger self-check-in project was awarded "China Red Star Award".

(16) The website of Eastern Air Overseas was awarded "2014 Golden Pin Design Award" in Taiwan and "Website of Creditable Enterprise"(企業誠信創建積極網站) awarded by the 6th Prize Presentation Ceremony of Shanghai Outstanding Websites.

(17) Granted the outstanding organisation award in "Advanced Unit in Establishing Shanghai Public Companies and Harmonious Home" (創建上海上市公司和諧家園先進單位) by the Association of Public Companies of Shanghai (上海上市公司協會).

(18) CEA's gate counter service was recognised "Top 10 Model Unit of Personalised Services" in Shanghai transport and port counter services industry.

INDEPENDENT AUDITORS' REPORT

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To the shareholders of China Eastern Airlines Corporation Limited
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 71 to 166, which comprise the consolidated and the Company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Prepared in accordance with International Financial Reporting Standards)
For the year ended 31 December 2014

	Notes	2014 RMB million	2013 RMB million
Revenues	5	90,185	88,245
Other operating income	6	3,685	2,725
Operating expenses			
Aircraft fuel		(30,238)	(30,681)
Gain on fair value movements of derivative financial instruments	8	11	18
Take-off and landing charges		(9,440)	(9,190)
Depreciation and amortisation		(9,183)	(8,226)
Wages, salaries and benefits	9	(11,270)	(13,454)
Aircraft maintenance		(4,453)	(4,690)
Impairment charges	10	(12)	(186)
Food and beverages		(2,364)	(2,268)
Aircraft operating lease rentals		(4,502)	(4,605)
Other operating lease rentals		(637)	(679)
Selling and marketing expenses		(4,120)	(4,139)
Civil aviation development fund		(1,656)	(1,566)
Ground services and other expenses		(4,998)	(5,105)
Indirect operating expenses		(4,950)	(4,623)
Total operating expenses		(87,812)	(89,394)
Operating profit	11	6,058	1,576
Share of results of associates	23	91	38
Share of results of joint ventures	24	36	27
Finance income	12	88	2,125
Finance costs	13	(2,160)	(1,549)
Profit before income tax		4,113	2,217
Income tax expense	14	(573)	(124)
Profit for the year		3,540	2,093
Other comprehensive income for the year			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges, net of tax	40	(11)	246
Fair value movements of available-for-sale financial assets, net of tax		13	157
Fair value movements of available-for-sale financial assets held by an associate, net of tax	23	(1)	(3)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		1	400
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains on the post-retirement benefit obligations, net of tax		(333)	467
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		(333)	467
Other comprehensive income/(loss), net of tax		(332)	867
Total comprehensive income for the year		3,208	2,960

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Prepared in accordance with International Financial Reporting Standards)
For the year ended 31 December 2014

	Notes	2014 RMB million	2013 RMB million
Profit/(loss) attributable to:			
Equity shareholders of the Company		3,410	2,373
Non-controlling interests		130	(280)
Profit for the year		3,540	2,093
Total comprehensive income/(loss) attributable to:			
Equity shareholders of the Company		3,071	3,180
Non-controlling interests		137	(220)
Total comprehensive income for the year		3,208	2,960
Earnings per share attributable to the equity shareholders of the Company during the year			
– Basic and diluted (RMB)	17	0.27	0.20
Dividends	15	–	–

The notes on page 80 to 166 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared in accordance with International Financial Reporting Standards)
31 December 2014

	Notes	31 December 2014 RMB million	31 December 2013 RMB million
Non-current assets			
Intangible assets	18	11,500	11,490
Property, plant and equipment	19	109,439	92,783
Lease prepayments	20	2,206	2,155
Advanced payments on acquisition of aircraft	21	20,260	16,296
Investments in associates	23	1,086	1,064
Investments in joint ventures	24	505	433
Available-for-sale financial assets		433	411
Other long-term assets	25	1,957	2,369
Deferred tax assets	37	170	389
Derivative financial instruments	40	30	68
		147,586	127,458
Current assets			
Flight equipment spare parts	26	2,259	2,305
Trade receivables	27	3,862	3,525
Prepayments and other receivables	28	6,394	4,058
Derivative financial instruments	40	5	–
Restricted bank deposits and short-term bank deposits	29	38	383
Cash and cash equivalents	30	1,355	1,995
Assets classified as held for sale	44	4,330	344
		18,243	12,610
Current liabilities			
Sales in advance of carriage		5,064	3,535
Trade and bills payable	31	2,083	3,463
Other payables and accruals	32	19,215	18,146
Current portion of obligations under finance leases	33	4,596	2,980
Current portion of borrowings	34	28,676	23,285
Income tax payable		229	216
Current portion of provision for return condition checks for aircraft under operating leases	35	1,267	1,454
Derivative financial instruments	40	–	3
		61,130	53,082
Net current liabilities		(42,887)	(40,472)
Total assets less current liabilities		104,699	86,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Prepared in accordance with International Financial Reporting Standards)
31 December 2014

	Notes	31 December 2014 RMB million	31 December 2013 RMB million
Non-current liabilities			
Obligations under finance leases	33	34,099	20,155
Borrowings	34	30,513	27,315
Provision for return condition checks for aircraft under operating leases	35	2,617	2,763
Other long-term liabilities	36	2,756	2,402
Post-retirement benefit obligations	38	2,822	5,615
Deferred tax liabilities	37	26	30
Derivative financial instruments	40	95	124
		72,928	58,404
Net asset		31,771	28,582
Equity			
Capital and reserves attributable to the equity shareholders of the Company			
– Share capital	42	12,674	12,674
– Reserves	43	17,300	14,228
		29,974	26,902
Non-controlling interests		1,797	1,680
Total equity		31,771	28,582

The notes on pages 80 to 166 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

Liu Shaoyong
Director

Ma Xulun
Director

COMPANY'S STATEMENT OF FINANCIAL POSITION

(Prepared in accordance with International Financial Reporting Standards)
31 December 2014

	Notes	31 December 2014 RMB million	31 December 2013 RMB million
Non-current assets			
Intangible assets	18	11,479	11,469
Property, plant and equipment	19	69,472	58,910
Lease prepayments	20	1,260	1,182
Advanced payments on acquisition of aircraft	21	19,459	15,684
Investments in subsidiaries	22	13,961	9,569
Investments in associates	23	596	612
Investments in joint ventures	24	323	323
Available-for-sale financial assets		388	373
Other long-term assets	25	1,809	1,558
Derivative financial instruments	40	30	68
		118,777	99,748
Current assets			
Flight equipment spare parts	26	72	1,964
Trade receivables	27	2,920	2,914
Prepayments and other receivables	28	13,194	10,677
Derivative financial instruments	40	5	–
Restricted bank deposits and short-term bank deposits	29	27	213
Cash and cash equivalents	30	865	1,029
Assets classified as held for sale	44	2,866	–
		19,949	16,797
Current liabilities			
Sales in advance of carriage		4,920	3,430
Trade and bills payable	31	6,449	7,169
Other payables and accruals	32	15,746	15,257
Current portion of obligations under finance leases	33	3,104	2,033
Current portion of borrowings	34	29,236	19,945
Income tax payable		2	2
Current portion of provision for return condition checks for aircraft under operating leases	35	524	642
Derivative financial instruments	40	–	3
		59,981	48,481
Net current liabilities		(40,032)	(31,684)
Total assets less current liabilities		78,745	68,064

COMPANY'S STATEMENT OF FINANCIAL POSITION

(Prepared in accordance with International Financial Reporting Standards)
31 December 2014

	Notes	31 December 2014 RMB million	31 December 2013 RMB million
Non-current liabilities			
Obligations under finance leases	33	23,899	14,194
Borrowings	34	20,020	19,189
Provision for return condition checks for aircraft under operating leases	35	1,228	1,382
Other long-term liabilities	36	1,775	1,153
Post-retirement benefit obligations	38	2,057	4,466
Derivative financial instruments	40	95	124
		49,074	40,508
Net asset		29,671	27,556
Equity			
Capital and reserves attributable to the equity shareholders of the Company			
– Share capital	42	12,674	12,674
– Reserves	43	16,997	14,882
Total equity		29,671	27,556

The notes on page 80 to 166 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 27 March 2015 and were signed on its behalf.

Liu Shaoyong
Director

Ma Xulun
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

(Prepared in accordance with International Financial Reporting Standards)
For the year ended 31 December 2014

	Notes	2014 RMB million	2013 RMB million
Cash flows from operating activities			
Cash generated from operations	45(a)	12,767	11,120
Income tax paid		(471)	(314)
Net cash flows from operating activities		12,296	10,806
Cash flows from investing activities			
Additions of property, plant and equipment		(5,828)	(1,822)
Advanced payments on acquisition of aircraft	21	(20,067)	(17,261)
Proceeds from disposal of assets classified as held for sale		344	–
Proceeds from disposal of property, plant and equipment		1,623	556
Proceeds from disposal of short term deposits		132	1,492
Purchase of a shareholding in a joint venture		(58)	–
Capital injections in associates		–	(237)
Acquisition of a subsidiary, net of cash acquired		16	(12)
Purchase of investment in available-for-sale financial assets		(7)	(47)
Interest received		88	196
Dividends received		75	95
Proceeds from disposal of interests in an associate		–	12
Advances of loans to an associate		(369)	–
Proceeds from disposal of interests in available-for-sale financial assets		18	–
Net cash flows used in investing activities		(24,033)	(17,028)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Prepared in accordance with International Financial Reporting Standards)
For the year ended 31 December 2014

	Note	2014 RMB million	2013 RMB million
Cash flows from financing activities			
Proceeds from issue of shares		–	3,572
Proceeds from draw down of short-term bank loans		33,863	15,635
Repayments of short-term debentures		(4,000)	(4,000)
Repayments of short-term bank loans		(27,810)	(15,823)
Proceeds from issuance of short-term debentures		4,000	4,000
Proceeds from issuance of long-term debentures and bonds		3,300	6,985
Proceeds from government grants		3	13
Proceeds from draw down of long-term bank loans and other financing activities		16,971	8,958
Repayments of long-term bank loans		(7,451)	(9,792)
Repayments of long-term bonds		(2,500)	–
Principal repayments of finance lease obligations		(3,250)	(2,448)
Interest paid		(1,994)	(1,693)
Capital contribution from non-controlling interests of subsidiaries		–	406
Acquisition of non-controlling interests in subsidiaries		–	(15)
Dividends paid to non-controlling interests of subsidiaries		(20)	(68)
Net cash flows from financing activities		11,112	5,730
Net decrease in cash and cash equivalents		(625)	(492)
Cash and cash equivalents at beginning of year		1,995	2,512
Effect of foreign exchange rate changes		(15)	(25)
Cash and cash equivalents at 31 December	30	1,355	1,995

The notes on page 80 to 166 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Prepared in accordance with International Financial Reporting Standards)
For the year ended 31 December 2014

	Attributable to equity holders of the Company					
	Share capital RMB million	Other reserves RMB million	Retained earnings/ (accumulated losses) RMB million	Subtotal RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 1 January 2013	11,277	13,898	(4,968)	20,207	1,528	21,735
Total comprehensive income for the year	–	807	2,373	3,180	(220)	2,960
– Profit/(loss) for the year	–	–	2,373	2,373	(280)	2,093
– Other comprehensive income	–	807	–	807	60	867
Capital contribution by non-controlling interests in subsidiaries	–	–	–	–	406	406
Dividends paid to non-controlling interests in subsidiaries	–	–	–	–	(19)	(19)
Acquisition of non-controlling interests in subsidiaries	–	–	–	–	(15)	(15)
Issue of shares	1,397	2,175	–	3,572	–	3,572
Others	–	(57)	–	(57)	–	(57)
Balance at 31 December 2013	12,674	16,823	(2,595)	26,902	1,680	28,582
Total comprehensive income for the year	**–**	**(339)**	**3,410**	**3,071**	**137**	**3,208**
– Profit for the year	**–**	**–**	**3,410**	**3,410**	**130**	**3,540**
– Other comprehensive income/(loss)	**–**	**(339)**	**–**	**(339)**	**7**	**(332)**
Dividends paid to non-controlling interests in subsidiaries	**–**	**–**	**–**	**–**	**(20)**	**(20)**
Others	**–**	**1**	**–**	**1**	**–**	**1**
Balance at 31 December 2014	**12,674**	**16,485**	**815**	**29,974**	**1,797**	**31,771**

NOTES OF THE FINANCIAL STATEMENTS

(Prepared in accordance with International Financial Reporting Standards)
31 December 2014

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

These financial statements were approved for issue by the Company's Board of Directors (the "Board") on 27 March 2015.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(i) Going concern

As at 31 December 2014, the Group's current liabilities exceeded its current assets by approximately RMB42.89 billion. In preparing the financial statements, 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 31 December 2014, the Group had total unutilised credit facility amounting to approximately RMB44 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.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Group

The Group has adopted the following revised standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies
Amendment to IFRS 2 included in Annual Improvements 2010-2012 Cycle	Definition of Vesting Condition
Amendment to IFRS 3 included in Annual Improvements 2010-2012 Cycle	Accounting for Contingent Consideration in a Business Combination
Amendment to IFRS 13 included in Annual Improvements 2010-2012	Short-term Receivables and Payables
Amendment to IFRS 1 included in Annual Improvements 2011-2013 Cycle	Meaning of Effective IFRSs

(a) 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 have had no material impact on the Group.

(b) 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 have had no material impact on the Group.

(c) 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 meet: (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 have had no material impact on the Group.

(d) 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 has had no material impact on the Group.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service, (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no material impact on the Group.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Group (continued)

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no material impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no material impact on the Group.

(iii) Issued but not yet effective International Financial Reporting Standards and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	Financial Instruments
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

2. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iii) Issued but not yet effective International Financial Reporting Standards and new disclosure requirements under the Hong Kong Companies Ordinance not yet adopted (continued)

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to IFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of IFRSs. Except for those described in note 2(a)(ii), the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

(b) Consolidation

The Group's consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. Summary of Significant Accounting Policies (continued)

(b) Consolidation (continued)

(i) Subsidiaries (continued)

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Summary of Significant Accounting Policies (continued)

(b) Consolidation (continued)

(iv) Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

(c) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the office of the General Manager that makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Chinese Renminbi ("RMB"), which is the company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income' or 'finance costs'.

2. Summary of Significant Accounting Policies (continued)

(e) Revenue recognition and sales in advance of carriage

Revenue comprises the fair value of the consideration received or receivable for the provision of services and the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of business taxes or value-added taxes, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group operates frequent flyer programmes that provide travel awards to programme members based on accumulated miles. A portion of passengers revenue attributable to the award of frequent flyer benefits is deferred and recognised when the miles have been redeemed or have expired.

(i) Traffic revenues

Passenger, cargo and mail revenues are recognised as traffic revenues when the transportation services are provided. The value of sold but unused tickets is recognised as sales in advance of carriage ("SIAC").

(ii) Ground service income and tour operation revenues

Revenues from the provision of ground services, tour, travel services and other travel related services are recognised when the services are rendered.

(iii) Cargo handling income

Revenues from the provision of cargo handling income are recognised when the services are rendered.

(iv) Commission income

Commission income represents amounts earned from other carriers in respect of sales made by the Group on their behalf, and is recognised in the profit or loss upon ticket sales.

(v) Other revenue

Revenues from other operating businesses, including income derived from the provision of freight forwarding, are recognised when the services are rendered.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

(g) Maintenance and overhaul costs

In respect of aircraft and engines under operating leases, the group has obligations to fulfill certain return conditions under the leases. Provision for the estimated cost of these return condition checks is made on a straight line basis over the term of the leases.

In respect of aircraft and engines owned by the Group or held under finance leases, overhaul costs are capitalised as a component of property, plant and equipment and are depreciated over the appropriate maintenance cycles.

All other repairs and maintenance costs are charged to the profit or loss as and when incurred.

2. Summary of Significant Accounting Policies (continued)

(h) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(j) Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period date in the jurisdictions where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill and deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting period date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates or joint ventures at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisition of associates and joint ventures is included in "investments in associates" and "investments in joint ventures" and is tested for impairment as part of the overall balances. Separately recognised goodwill is tested for impairment at least annually or whenever there is an indication of impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units according to the identified operating segments that are expected to benefit from the business combination in which the goodwill arose.

2. Summary of Significant Accounting Policies (continued)

(k) Intangible assets (continued)

(ii) Computer software costs

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of 5 years. Costs associated with developing or maintaining computer software programs are recognised as expense when incurred.

(l) Deferred pilot recruitment costs

Deferred pilot recruitment costs represent the cost bore by the Group in connection with securing certain minimum period of employment of pilots and are amortised on a straight-line basis over the anticipated beneficial period of five years, starting from when the pilot joins the Group.

(m) Property, plant and equipment

Property, plant and equipment is recognised initially at cost which comprises purchase price, and any directly attributable costs of bringing the assets to the condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

When each major aircraft overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment and is depreciated over the appropriate maintenance cycles. Components related to airframe overhaul cost, are depreciated on a straight-line basis over 5 to 7.5 years. Components related to engine overhaul costs, are depreciated between each overhaul period using the ratio of actual flying hours and estimated flying hours between overhauls. Upon completion of an overhaul, any remaining carrying amount of the cost of the previous overhaul is derecognised and charged to the profit or loss.

Except for components related to overhaul costs, the depreciation method of which has been described in the preceding paragraph, other depreciation of property, plant and equipment is calculated using the straight-line method to write down their costs to their residual values over their estimated useful lives, as follows:

Owned and finance leased aircraft and engines	15 to 20 years
Other flight equipment, including rotables	10 years
Buildings	15 to 45 years
Other property, plant and equipment	5 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the assets' carrying amount and are recognised in the profit or loss.

Construction in progress represents buildings under construction and equipment pending installation. This includes the costs of construction or acquisition and interest capitalised. No depreciation is provided on construction in progress until the asset is completed and ready for use.

2. Summary of Significant Accounting Policies (continued)

(n) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Assets that have an indefinite useful life or which are not yet available for use are not subject to amortisation and are tested for impairment at least annually or whenever there is indication of impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting period date.

(o) Assets classified as held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and are classified as assets held for sale.

(p) Lease prepayments

Lease prepayments represent acquisition costs of land use rights less accumulated amortisation. Amortisation is provided over the lease period of the land use rights on a straight-line basis.

(q) Advanced payments on acquisition of aircraft

Advanced payments on acquisition of aircraft represent payments to aircraft manufacturers to secure deliveries of aircraft in future years, including attributable finance costs, and are included in non-current assets. The balance is transferred to property, plant and equipment upon delivery of the aircraft.

(r) Flight equipment spare parts

Flight equipment spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of flight equipment spare parts comprises the purchase price (net of discounts), freight charges, duty and value added tax and other miscellaneous charges. Net realisable value is the estimated selling price of the flight equipment in the ordinary course of business, less applicable selling expenses.

(s) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the profit or loss.

(t) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(u) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2. Summary of Significant Accounting Policies (continued)

(v) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period date in which case such borrowings are classified as non-current liabilities.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

For the contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, the present obligation under the contract is recognised and measured as a provision.

(x) Leases

(i) A Group company is the lessee

Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has acquired substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Leased assets are depreciated using a straight-line basis over their expected useful lives to residual values.

For sale and leaseback transactions resulting in a finance lease, differences between sales proceeds and net book values are deferred and amortised over the lease terms.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

For sale and leaseback transactions resulting in an operating lease, differences between sales proceeds and net book values are recognised immediately in the profit or loss, except to the extent that any profit or loss is compensated for by future lease payments at above or below market value, then the profit or loss is deferred and amortised over the period for which the asset is expected to be used.

2. Summary of Significant Accounting Policies (continued)

(x) Leases (continued)

(ii) A Group company is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term.

(y) Retirement benefits

The Group participates in schemes regarding pension and medical benefits for employees organised by the municipal governments of the relevant provinces. In addition, the Group initiated an additional defined contribution retirement benefit scheme for employees in 2014. The contributions to the schemes are charged to profit or loss as and when incurred.

In addition, the Group provides retirees with certain post-retirement benefits including retirement subsidies, transportation subsidies, social function activity subsidies as well as other welfare. The cost of providing benefits under the post-retirement benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from post-retirement benefit plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and

- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "Wages, salaries and benefits" in the consolidated statement of profit or loss and other comprehensive income:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

(z) Derivative financial instruments

Derivative financial instruments are initially recognised in the statement of financial position at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments that do not qualify for hedge accounting are accounted for as trading instruments and any unrealised gains or losses, being changes in fair value of the derivatives, are recognised in the profit or loss immediately. Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the profit or loss, along with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

2. Summary of Significant Accounting Policies (continued)

(z) Derivative financial instruments (continued)

Derivative financial instruments that qualify for hedge accounting and which are designated as a specific hedge of the variability in cash flows of a highly probable forecast transaction, are accounted for as follows:

(i) The effective portion of any change in fair value of the derivative financial instrument is recognised directly in equity. Where the forecast transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously deferred in equity are included in the initial measurement of the cost of the asset or liability. Otherwise, the cumulative gain or loss on the derivative financial instrument is removed from equity and recognized in the profit or loss in the same period during which the hedged forecast transaction affects net profit or loss.

(ii) The ineffective portion of any change in fair value is recognised in the profit or loss immediately.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged items is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the profit or loss when the committed or forecast transaction ultimately occurs. When a committed or forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is immediately transferred to the profit or loss.

(aa) Available-for-sale financial assets

Investments in securities other than subsidiaries, associates and joint ventures, being held for non-trading purposes, are classified as available-for-sale financial assets and are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. At each date, the fair value is remeasured, with any resulting gain or loss being recognised directly in other comprehensive income, except for impairment losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the profit or loss.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group assesses at each reporting period date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the securities below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

(ac) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimised potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage risk exposures whenever management consider necessary.

Risk management is carried out by a central treasury department (the "Group Treasury") under policies approved by the Board. The Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The overall risk management strategies, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments were approved by the Board.

(i) Foreign currency risk

The Group operates its business in many countries and territories. The Group generates its revenue in different currencies, and its foreign currency liabilities at the end of the period are much higher than its foreign currency assets. The Group's major liability item (mainly resulting from purchases of aircraft) is mainly priced and settled in foreign currencies, primarily US dollars. The Group is exposed to currency risks from fluctuations in various foreign currency exchange rates against RMB.

RMB is not a freely convertible currency and is regulated by the PRC government. Limitation on foreign exchange transaction imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

In addition, fluctuations in exchange rates will affect the Group's future costs for purchases of aircraft, flight equipment and aviation fuel, and take-off and landing charges in foreign airports.

The Group entered into certain foreign exchange forward contracts to manage part of these foreign currency risks. Details of foreign currency forward contracts are disclosed in Note 40(b) to the financial statements.

The following tables detail the Group's and the Company's exposure at the reporting dates to major currency risk:

	2014 (Group)		
	USD RMB million	Euro RMB million	JPY RMB million
Trade and other receivables	1,684	97	12
Cash and cash equivalents	490	45	16
Deposits relating to aircraft under operating leases	482	–	–
Other long-term assets	46	–	–
Trade and other payables	(30)	–	(2)
Obligations under finance leases	(36,437)	–	(375)
Borrowings	(42,984)	–	–
Interest rate swap at notional value	4,901	–	–
Currency derivatives at notional value	239	–	–
Net exposure in the consolidated statement of financial position	(71,609)	142	(349)

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(i) Foreign currency risk (continued)

	2013 (Group)		
	USD RMB million	Euro RMB million	JPY RMB million
Trade and other receivables	713	160	52
Restricted bank deposits and short-term bank deposits	182	–	–
Cash and cash equivalents	282	32	22
Deposits relating to aircraft under operating leases	668	–	–
Trade and other payables	(902)	–	(4)
Obligations under finance leases	(20,541)	–	(475)
Borrowings	(35,215)	–	–
Interest rate swap at notional value	5,146	–	–
Currency derivatives at notional value	234	–	–
Net exposure in the consolidated statement of financial position	(49,433)	192	(405)

	2014 (Company)		
	USD RMB million	**Euro RMB million**	**JPY RMB million**
Trade and other receivables	**1,241**	**1**	**6**
Cash and cash equivalents	**331**	**38**	**16**
Deposits relating to aircraft under operating leases	**272**	**–**	**–**
Trade and other payables	**(16)**	**–**	**(2)**
Obligations under finance leases	**(25,017)**	**–**	**(375)**
Borrowings	**(38,965)**	**–**	**–**
Interest rate swap at notional value	**4,901**	**–**	**–**
Currency derivatives at notional value	**239**	**–**	**–**
Net exposure in the statement of financial position	**(57,014)**	**39**	**(355)**

	2013 (Company)		
	USD RMB million	Euro RMB million	JPY RMB million
Trade and other receivables	879	58	52
Restricted bank deposits and short-term bank deposits	181	–	–
Cash and cash equivalents	220	29	22
Deposits relating to aircraft under operating leases	266	–	–
Trade and other payables	(900)	–	(4)
Obligations under finance leases	(14,143)	–	(475)
Borrowings	(28,476)	–	–
Interest rate swap at notional value	5,146	–	–
Currency derivatives at notional value	234	–	–
Net exposure in the statement of financial position	(36,593)	87	(405)

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(i) Foreign currency risk (continued)

The following tables indicate the approximate change in the Group's and the Company's statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity in response to a 1% appreciation of the RMB against the following major currencies at the reporting period dates:

	Group			
	2014		2013	
	Effect on profit or loss RMB million	**Effect on other components of equity RMB million**	Effect on profit and loss RMB million	Effect on other components of equity RMB million
US dollars	**628**	**–**	548	2
Euro	**(2)**	**–**	(2)	–
Japanese Yen	**4**	**–**	4	–

	Company			
	2014		2013	
	Effect on profit or loss RMB million	**Effect on other components of equity RMB million**	Effect on profit and loss RMB million	Effect on other components of equity RMB million
US dollars	**570**	**–**	315	2
Euro	**–**	**–**	(1)	–
Japanese Yen	**4**	**–**	3	–

(ii) Interest rate risk

The Group's interest-rate risk primarily arises from borrowings and obligations under finance leases. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings and finance leases issued at fixed rates expose the Group to fair value interest-rate risk. The Group determines the proportion of borrowings and finance leases issued at variable rates and fixed rates based on the market environment.

The Group's finance department has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of new borrowings and current borrowings issued at variable rates, which will further impact on the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap variable rates into fixed rates. The interest rates and terms of repayment of borrowings made to the Group and interest rate swaps are disclosed in Notes 34 and 40(a) to the financial statements.

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(ii) Interest rate risk (continued)

The following tables detail the interest rate profiles of the Group's and the Company's interest-bearing financial instruments at the reporting period dates:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Floating rate instruments				
Cash and cash equivalents	**1,355**	1,995	**865**	1,029
Restricted bank deposits and short-term bank deposits	**38**	383	**27**	213
Borrowings	**(37,302)**	(36,237)	**(32,963)**	(30,026)
Obligations under finance leases	**(38,695)**	(23,135)	**(27,003)**	(16,227)
	(74,604)	(56,994)	**(59,074)**	(45,011)
Interest rate swap at notional amount	**4,791**	4,972	**4,791**	4,972
	(69,813)	(52,022)	**(54,283)**	(40,039)

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Fixed rate instruments				
Borrowings	**(21,887)**	(14,363)	**(16,293)**	(9,107)
Interest rate swap at notional amount	**110**	173	**110**	173
	(21,777)	(14,190)	**(16,183)**	(8,934)

The following table indicates the approximate change in the Group's profit and loss and other components of equity, taking into the consideration of the interest rate swap, if interest rate had been 25 basis points higher with all other variables held constant:

	2014		2013	
	Effect on profit and loss RMB million	Effect on other components of equity RMB million	**Effect on profit and loss RMB million**	Effect on other components of equity RMB million
Floating rate instruments	**(161)**	**12**	(107)	12

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iii) Fuel price risk

The Group's results of operations may be significantly affected by fluctuations in fuel prices which is a significant expense component for the Group. Aircraft fuel accounts for 34% of the Group's operating expenses (2013: 34%).

As at 31 December 2014, the Group had no open crude oil option contracts, and all the contracts signed in past years had been settled before 31 December 2014.

For the year ended 31 December 2014, if fuel price had been 5% higher/lower with all other variables held constant, the Group's fuel cost would have been RMB1,512 million higher/lower (2013: 1,534 million higher/lower).

(iv) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, deposits and derivative financial instruments with banks and financial institutions, as well as credit exposures to sales agents.

A significant portion of the Group's air tickets are sold by sales agents participating in the Billing and Settlements Plan ("BSP"), a clearing system between airlines and sales agents organised by the International Air Transportation Association. The balance due from BSP agents amounted to approximately RMB848 million as at 31 December 2014 (2013: approximately RMB995 million). The credit risk exposure to BSP and the remaining trade receivables are maintained by the Group on an on-going basis and the allowance for impairment of doubtful debts is within management's expectations.

The Group's cash management policy is to deposit cash and cash equivalents mainly in state-owned banks and other banks which are highly rated by international credit rating companies. The Group also deposits cash and cash equivalents in an associate financial institution owned by its holding company (Note 47(c)(iii)). The management does not expect any loss to arise from non-performance by these banks and the financial institution.

Transactions in relation to derivative financial instruments are only carried out with financial institutions of high credit rating. The Group has policies that limit the amount of credit exposure to any one financial institution. Management does not expect any losses from non-performance by these banks.

(v) 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 31 December 2014, the Group's net current liabilities amounted to RMB42,887 million (2013: RMB40,472 million). For the year ended 31 December 2014, the Group recorded a net cash inflow from operating activities of RMB12,296 million (2013: inflow RMB10,806 million), a net cash outflow from investing activities and financing activities of RMB12,921 million (2013: outflow RMB11,298 million), and an decrease in cash and cash equivalents of RMB625 million (2013: decrease of RMB492 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 (see Note 2(a)).

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(v) Liquidity risk (continued)

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

Group

	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
At 31 December 2014				
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 and other payables	14,163	–	–	–
Total	49,820	14,943	25,756	31,460

Group

	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
At 31 December 2013				
Borrowings	24,646	7,299	11,504	12,337
Derivative financial instruments	3	–	118	6
Obligations under finance leases	3,446	3,375	9,752	8,956
Trade and other payables	15,758	–	–	–
Total	43,853	10,674	21,374	21,299

3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(v) Liquidity risk (continued)

Company

	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
At 31 December 2014				
Borrowings	30,379	5,756	7,455	9,844
Derivative financial instruments	–	18	59	18
Obligations under finance leases	3,667	3,413	8,607	14,202
Trade and other payables	18,628	–	–	–
Total	52,674	9,187	16,121	24,064

Company

	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
At 31 December 2013				
Borrowings	20,899	6,154	6,182	10,046
Derivative financial instruments	3	–	118	6
Obligations under finance leases	2,342	2,282	5,914	7,157
Trade and other payables	19,030	–	–	–
Total	42,274	8,436	12,214	17,209

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt ratio, which is calculated as total liabilities divided by total assets. The debt ratio at 31 December 2014 and 2013 were as follows:

	2014 RMB million	2013 RMB million
Total liabilities	134,058	111,486
Total assets	165,829	140,068
Debt ratio	0.81	0.80

3. Financial Risk Management (continued)

(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 and Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, were as follows:

Group

	2014		2013	
	Carrying amounts RMB Million	Fair values RMB Million	Carrying amounts RMB Million	Fair values RMB Million
Financial assets				
Deposits relating to aircraft held under operating leases included in other long term assets	482	466	670	659
Financial liabilities				
Long-term bank borrowings	30,925	31,914	29,190	29,204
Obligations under finance leases	38,695	38,455	23,135	23,835
	69,620	70,369	52,325	53,039

Company

	2014		2013	
	Carrying amounts RMB Million	Fair values RMB Million	Carrying amounts RMB Million	Fair values RMB Million
Financial assets				
Deposits relating to aircraft held under operating leases included in other long term assets	237	229	279	274
Financial liabilities				
Long-term bank borrowings	24,995	25,794	22,328	22,339
Obligations under finance leases	27,003	26,839	16,227	16,718
	51,998	52,633	38,555	39,057

Management assessed cash and cash equivalents, restricted bank deposits and short-term bank deposits, trade receivables, trade and bills payable, short-term debentures and short-term guaranteed bonds. 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 31 December 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.

3. Financial Risk Management (continued)

(c) Fair value estimation of financial assets and liabilities (continued)

Fair value hierarchy

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

Assets and liabilities measured at fair value:

Group

As at 31 December 2014	**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				
Derivative financial instruments				
– Forward foreign exchange contracts (Note 40(b))	–	27	–	27
– Interest rate swaps (Note 40(a))	–	8	–	8
Available-for-sale financial assets	195	–	–	195
Total	**195**	**35**	**–**	**230**
Liabilities				
Derivative financial instruments				
– Interest rate swaps (Note 40(a))	–	95	–	95

Group

As at 31 December 2013	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				
Derivative financial instruments				
– Forward foreign exchange contracts (Note 40(b))	–	13	–	13
– Interest rate swaps (Note 40(a))	–	55	–	55
Available-for-sale financial assets	177	–	–	177
Total	177	68	–	245
Liabilities				
Derivative financial instruments				
– Interest rate swaps (Note 40(a))	–	124	–	124
– Forward foreign exchange contracts (Note 40(b))	–	3	–	3
Total	–	127	–	127

3. Financial Risk Management (continued)

(c) Fair value estimation of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

Company

As at 31 December 2014	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				
Derivative financial instruments				
– Forward foreign exchange contracts (Note 40(b))	–	27	–	27
– Interest rate swaps (Note 40(a))	–	8	–	8
Available-for-sale financial assets	166	–	–	166
Total	166	35	–	201
Liabilities				
Derivative financial instruments				
– Interest rate swaps (Note 40(a))	–	95	–	95

Company

As at 31 December 2013	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				
Derivative financial instruments				
– Forward foreign exchange contracts (Note 40(b))	–	13	–	13
– Interest rate swaps (Note 40(a))	–	55	–	55
Available-for-sale financial assets	13	–	–	13
Total	13	68	–	81
Liabilities				
Derivative financial instruments				
– Interest rate swaps (Note 40(a))	–	124	–	124
– Forward foreign exchange contracts (Note 40(b))	–	3	–	3
Total	–	127	–	127

3. Financial Risk Management (continued)

(c) Fair value estimation of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

The fair value of financial instruments traded in active markets was based on quoted market prices at the reporting period dates.

The fair values of hedging instruments and other derivative instruments are determined by using valuation techniques. These valuation techniques use applicable models and maximise 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:

Group

As at 31 December 2014	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				
Deposits relating to aircraft held under operating leases included in other long term assets	–	482	–	482
Liabilities				
Long-term bank borrowings	–	30,925	–	30,925
Obligations under finance leases	–	38,695	–	38,695
Total	–	69,620	–	69,620

Group

As at 31 December 2013	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				
Deposits relating to aircraft held under operating leases included in other long term assets	–	670	–	670
Liabilities				
Long-term bank borrowings	–	29,190	–	29,190
Obligations under finance leases	–	23,135	–	23,135
Total	–	52,325	–	52,325

3. Financial Risk Management (continued)

(c) Fair value estimation of financial assets and liabilities (continued)

Fair value hierarchy (continued)

Assets and liabilities for which fair values are disclosed: (continued)

Company

As at 31 December 2014	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				
Deposits relating to aircraft held under operating leases included in other long term assets	–	237	–	237
Liabilities				
Long-term bank borrowings	–	24,995	–	24,995
Obligations under finance leases	–	27,003	–	27,003
Total	–	51,998	–	51,998

Company

As at 31 December 2013	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				
Deposits relating to aircraft held under operating leases included in other long term assets	–	279	–	279
Liabilities				
Long-term bank borrowings	–	22,328	–	22,328
Obligations under finance leases	–	16,227	–	16,227
Total	–	38,555	–	38,555

4. Critical Accounting Estimates and Judgments

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

The Group recognises traffic revenues in accordance with the accounting policy stated in Note 2(e) to the financial statements. Unused tickets are recognised in traffic revenues based on current estimates. Management periodically evaluates the balance in the SIAC and records any adjustments, which can be material, in the period the evaluation is completed.

These adjustments result from differences between the estimates of certain revenue transactions and the timing of recognising revenue for any unused air tickets and the related sales price, and are impacted by various factors, including a complex pricing structure and interline agreements throughout the industry, which affect the timing of revenue recognition.

(b) Frequent flyer programme

The Group operates frequent flyer programmes that provide travel awards to programme members based on accumulated miles. A portion of passengers' revenue attributable to the award of frequent flyer benefits is deferred and recognised when the miles have been redeemed or have expired. The deferment of revenue is estimated based on historical trends of redemptions, which is then used to project the expected utilisation of these benefits fair values of the unredeemed miles. Different judgements or estimates could significantly affect the estimated provision for frequent flyer programmes and the results of operations.

(c) Provision for costs of return condition checks for aircraft under operating leases

Provision for the estimated costs of return condition checks for aircraft under operating leases is made based on the estimated costs for such return condition checks and taking into account anticipated flying hours, flying cycle and time frame between each overhaul. These judgments or estimates are based on historical experience on returning similar airframe models, actual costs incurred and aircraft status. Different judgments or estimates could significantly affect the estimated provision for costs of return condition checks.

(d) Retirement benefits

The Group operates and maintains a defined retirement benefit plan which provides retirees with benefits including transportation subsidies, social activity subsidies as well as other welfare. The cost of providing the aforementioned benefits in the defined retirement benefit plan is actuarially determined and recognised over the employee's service period by utilising various actuarial assumptions and using the projected unit credit method in accordance with the accounting policy stated in Note 2(y) to the financial statements. These assumptions include, without limitation, the selection of discount rate, annual rate of increase of per capita benefit payment and employee's turnover rate. The discount rate is based on management's review of government bonds. The annual rate of increase of benefit payments is based on the general local economic conditions. The employees' turnover rate is based on historical trends of the Group.

Additional information regarding the retirement benefit plan is disclosed in Note 38 to the financial statements.

4. Critical Accounting Estimates and Judgments (continued)

(e) Deferred income tax

In assessing the amount of deferred tax assets that need to be recognised in accordance with the accounting policy stated in Note 2(j) to the financial statements, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry forwards in the future, adjustments to the recorded amount of net deferred tax assets and taxation expense would be made.

(f) Provision for flight equipment spare parts

Provision for flight equipment spare parts is made based on the difference between the carrying amount and the net realisable value. The net realisable value is estimated based on current market condition, historical experience and Company's future operation plan for the aircraft and related spare parts. The net realisable value may be adjusted significantly due to the change of market condition and the future plan for the aircraft and related spare parts.

(g) Depreciation of property, plant and equipment

Depreciation of components related to airframe and engine overhaul costs are based on the Group's historical experience with similar airframe and engine models and taking into account anticipated overhauls costs, timeframe between each overhaul, ratio of actual flying hours and estimated flying hours between overhauls. Different judgments or estimates could significantly affect the estimated depreciation charge and the results of operations.

Except for components related to airframe and engine overhaul costs, other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The Group reviews the estimated useful lives of assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(h) Estimated impairment of property, plant and equipment and intangible assets

The Group tests whether property, plant and equipment and intangible assets have been impaired in accordance with the accounting policy stated in Note 2(m) and Note 2(k) to the financial statements. The recoverable amount of cash generating unit has been determined based on fair value less cost to sell and value-in-use calculations. Value-in-use calculations use cash flow projections based on financial budgets approved by management and certain key assumptions, such as passenger-kilometers yield level, load factor, aircraft utilisation rate and discount rates, etc.

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.

	Group	
	2014	2013
	RMB million	RMB million
Traffic revenues	**82,589**	80,531
– Passenger	**75,261**	72,928
– Cargo and mail	**7,328**	7,603
Tour operations income	**3,047**	3,169
Ground service income	**2,168**	2,253
Cargo handling income	**286**	263
Commission income	**94**	93
Others	**2,001**	1,936
	90,185	88,245

Notes:

Before 1 January 2012, the major elements of the Group's revenues were subject to business tax levied at rates of 3% or 5%. The Group's revenues from the provision of international transportation services are exempted from business tax from 1 January 2010, pursuant to the notice of exemption of business tax on the provision of international transportation services (Cai Shui [2010] No. 8) jointly issued by the Ministry of Finance of the PRC ("MoF") and the State Administration of Taxation of the PRC ("SAT").

Pursuant to the notice of the pilot programme for the transformation of transportation and certain modern service industries from BT to VAT in all locations of China (Cai Shui [2013] No.37) issued by MoF and SAT, traffic revenue and other revenues (including ground service income, cargo handling income, commission income and part of others) generated by all provinces/cities of China are subjected to VAT levied at rates of 11% or 6% from 1 August 2013, instead of BT.

6 Other Operating Income

	Group	
	2014	2013
	RMB million	RMB million
Other operating income		
– Subsidy income (Note)	**3,627**	2,369
– Gain on disposal of property, plant and equipment	**58**	356
	3,685	2,725

Note:

Subsidy income represent (i) subsidies granted by various local governments based on certain amount of tax paid; and (ii) subsidies granted by various local governments and other parties to encourage the Group to operate certain routes to cities where these governments are located.

There are no unfulfilled conditions and other contingencies related to subsidies that were recognised for the years ended 31 December 2014 and 2013.

7 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 "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 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 7(c) below.

The segment results for the year ended 31 December 2014 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
Reportable segment revenue from external customers	86,031	3,715	–	–	89,746
Inter-segment sales	–	343	(343)	–	–
Reportable segment revenue	86,031	4,058	(343)	–	89,746
Reportable segment profit before income tax	3,946	32	–	142	4,120
Other segment information					
Depreciation and amortisation	9,604	131	–	–	9,735
Impairment charges	20	2	–	–	22
Interest income	61	27	–	–	88
Finance expenses	1,707	250	–	–	1,957
Capital expenditure	35,922	464	–	–	36,386

7 Segment Information (continued)

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

The segment results for the year ended 31 December 2013 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total** RMB million
Reportable segment revenue from external customers	84,248	3,861	–	–	88,109
Inter-segment sales	–	258	(258)	–	–
Reportable segment revenue	84,248	4,119	(258)	–	88,109
Reportable segment profit before income tax	2,044	93	–	68	2,205
Other segment information					
Depreciation and amortisation	8,470	244	–	–	8,714
Impairment charges/(reversal)	186	(2)	–	–	184
Interest income	99	49	–	–	148
Finance expenses	1,368	180	–	–	1,548
Capital expenditure	24,756	310	–	–	25,066

The segment assets and liabilities as at 31 December 2014 and 31 December 2013 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Elimination RMB million	Unallocated* RMB million	Total RMB million
At 31 December 2014					
Reportable segment assets	156,786	8,679	(3,947)	2,024	163,542
Reportable segment liabilities	130,696	7,306	(3,947)	–	134,055
At 31 December 2013**					
Reportable segment assets	133,311	7,309	(4,682)	1,908	137,846
Reportable segment liabilities	109,792	6,416	(4,682)	–	111,526

* 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 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 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 PRC Accounting Standards as at 31 December 2013 were re-presented to reflect the inclusion of the acquiree, resulting in the re-presented corresponding information in the Group's reportable segment as at 31 December 2013 and for the year then ended as shown above.

7 Segment Information (continued)

(b) The Group's business operates in three main geographical areas, even though they are managed on a worldwide basis.

The Group's revenues 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.

	Group	
	2014	2013
	RMB million	RMB million
Domestic (the PRC, excluding Hong Kong, Macau and Taiwan)	**60,531**	59,563
Regional (Hong Kong, Macau and Taiwan)	**3,799**	3,911
International	**25,855**	24,771
Total	**90,185**	88,245

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.

(c) Reconciliation of reportable segment revenue, profit, assets and liabilities to the consolidated figures as reported in the consolidated financial statements:

		Group	
		2014	2013**
	Note	**RMB million**	RMB million
Revenue			
Reportable segment revenue		**89,746**	88,109
– Reclassification of business tax and expired sales in advance of carriage	(i)	**521**	236
– Adjustment of business combination under common control		**(82)**	(100)
Consolidated revenue		**90,185**	88,245

7 Segment Information (continued)

(c) Reconciliation of reportable segment revenue, profit, assets and liabilities to the consolidated figures as reported in the consolidated financial statements: (continued)

	Note	Group 2014 RMB million	Group 2013** RMB million
Profit before income tax			
Reportable segment profit		4,120	2,205
– Differences in depreciation charges for aircraft and engines due to different depreciation lives	(ii)	(4)	(3)
– Adjustments of business combination under common control		(3)	15
Consolidated profit before income tax		4,113	2,217

	Notes	Group 2014 RMB million	Group 2013** RMB million
Assets			
Reportable segment assets		163,542	137,846
– Differences in depreciation charges for aircraft and engines due to different depreciation lives	(ii)	45	49
– Difference in intangible asset arising from the acquisition of Shanghai Airlines	(iii)	2,242	2,242
– Adjustments of business combination under common control		–	(69)
Consolidated assets		165,829	140,068

	Group 2014 RMB million	Group 2013** RMB million
Liabilities		
Reportable segment liabilities	134,055	111,526
– Adjustments of business combination under common control	3	(40)
Consolidated liabilities	134,058	111,486

7 Segment Information (continued)

(c) Reconciliation of reportable segment revenue, profit, assets and liabilities to the consolidated figures as reported in the consolidated financial statements: (continued)

Notes:

(i) The difference represents the different classification of business tax and expired sales in advance of carriage under PRC Accounting Standards and IFRS.

(ii) The difference is attributable to the differences in the useful lives and residual values of aircraft and engines adopted for depreciation purpose in prior years under PRC Accounting Standards and IFRS. Despite the depreciation policies of these assets have been unified under IFRS and the PRC Accounting Standards in recent years, the changes were applied prospectively as changes in accounting estimates which result in the differences in the carrying amounts and related depreciation charges under IFRS and PRC Accounting Standards.

(iii) The difference represents the different measurement of the fair value of acquisition cost of the shares from Shanghai Airlines between PRC Accounting standards and IFRS, which results in the different measurement of goodwill.

8 Gain on Fair Value Movements of Derivative Financial Instruments

	Group	
	2014	2013
	RMB million	RMB million
Gain arising from fair value movements of derivative financial instruments		
– Interest rate swap contracts (Note 40(a))	**11**	16
– Others	**–**	2
	11	18

9 Wages, Salaries and Benefits

	Group	
	2014	2013
	RMB million	RMB million
Wages, salaries, bonus and allowances	**10,853**	10,489
Employee welfare and benefits	**238**	363
Pension and medical insurance (Note 38(a) & (b))	**2,025**	1,483
Post-retirement benefits (Note 38(c))	**(2,906)**	183
Staff housing fund (Note 39(a))	**826**	718
Staff housing allowances (Note 39(b))	**234**	218
	11,270	13,454

9 Wages, Salaries and Benefits (continued)

(a) Emoluments of directors and supervisors

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014		
	Salaries and Allowance RMB'000	Bonus RMB'000	Total RMB'000
Executive Directors			
Liu Shaoyong*	–	–	–
Ma Xulun	745	–	745
Xu Zhao*	–	–	–
Gu Jiadan*	–	–	–
Li Yangmin	669	–	669
Tang Bing	632	–	632
Independent non-executive Directors			
Liu Keya	120	–	120
Ji Weidong	120	–	120
Shao Ruiqing**	–	–	–
Li Ruoshan	120	–	120
Ma Weihua	120	–	120
Supervisors			
Yu Faming*	–	–	–
Xi Sheng*	–	–	–
Feng Jinxiong	436	–	436
Yan Taisheng**	175	–	175
Ba Shengji*	–	–	–
Total	3,137	–	3,137

9 Wages, Salaries and Benefits (continued)

(a) Emoluments of directors and supervisors (continued)

	2013		
	Salaries and Allowance RMB'000	Bonus RMB'000	Total RMB'000
Executive Directors			
Liu Shaoyong*	–	–	–
Ma Xulun	713	–	713
Xu Zhao*	–	–	–
Gu Jiadan*	–	–	–
Li Yangmin	639	–	639
Tang Bing	604	–	604
Luo Zhuping***	391	–	391
Independent non-executive Directors			
Liu Keya	120	–	120
Wu Xiaogen***	–	–	–
Ji Weidong	120	–	120
Shao Ruiqing	120	–	120
Li Ruoshan****	60	–	60
Ma Weihua****	30	–	30
Supervisors			
Yu Faming*	–	–	–
Xi Sheng*	–	–	–
Liu Jiashun***	–	–	–
Feng Jinxiong	422	–	422
Yan Taisheng	384	–	384
Ba Shengji****	325	–	325
Total	3,928	–	3,928

* These directors and supervisors of the Company received emoluments from CEA Holding, the parent company, part of which were in respect of their services to the Company and its subsidiaries. No apportionment has been made as it is impracticable to apportion this amount between their services to the Group and their services to CEA Holding.

** These directors and supervisors of the Company retired or resigned during the year ended 31 December 2014.

*** These directors and supervisors of the Company retired or resigned during the year ended 31 December 2013.

**** These directors and supervisors of the Company were newly appointed during the year ended 31 December 2013.

During the year ended 31 December 2014, no directors and supervisors waived their emoluments (2013: Nil).

9 Wages, Salaries and Benefits (continued)

(b) Five highest paid individuals

None of the Company's directors and supervisors was among the five highest paid individuals in the Group for the year ended 31 December 2014 (2013: Nil). The emoluments payable to the five highest paid individuals were as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Wages, salaries, bonus and allowances	**7,817**	7,393

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Nil to HK$2,000,000	**4**	4
HK$2,000,001 to HK$2,500,000	**1**	1
	5	5

During the year ended 31 December 2014, no emoluments were paid by the Group to the directors, supervisors and the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office (2013: Nil).

10 Impairment Charge/(Reversal)

	Group	
	2014	2013
	RMB million	RMB million
Accrual/(reversal) of impairment charge on flight equipment spare parts	**9**	(20)
Impairment charges on assets classified as held for sale	**–**	50
Impairment charges on property, plant and equipment	**3**	15
Impairment charges on other long-term assets	**–**	114
Impairment charges on available-for-sale financial assets	**–**	27
	12	186

11 Operating Profit

Operating profit is stated after charging/(crediting) the following items:

	Group 2014 RMB million	Group 2013 RMB million
Amortisation of intangible assets	**69**	57
Depreciation of property, plant and equipment		
– owned	**5,688**	5,914
– leased (finance leases)	**3,368**	2,203
Amortisation of lease prepayments	**58**	52
Consumption of flight equipment spare parts	**712**	755
Provision for/(reversal of) impairment of trade and other receivables	**10**	(2)
Auditors’ remuneration	**15**	15

12 Finance Income

	Group 2014 RMB million	Group 2013 RMB million
Exchange gains, net	**–**	1,977
Interest income	**88**	148
	88	2,125

13 Finance Costs

	Group 2014 RMB million	Group 2013 RMB million
Interest on bank borrowings	**1,257**	1,191
Interest relating to obligations under finance leases and post-retirement benefits	**722**	335
Interest on bonds and debentures	**509**	339
Interest relating to bills payable	**92**	75
	2,580	1,940
Exchange losses, net (Note(b))	**203**	–
Less: amounts capitalised into advanced payments on acquisition of aircraft (Note(a))	**(606)**	(385)
amounts capitalised into construction in progress (Note(a))	**(17)**	(6)
	2,160	1,549

13 Finance Costs (continued)

Notes:

(a) The average interest rate used for interest capitalisation was 2.69% per annum for the year ended 31 December 2014 (2013: 2.75%).

(b) The exchange losses primarily related to the translation of the Group's foreign currency denominated borrowings and obligations under finance leases.

14 Income Tax Expense

Income tax charged/(credited) to the profit or loss was as follows:

	Group	
	2014 RMB million	2013 RMB million
Provision for PRC income tax	**484**	347
Deferred taxation (Note 37)	**89**	(223)
	573	124

Pursuant to the "Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Relevant Tax Policies for Enhancing the Implementation of Western Region Development Strategy" (Cai Shui [2011] No.58), and other series of tax regulations, the enterprises, located in the western regions and engaged in the industrial activities as listed in the "Catalogue of Encouraged Industries in Western Regions", will be entitled to a reduced income tax rate of 15% from 2011 to 2020 upon approval from tax authorities. In 2012, China Eastern Yunnan Airlines Co., Ltd. ("CEA Yunnan"), a subsidiary of the Group, obtained approval from tax authorities and enjoys the reduced tax rate of 15% from 1 January 2011.

The Company and subsidiaries except for those incorporated in Hong Kong, which are subject to Hong Kong corporate income tax rate of 16.5% (2013: 16.5%), are generally subject to the PRC standard corporate tax rate of 25% (2013: 25%).

14 Income Tax Expense (continued)

Tax on the Group's consolidated profit or loss differed from the theoretical amount that would arise using the standard taxation rate of the Company as follows:

	Group	
	2014	2013
	RMB million	RMB million
Profit before income tax	**4,113**	2,217
Adjusted by:		
Share of result of associates and joint ventures	**(127)**	(65)
	3,986	2,152
Tax calculated at the tax rate of 25% (2013: 25%)	**997**	538
Effect attributable to subsidiaries charged at tax rates of 15% or 16.5% (2013: 15% or 16.5%)	**(41)**	(42)
Expenses not deductible for tax purposes	**88**	19
Effect in respect of post-retirement benefit plan	**(560)**	–
Utilisation of previously unrecognised tax losses	**–**	(327)
Unrecognised tax losses for the year	**86**	175
Unrecognised/realisation of deductible temporary differences for the year	**3**	(239)
Tax charge	**573**	124
Effective tax rate	**13.93%**	5.61%

The Group operates international flights to overseas destinations. There was no material overseas taxation for the years ended 31 December 2014 and 2013, as there are avoidance of double tax treaties between the PRC and the corresponding jurisdictions (including Hong Kong) relating to aviation businesses.

15 Dividends

The Board has not recommended any dividend for the year ended 31 December 2014 (2013: Nil).

16 Profit Attributable to Owners of the Company

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB2,043 million (2013: RMB674 million).

17 Earnings Per Share

The calculation of basic earnings per share was based on the profit attributable to equity shareholders of the Company of RMB3,410 million (2013: RMB2,373 million) and the weighted average number of shares of issue of 12,674,269,000 (2013: 12,091,881,000) in issue during the year ended 31 December 2014. The Company had no potentially dilutive options or other instruments relating to the ordinary shares.

18 Intangible Assets

	Group		
	Goodwill (Note) RMB million	Computer software RMB million	Total RMB million
Cost			
At 1 January 2013	11,270	398	11,668
Additions	–	98	98
Disposals	–	(1)	(1)
At 31 December 2013	11,270	495	11,765
Additions	–	79	79
At 31 December 2014	**11,270**	**574**	**11,844**
Accumulated amortisation			
At 1 January 2013	–	218	218
Charge for the year	–	57	57
At 31 December 2013	–	275	275
Charge for the year	–	69	69
At 31 December 2014	**–**	**344**	**344**
Net book amount			
At 31 December 2013	11,270	220	11,490
At 31 December 2014	**11,270**	**230**	**11,500**

	Company		
	Goodwill (Note) RMB million	Computer software RMB million	Total RMB million
Cost			
At 1 January 2013	11,270	325	11,595
Additions	–	88	88
At 31 December 2013	11,270	413	11,683
Additions	–	72	72
At 31 December 2014	**11,270**	**485**	**11,755**
Accumulated amortisation			
At 1 January 2013	–	164	164
Charge for the year	–	50	50
At 31 December 2013	–	214	214
Charge for the year	–	62	62
At 31 December 2014	**–**	**276**	**276**
Net book amount			
At 31 December 2013	11,270	199	11,469
At 31 December 2014	**11,270**	**209**	**11,479**

18 Intangible Assets (continued)

Note:

The balance represents goodwill arising from the acquisition of Shanghai Airlines. Goodwill is attributable to strengthening the competitiveness of the Group's airline transportation operations, attaining synergy through integration of the resources and providing the evolution of Shanghai international air transportation center. For the purpose of impairment assessment, goodwill was allocated to the principal CGU that the Group operates and benefits from the acquisition.

The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projection based on a financial budget approved by senior management. The discount rate applied to the cash flow projection is 13%.The growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the five-year period is 5%, which includes the effect of inflation. No impairment for the goodwill was required based on the value-in-use calculation as at the reporting period date.

19 Property, Plant and Equipment

Group

	Aircraft, engines and flight equipment					
	Owned RMB million	Held under finance leases RMB million	Buildings RMB million	Other property, plant and equipment RMB million	Construction in progress RMB million	Total RMB million
Cost						
At 1 January 2014	76,671	47,668	7,486	6,435	2,078	140,338
Transfer from construction in progress	19	–	814	249	(1,082)	–
Transfer from advanced payments on acquisition of aircraft (Note 21)	4,267	12,442	–	–	–	16,709
Additions	2,262	11,029	5	545	1,293	15,134
Transfer to assets classified as held for sale	(5,634)	(2,706)	–	–	–	(8,340)
Transfer to other long-term assets	–	–	–	–	(138)	(138)
Disposals	(6,129)	(862)	(69)	(228)	(35)	(7,323)
At 31 December 2014	71,456	67,571	8,236	7,001	2,116	156,380
Accumulated depreciation						
At 1 January 2014	28,858	11,862	1,769	4,130	–	46,619
Charge for the year	4,919	3,368	277	492	–	9,056
Transfer to assets classified as held for sale	(2,691)	(1,319)	–	–	–	(4,010)
Disposals	(4,282)	(658)	(33)	(192)	–	(5,165)
At 31 December 2014	26,804	13,253	2,013	4,430	–	46,500
Impairment						
At 1 January 2014	798	108	–	8	22	936
Charge for the year	3	–	–	–	–	3
Disposals	(475)	–	–	(1)	(22)	(498)
At 31 December 2014	326	108	–	7	–	441
Net book amount						
At 31 December 2014	44,326	54,210	6,223	2,564	2,116	109,439
At 1 January 2014	47,015	35,698	5,717	2,297	2,056	92,783

19 Property, Plant and Equipment (continued)

Company

	Aircraft, engines and flight equipment					
	Owned RMB million	Held under finance leases RMB million	Buildings RMB million	Other property, plant and equipment RMB million	Construction in progress RMB million	Total RMB million
Cost						
At 1 January 2014	49,338	32,939	3,401	3,813	1,031	90,522
Transfer from construction in progress	–	–	726	39	(765)	–
Transfer from advanced payments on acquisition of aircraft (Note 21)	4,901	10,484	–	–	–	15,385
Additions	864	8,779	–	283	662	10,588
Transfer to assets classified as held for sale	(3,042)	(2,706)	–	–	–	(5,748)
Transfer to subsidiaries	(5,920)	(2,824)	–	(1,253)	–	(9,997)
Transfer to other long-term assets	–	–	–	–	(109)	(109)
Disposals	(5,479)	(791)	(15)	(161)	(19)	(6,465)
At 31 December 2014	40,662	45,881	4,112	2,721	800	94,176
Accumulated depreciation						
At 1 January 2014	18,738	8,247	959	2,785	–	30,729
Charge for the year	2,516	2,811	155	219	–	5,701
Transfer to assets classified as held for sale	(1,562)	(1,319)	–	–	–	(2,881)
Transfer to subsidiaries	(3,445)	–	–	(881)	–	(4,326)
Disposals	(4,010)	(611)	(9)	(141)	–	(4,771)
At 31 December 2014	12,237	9,128	1,105	1,982	–	24,452
Impairment						
At 1 January 2014	770	108	–	–	5	883
Disposals	(626)	–	–	–	(5)	(631)
At 31 December 2014	144	108	–	–	–	252
Net book amount						
At 31 December 2014	28,281	36,645	3,007	739	800	69,472
At 1 January 2014	29,830	24,584	2,442	1,028	1,026	58,910

19 Property, Plant and Equipment (continued)

Group

	Aircraft, engines and flight equipment					
	Owned RMB million	Held under finance leases RMB million	Buildings RMB million	Other property, plant and equipment RMB million	Construction in progress RMB million	Total RMB million
Cost						
At 1 January 2013	67,505	42,918	6,819	6,069	2,006	125,317
Transfers from construction in progress	–	–	662	93	(755)	–
Transfers from advanced payments on acquisition of aircraft (Note 21)	10,100	3,144	–	–	–	13,244
Additions	2,444	2,342	8	472	1,278	6,544
Transfer to assets classified as held for sale	(625)	–	–	–	–	(625)
Transfer to other long-term assets	–	–	–	–	(451)	(451)
Disposals	(2,753)	(736)	(3)	(199)	–	(3,691)
At 31 December 2013	76,671	47,668	7,486	6,435	2,078	140,338
Accumulated depreciation						
At 1 January 2013	26,184	10,335	1,523	3,835	–	41,877
Charge for the year	5,270	2,203	246	398	–	8,117
Transfer to assets classified as held for sale	(231)	–	–	–	–	(231)
Disposals	(2,365)	(676)	–	(103)	–	(3,144)
At 31 December 2013	28,858	11,862	1,769	4,130	–	46,619
Impairment						
At 1 January 2013	791	108	–	1	22	922
Charge for the year	7	–	–	7	–	14
At 31 December 2013	798	108	–	8	22	936
Net book amount						
At 31 December 2013	47,015	35,698	5,717	2,297	2,056	92,783
At 1 January 2013	40,530	32,475	5,296	2,233	1,984	82,518

19 Property, Plant and Equipment (continued)

Company

	Aircraft, engines and flight equipment					
	Owned RMB million	Held under finance leases RMB million	Buildings RMB million	Other property, plant and equipment RMB million	Construction in progress RMB million	Total RMB million
Cost						
At 1 January 2013	44,119	32,745	2,758	3,525	1,502	84,649
Transfers from construction in progress	–	–	645	52	(697)	–
Transfers from advanced payments on acquisition of aircraft (Note 21)	6,287	1,840	–	–	–	8,127
Additions	1,733	1,589	–	344	664	4,330
Transfer to subsidiaries	(1,372)	(2,672)	–	–	(202)	(4,246)
Transfer to other long-term assets	–	–	–	–	(236)	(236)
Disposals	(1,429)	(563)	(2)	(108)	–	(2,102)
At 31 December 2013	49,338	32,939	3,401	3,813	1,031	90,522
Accumulated depreciation						
At 1 January 2013	16,853	7,448	846	2,603	–	27,750
Charge for the year	3,080	1,943	113	284	–	5,420
Transfer to subsidiaries	(94)	(618)	–	–	–	(712)
Disposals	(1,101)	(526)	–	(102)	–	(1,729)
At 31 December 2013	18,738	8,247	959	2,785	–	30,729
Impairment						
At 1 January and 31 December 2013	770	108	–	–	5	883
Net book amount						
At 31 December 2013	29,830	24,584	2,442	1,028	1,026	58,910
At 1 January 2013	26,496	25,189	1,912	922	1,497	56,016

As at 31 December 2014, certain aircraft and buildings owned by the Group and the Company with an aggregate net book amount of approximately RMB23,117 million and RMB16,324 million, respectively (2013:approximately RMB24,306 million and RMB14,702 million, respectively) were pledged as collateral under certain loan arrangements (Note 34).

20 Lease Prepayments

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Cost				
At 1 January	**2,577**	2,154	**1,385**	965
Additions	**109**	438	**109**	435
Disposals	**–**	(15)	**–**	(15)
At 31 December	**2,686**	2,577	**1,494**	1,385
Accumulated amortisation				
At 1 January	**422**	372	**203**	183
Charge for the year	**58**	52	**31**	22
Disposals	**–**	(2)	**–**	(2)
At 31 December	**480**	422	**234**	203
Net book amount				
At 31 December	**2,206**	2,155	**1,260**	1,182

Lease prepayments represent unamortised prepayments for land use rights.

The Group's land use rights are located in the PRC and the majority of these land use rights have terms of 50 years from the date of grant. As at 31 December 2014, the majority of these land use rights had remaining terms ranging from 32 to 50 years (2013: from 33 to 50 years).

21 Advanced Payments on Acquisition of Aircraft

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**16,296**	11,895	**15,684**	10,734
Payment during the year	**20,067**	17,260	**18,604**	12,712
Interest capitalised (Note 13)	**606**	385	**556**	365
Transfers to property, plant and equipment (Note 19)	**(16,709)**	(13,244)	**(15,385)**	(8,127)
At 31 December	**20,260**	16,296	**19,459**	15,684

Included in the Group's and the Company's balances as at 31 December 2014, the amounts of accumulated interest capitalised were approximately RMB467 million and RMB447 million, respectively (2013: RMB504 million and RMB490 million, respectively).

22 Investments in Subsidiaries

	Company 2014 RMB million	2013 RMB million
Investment, at cost	**13,961**	9,569

Particulars of the principal subsidiaries, majority of which are limited liability companies established and operating in the PRC, are as follows:

Company name	Place of establishment and operation and date of establishment	Registered Capital 2014 million	Registered Capital 2013 million	Attributable equity interest 2014	Attributable equity interest 2013	Principal activities
China Eastern Airlines Jiangsu Co., Ltd. ("CEA Jiangsu")	PRC 3 May 1993	**RMB2,000**	RMB2,000	**62.56%**	62.56%	Provision of airline services
China Eastern Airlines Wuhan Co.,Ltd. ("CEA Wuhan")	PRC 16 August 2002	**RMB1,750**	RMB1,750	**60%**	60%	Provision of airline services
Shanghai Eastern Flight Training Co., Ltd. ("Flight Training")	PRC 18 December 1995	**RMB694**	RMB608	**100%**	100%	Provision of flight training services
Shanghai Airlines Co., Ltd.	PRC 16 March 2010	**RMB500**	RMB500	**100%**	100%	Provision of airline services
China Cargo Airlines Co., Ltd. ("China Cargo")	PRC 22 July 1998	**RMB3,000**	RMB3,000	**51%**	51%	Provision of cargo carriage service
China Eastern Airlines Technology Co., Ltd. ("Eastern Technology")	PRC 19 November 2014	**RMB4,300**	–	**100%**	–	Provision of airline maintenance services
Shanghai Eastern Airlines Logistics Co., Ltd. ("Eastern Logistics")	PRC 23 August 2004	**RMB1,150**	RMB1,150	**100%**	100%	Provision of cargo logistics services
Eastern Business Airlines Service Co., Ltd. ("Eastern Business Airlines Service")	PRC 27 September 2008	**RMB50**	RMB50	**100%**	100%	Provision of airlines consultation services
China Eastern Airlines Yunnan Co., Ltd. ("CEA Yunnan")	PRC 2 August 2011	**RMB3,662**	RMB3,662	**90.36%**	90.36%	Provision of airline services
Eastern Air Overseas (Hong Kong) Corporation Limited ("Eastern Air Overseas")	Hong Kong 10 June 2011	**HKD30**	HKD30	**100%**	100%	Provision of import and export, investment, leasing and consultation services
China United Airlines Co., Ltd. ("United Airlines")	PRC 21 September 1984	**RMB1,320**	RMB1,320	**100%**	100%	Provision of airline services

22 Investments in Subsidiaries (continued)

Company name	Place of establishment and operation and date of establishment	Registered Capital 2014 million	Registered Capital 2013 million	Attributable equity interest 2014	Attributable equity interest 2013	Principal activities
Eastern Airlines Hotel Co., Ltd.	PRC 18 March 1998	**RMB70**	RMB70	**100%**	100%	Provision of hotel services
Shanghai Airlines Tours International (Group) Co., Ltd. ("Shanghai Airlines Tours")	PRC 29 August 1992	**RMB50**	RMB50	**100%**	100%	Provision of travel, conference and exhibition services
China Eastern Airlines Application Development Center Co., Ltd. ("Application Development Center")	PRC 21 November 2011	**RMB498**	RMB498	**100%**	100%	Provision of R&D of technology and products in the field of aviation

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2014	2013
Percentage of equity interest held by non-controlling interests:		
CEA Jiangsu	**37.44%**	37.44%
CEA Yunnan	**9.64%**	9.64%
CEA Wuhan	**40.00%**	40.00%
China Cargo	**49.00%**	49.00%

	2014 RMB million	2013 RMB million
Profit/(loss) for the year allocated to non-controlling interests:		
CEA Jiangsu	**156**	85
CEA Yunnan	**31**	31
CEA Wuhan	**137**	16
China Cargo	**(160)**	(338)

	2014 RMB million	2013 RMB million
Dividends paid to non-controlling interests:		
CEA Jiangsu	**20**	19

	2014 RMB million	2013 RMB million
Accumulated balances of non-controlling interests at the reporting dates:		
CEA Jiangsu	**966**	832
CEA Yunnan	**379**	348
CEA Wuhan	**865**	702
China Cargo	**(378)**	(236)

22 Investments in Subsidiaries (continued)

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	CEA Jiangsu RMB million	CEA Yunnan RMB million	CEA Wuhan RMB million	China Cargo RMB million
2014				
Revenue	6,435	9,133	3,346	5,285
Total expenses	6,019	8,812	3,003	5,612
Profit/(loss) for the year	416	321	343	(327)
Total comprehensive income/(loss) for the year	332	321	302	(368)
Current assets	1,666	1,730	1,036	1,483
Non-current assets	6,347	10,385	3,134	1,881
Current liabilities	2,241	3,240	855	3,185
Non-current liabilities	3,192	4,941	1,153	951
Net cash flows from/(used in) operating activities	812	1,162	188	(361)
Net cash flows used in investing activities	(454)	(849)	(2)	(59)
Net cash flows (used in)/from financing activities	(402)	(541)	(152)	180
Effect of foreign exchange rate changes, net	–	(25)	–	–
Net (decrease)/increase in cash and cash equivalents	(44)	(253)	34	(240)

	CEA Jiangsu RMB million	CEA Yunnan RMB million	CEA Wuhan RMB million	China Cargo RMB million
2013				
Revenue	6,111	8,901	3,140	5,582
Total expenses	5,882	8,583	2,744	6,248
Profit/(loss) for the year	229	318	396	(666)
Total comprehensive income/(loss) for the year	302	318	449	(625)
Current assets	1,058	514	1,524	1,901
Non-current assets	5,708	8,373	2,329	2,210
Current liabilities	2,124	2,100	926	3,332
Non-current liabilities	2,232	3,175	946	1,184
Net cash flows from/(used in) operating activities	824	1,924	346	(804)
Net cash flows (used in)/from investing activities	(395)	(1,645)	(1,206)	595
Net cash flows (used in)/from financing activities	(449)	(466)	871	121
Effect of foreign exchange rate changes, net	(1)	(1)	–	–
Net (decrease)/increase in cash and cash equivalents	(21)	(188)	11	(88)

23 Investments in Associates

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Unlisted investments, at cost	**853**	853	**596**	612
Share of results/reserves	**233**	211	**–**	–
	1,086	1,064	**596**	612

The movements on investments in associates were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**1,064**	833	**612**	579
Addition through the acquisition of associates	**18**	237	**–**	36
Share of results of associates	**91**	38	**–**	–
Share of revaluation on available-for-sale financial assets held by an associate	**(1)**	(3)	**–**	–
Disposal of associates	**(18)**	(3)	**(16)**	(3)
Dividend received during the year	**(68)**	(38)	**–**	–
At 31 December	**1,086**	1,064	**596**	612

23 Investments in Associates (continued)

Particulars of the principal associates, which are limited liability companies established and operating in the PRC, are as follows:

Company name	Place of establishment and operation and date of establishment	Registered capital 2014 Million	Registered capital 2013 Million	Attributable equity interest 2014	Attributable equity interest 2013	Principal activities
Eastern Air Group Finance Co., Ltd. ("Eastern Finance")	PRC 6 December 1995	RMB500	RMB400	25%	25%	Provision of financial services to group companies of CEA Holding
China Eastern Air Catering Investment Co., Ltd.	PRC 17 November 2003	RMB350	RMB350	45%	45%	Provision of air catering services
Shanghai Pratt & Whitney Aircraft Engine Maintenance Company Limited ("Shanghai P&W") (Note)	PRC 28 March 2008	USD40	USD40	51%	51%	Provision of maintenance of aircraft, engine and other related components maintenance services
New Shanghai International Tower Co., Ltd.	PRC 17 November 1992	RMB167	RMB167	20%	20%	Provision of property development and management
Eastern Aviation Import & Export Co., Ltd. ("Eastern Import & Export")	PRC 9 June 1993	RMB80	RMB80	45%	45%	Provision of aviation equipment, spare parts purchase
Eastern Aviation Advertising Service Co., Ltd. ("Eastern Advertising")	PRC 4 March 1986	RMB200	RMB200	45%	45%	Provision of aviation advertising agency Services
Collins Aviation Maintenance Service Shanghai Ltd. ("Collins Aviation")	PRC 27 September 2002	USD7	USD7	35%	35%	Provision of airline electronic product maintenance services
Jetstar Hong Kong Airways Ltd. ("Jetstar")	Hong Kong 4 September 2012	USD198	USD198	33%	33%	Provision of airline services

Note:

In 2008, the Company entered into an agreement with United Technologies International Corporation ("Technologies International") to establish Shanghai Pratt & Whitney Aircraft Engine Maintenance Company Limited ("Shanghai P&W"). Shanghai P&W has a registered capital of approximately USD40 million in which the Company holds a 51% interests. According to the shareholder's agreement, Technologies International has the power to govern the financial and operating policies and in this respect the Company accounts for Shanghai P&W as an associate.

23 Investments in Associates (continued)

The following table illustrates the aggregate financial information of the Group's associates that were not individually material:

	2014 RMB million	2013 RMB million
Share of the associates' profit for the year	91	38
Share of the associates' other comprehensive loss	(1)	(3)
Share of the associates' total comprehensive income	90	35
Aggregate carrying amount of the Group's investments in the associates	1,086	1,064

24 Investments in Joint Ventures

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
Unlisted investments, at cost	352	294	323	323
Share of results/reserves	153	139	–	–
	505	433	323	323

The movements on investments in joint ventures were as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	2014 RMB million	2013 RMB million
At 1 January	433	418	323	323
Addition through the acquisition of a joint venture	58	–	–	–
Share of results	36	26	–	–
Dividend received/declared during the year	(22)	(11)	–	–
At 31 December	505	433	323	323

24 Investments in Joint Ventures (continued)

Particulars of the principal joint ventures, all of which are limited liability companies established and operating in the PRC except for CAE Melbourne Flight Training Pty Ltd., are as follows:

Company name	Place of establishment and operation and date of establishment	Paid-up capital 2014 Million	2013 Million	Attributable equity interest 2014	2013	Principal activities
Shanghai Technologies Aerospace Co., Ltd. ("Technologies Aerospace") (Note)	PRC 28 September 2004	**USD73**	USD73	**51%**	51%	Provision of repair and maintenance Services
Shanghai Eastern Union Aviation Wheels & Brakes Maintenance Services Overhaul Engineering Co., Ltd. ("Wheels & Brakes")	PRC 28 December 1995	**USD2**	USD2	**40%**	40%	Provision of spare parts repair and maintenance Services
Eastern China Kaiya System Integration Co., Ltd. ("China Kaiya")	PRC 21 May 1999	**RMB10**	RMB10	**41%**	41%	Provision of computer systems development and maintenance services
CAE Melbourne Flight Training Pty Ltd.	Australia 9 March 2007	**AUD11**	AUD11	**50%**	–	Provision of flight training services
Shanghai Hute Aviation Tech. Co. Ltd. ("Shanghai Hute")	PRC 9 April 2003	**RMB30**	RMB30	**50%**	50%	Provision of Equipment maintenance

Note:

Under a Joint Venture Agreement with joint venture partner of Technologies Aerospace dated 10 March 2003, the Company has agreed to share control over the economic activities of Technologies Aerospace. Any strategic financial and operating decisions relating to the activities of Technologies Aerospace require the unanimous consent of the Company and the joint venture partner.

The following table illustrates the aggregate financial information of the Group's joint ventures that were not individually material:

	2014 RMB million	2013 RMB million
Share of the joint ventures' profit for the year	**36**	26
Share of the joint ventures' total comprehensive income	**36**	26
Aggregate carrying amount of the Group's investments in the joint ventures	**505**	433

25 Other Long-Term Assets

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Deposits relating to aircraft held under operating leases	**482**	670	**237**	279
Deferred pilot recruitment costs (Note)	**1,140**	1,111	**921**	886
Other long-term assets	**335**	588	**651**	393
	1,957	2,369	**1,809**	1,558

Note:

Deferred pilot recruitment costs mainly represent the costs bore by the Group in connection with securing certain minimum periods of employment of pilots and are amortised on a straight-line basis over the anticipated beneficial period of five years, starting from when the pilot joints the Group.

26 Flight Equipment Spare Parts

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Flight equipment spare parts	**2,924**	2,962	**339**	2,556
Less: provision for spare parts	**(665)**	(657)	**(267)**	(592)
	2,259	2,305	**72**	1,964

Provision for flight equipment spare parts is made based on the difference between the carrying amount and the net realisable value. The net realisable value is estimated based on current market condition, historical experience and Company's future operation plan for the aircraft and related spare parts.

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
At 1 January	**657**	677	**592**	608
Accrual (Note 10)	**9**	–	**4**	–
Provision written off in relation to disposal of spare parts	**(1)**	–	**(329)**	–
Reversal of impairment of spare parts (Note 10)	**–**	(20)	**–**	(16)
At 31 December	**665**	657	**267**	592

27 Trade Receivables

The credit terms given to trade customers are determined on an individual basis.

The aging analysis of trade receivables was as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Within 90 days	**1,539**	2,772	**2,816**	2,816
91 to 180 days	**1,774**	610	**63**	93
181 to 365 days	**456**	148	**40**	31
Over 365 days	**299**	193	**79**	54
	4,068	3,723	**2,998**	2,994
Less: provision for impairment of receivables	**(206)**	(198)	**(78)**	(80)
Trade receivables	**3,862**	3,525	**2,920**	2,914

Balances with related companies included in trade receivables are summarised in Note 47(c)(i).

The carrying amounts of the trade receivables approximated their fair value.

Trade receivables that were neither overdue nor impaired relate to a large number of independent sales agents for whom there are no recent history of default.

As at 31 December 2014, trade receivables of RMB262 million (2013: RMB295 million) were past due but not impaired. These relate to a number of independent sales agents for whom there are no recent history of default. The Group holds cash deposits of RMB462 million (2013: RMB447 million) from these agents. The ageing analysis of these trade receivables was as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Within 90 days	**161**	148	**19**	23
91 to 180 days	**40**	89	**30**	15
181 to 365 days	**61**	58	**–**	43
	262	295	**49**	81

As at 31 December 2014, trade receivables of RMB155 million (2013: RMB154 million) were impaired and fully provided for. The remaining impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The factors considered by management in determining the impairment are described in Note 2(s).

27 Trade Receivables (continued)

The ageing of impaired receivables was as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
181 to 365 days overdue	**41**	59	**–**	31
1 to 2 years overdue	**59**	28	**31**	5
Over 2 years overdue	**192**	165	**53**	48
	292	252	**84**	84

Movements on the Group's provision for impairment of trade receivables were as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
At 1 January	**198**	203	**80**	81
Receivables written off during the year as uncollectible	**(1)**	(1)	**(2)**	(1)
Provision for/(reversal of) impairment of receivables	**9**	(4)	**–**	–
At 31 December	**206**	198	**78**	80

The net impact of creation and release of provisions for impaired receivables have been included in 'Provision for/(reversal of) impairment of trade and other receivables' in the profit or loss (Note 11). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The carrying amounts of the Group's trade receivables were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Currency				
Renminbi	**3,844**	3,230	**2,931**	2,660
Japanese Yen	**7**	41	**1**	41
US Dollars	**61**	121	**9**	63
Euro	**97**	157	**–**	56
Hong Kong Dollars	**2**	64	**2**	64
Other currencies	**57**	110	**55**	110
	4,068	3,723	**2,998**	2,994

The maximum exposure to credit risk at the reporting date was the carrying amount of receivable shown above.

28 Prepayments and Other Receivables

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
VAT recoverable	**1,750**	979	**1,715**	973
Rebate receivables on aircraft acquisitions	**1,253**	574	**1,231**	798
Amounts due from related companies (Note 47(c)(i))	**169**	201	**8,717**	7,736
Prepaid aircraft operating lease rentals	**333**	305	**131**	125
Rental deposits	**271**	300	**183**	188
Others	**2,910**	1,990	**1,469**	1,109
Subtotal	**6,686**	4,349	**13,446**	10,929
Less: bad debt provision	**(292)**	(291)	**(252)**	(252)
	6,394	4,058	**13,194**	10,677

29 Restricted Bank Deposits and Short-Term Bank Deposits

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Bank deposits with original maturity over three months but less than a year	**–**	167	**–**	16
Bank deposits with original maturity over a year	**4**	–	**–**	–
Restricted bank deposits	**34**	216	**27**	197
	38	383	**27**	213

Note:

As at 31 December 2014, the deposits bore effective interest rates ranging from 0.35% to 3.50% per annum.

The carrying amounts of the Group's and Company's restricted bank deposits and short-term bank deposits were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Renminbi	**38**	198	**27**	28
US Dollars	**–**	181	**–**	181
Other currencies	**–**	4	**–**	4
	38	383	**27**	213

30 Cash and Cash Equivalents

The carrying amounts of the Group's and Company's cash and cash equivalents were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Renminbi	**711**	1,494	**388**	594
US Dollars	**490**	281	**331**	220
Euro	**45**	32	**38**	29
Japanese Yen	**16**	22	**16**	22
Hong Kong Dollars	**23**	32	**23**	32
Other currencies	**70**	134	**69**	132
	1,355	1,995	**865**	1,029

31 Trade and Bills Payable

The aging analyses of trade and bills payable was as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Within 90 days	**764**	2,310	**5,583**	6,229
91 to 180 days	**309**	245	**170**	22
181 to 365 days	**240**	416	**20**	529
1 to 2 years	**420**	172	**416**	134
Over 2 years	**350**	320	**260**	255
	2,083	3,463	**6,449**	7,169

As at 31 December 2014, the trade and bills payable balances of the Group and the Company included amounts due to related companies of RMB186 million (2013: RMB996 million) and RMB5,574 million (2013: RMB5,380 million), respectively (Note 47(c)(ii)).

As at 31 December 2014, bills payable was nil (2013: RMB40 million).

32 Other Payables and Accruals

	Group 2014 RMB million	Group 2013 RMB million	Company 2014 RMB million	Company 2013 RMB million
Accrued salaries, wages and benefits	**2,826**	2,459	**1,483**	1,440
Accrued take-off and landing charges	**1,661**	1,750	**782**	708
Accrued fuel cost	**1,879**	2,366	**867**	1,312
Accrued expenses related to aircraft overhaul	**1,807**	1,807	**999**	891
Duties and levies payable	**1,617**	1,540	**815**	847
Other accrued operating expenses	**3,777**	3,181	**2,457**	1,706
Deposits received from ticket sales agents	**867**	780	**349**	360
Current portion of other long-term liabilities (Note 36)	**585**	368	**342**	180
Staff housing allowance (Note 39(b))	**315**	360	**192**	250
Amounts due to related companies (Note 47(c)(ii))	**1,483**	703	**5,178**	5,429
Current portion of post-retirement benefit obligations (Note 38(iii))	**210**	204	**157**	153
Other payables	**2,188**	2,628	**2,125**	1,981
	19,215	18,146	**15,746**	15,257

33 Obligations Under Finance Leases

As at 31 December 2014, the Group and the Company had 167 and 106 aircrafts (2013: 111 and 73 aircrafts), respectively, under finance leases. Under the terms of the leases, the Group and the Company has the option to purchase, at or near the end of the lease terms, certain aircraft at either fair market value or a percentage of the respective lessors' defined cost of the aircraft. The obligations under finance leases are principally denominated in US Dollars.

The future minimum lease payments (including interest), and the present value of the minimum lease payments under finance leases were as follows:

Group

	Minimum lease payments 2014 RMB million	**Present values of minimum lease payments 2014 RMB million**	Minimum lease payments 2013 RMB million	Present values of minimum lease payments 2013 RMB million
Within one year	**5,453**	**4,596**	3,446	2,980
In the second year	**5,174**	**4,411**	3,375	2,965
In the third to fifth years, inclusive	**13,165**	**11,482**	9,752	8,651
After the fifth year	**19,272**	**18,206**	8,956	8,539
Total	**43,064**	**38,695**	25,529	23,135
Less: amount repayable within one year	**(5,453)**	**(4,596)**	(3,446)	(2,980)
Long-term portion	**37,611**	**34,099**	22,083	20,155

Company

	Minimum lease payments 2014 RMB million	**Present values of minimum lease payments 2014 RMB million**	Minimum lease payments 2013 RMB million	Present values of minimum lease payments 2013 RMB million
Within one year	**3,667**	**3,104**	2,342	2,033
In the second year	**3,413**	**2,915**	2,282	2,012
In the third to fifth years, inclusive	**8,607**	**7,515**	5,914	5,336
After the fifth year	**14,202**	**13,469**	7,157	6,846
Total	**29,889**	**27,003**	17,695	16,227
Less: amount repayable within one year	**(3,667)**	**(3,104)**	(2,342)	(2,033)
Long-term portion	**26,222**	**23,899**	15,353	14,194

34 Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Non-current				
Long-term bank borrowings				
– secured (Note (a))	**14,725**	12,744	**10,471**	7,407
– unsecured	**5,503**	7,586	**4,758**	6,993
Guaranteed bonds (Note (b))	**10,285**	6,985	**4,791**	4,789
	30,513	27,315	**20,020**	19,189
Current				
Current portion of long-term bank borrowings				
– secured (Note (a))	**2,254**	2,119	**1,442**	1,200
– unsecured	**8,443**	6,741	**8,324**	6,728
Short-term bank borrowings				
– unsecured	**13,979**	7,925	**15,470**	8,017
Short-term debentures (Note (c))	**4,000**	4,000	**4,000**	4,000
Guaranteed bonds (Note (b))	**–**	2,500	**–**	–
	28,676	23,285	**29,236**	19,945
Total borrowings	**59,189**	50,600	**49,256**	39,134
The borrowings are repayable as follows:				
Within one year	**28,676**	23,285	**29,236**	19,945
In the second year	**8,801**	6,606	**5,152**	5,574
In the third to fifth year inclusive	**10,868**	9,951	**6,225**	4,998
After the fifth year	**10,844**	10,758	**8,643**	8,617
Total borrowings	**59,189**	50,600	**49,256**	39,134

Notes:

(a) As at 31 December 2014, the secured bank borrowings of the Group and the Company were pledged by the related aircraft and buildings with an aggregate net book amount of RMB23,117 million and RMB16,324 million (2013: RMB24,306 million and RMB14,072 million), respectively (Note 19).

(b) On 8 August 2011, Eastern Air Overseas, a wholly owned subsidiary of the Company, issued three-year guaranteed bonds with a principal amount of RMB2.5 billion, at an issue price equal to the face value of the bonds. The bonds bore interest at the rate of 4% per annum, which was payable semi-annually. The principal of the bonds was repayable on 8 August 2014. The Company had unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

On 18 March 2013, the Company issued ten-year guaranteed bonds with a principal amount of RMB4.8 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 5.05% per annum, which is payable annually. The principle of the bonds will mature and be repayable on 18 March 2023. CEA Holding has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

On 5 June 2013, Eastern Air Overseas issued three-year guaranteed bonds with a principal amount of RMB2.2 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 3.875% per annum, which is payable semi-annually. The principle of the bonds will mature and become repayable on 5 June 2016. The Company has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

34 Borrowings (continued)

(b) (continued)

On 6 March 2014, Eastern Air Overseas issued three-year guaranteed bonds with a principal amount of RMB2.5 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 4.80% per annum, which is payable semi-annually. The principle of the bonds will mature and become repayable on 13 March 2017. The Company has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

On 14 May 2014, Eastern Air Overseas issued three-year guaranteed bonds with a principal amount of RMB0.8 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 4.80% per annum, which is payable semi-annually. The principle of the bonds will mature and become repayable on 14 May 2017. The Company has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds.

(c) On 14 May 2014, the Company issued short-term debentures with a principal of RMB4 billion with a maturity of 270 days. The debentures bear interest at the rate of 4.95% per annum.

The terms of the long-term borrowings were summarised as follows:

	Interest rate and final maturities	Group 2014 RMB million	Group 2013 RMB million	Company 2014 RMB million	Company 2013 RMB million
Long-term bank borrowings					
RMB denominated	interest rates ranging from 5.535% to 5.99% with final maturities through 2023	**420**	736	**–**	319
USD denominated	interest rates ranging from 6 months libor +0.55% to 6 months libor +5.3% with final maturities through 2024	**30,505**	28,454	**24,995**	22,009
Guaranteed bonds					
RMB denominated	interest rates ranging from 3.875% to 5.05% with final maturities through 2023	**10,285**	9,485	**4,791**	4,789
Total long-term borrowings		**41,210**	38,675	**29,786**	27,117

Short-term borrowings of the Group and the Company are repayable within one year. As at 31 December 2014, the interest rates relating to such borrowings ranged from 1.01% to 5.35% per annum (2013: 1.69% to 4.80% per annum).

The carrying amounts of the borrowings were denominated in the following currencies:

	Group 2014 RMB million	Group 2013 RMB million	Company 2014 RMB million	Company 2013 RMB million
Renminbi	**16,205**	15,385	**10,291**	10,658
US Dollars	**42,984**	35,215	**38,965**	28,476
	59,189	50,600	**49,256**	39,134

35 Provision for Return Condition Checks for Aircraft Under Operating Leases

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
At 1 January	**4,217**	3,799	**2,024**	1,763
Additional provisions	**1,122**	871	**344**	281
Utilisation	**(1,455)**	(453)	**(616)**	(20)
At 31 December	**3,884**	4,217	**1,752**	2,024
Less: current portion	**(1,267)**	(1,454)	**(524)**	(642)
Long-term portion	**2,617**	2,763	**1,228**	1,382

In respect of aircraft and engines under operating leases, the Group has obligations to fulfill certain return conditions under the leases. The balance as at 31 December 2014 represented the provision for the estimated cost of these return condition checks which is made on a straight line basis over the term of the leases.

36 Other Long-Term Liabilities

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Fair value of unredeemed points awarded under the Group's frequent flyer program	**1,720**	1,732	**1,072**	1,026
Long-term duties and levies payable relating to finance leases	**1,120**	909	**579**	213
Other long-term payables	**501**	129	**466**	94
	3,341	2,770	**2,117**	1,333
Less: current portion included in other payables and accrued expenses (Note 32)	**(585)**	(368)	**(342)**	(180)
Long-term portion	**2,756**	2,402	**1,775**	1,153

37 Deferred Taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right of offsetting and when the deferred income taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
Deferred tax assets				
– Deferred tax asset to be utilized after 12 months	**–**	259	**–**	–
– Deferred tax asset to be utilized within 12 months	**170**	130	**–**	–
	170	389	**–**	–
Deferred tax liabilities				
– Deferred tax liability to be realized after 12 months	**(26)**	(29)	**–**	–
Net deferred tax assets	**144**	360	**–**	–

Movements in the net deferred tax assets were as follows:

	Group		Company	
	2014 RMB million	2013 RMB million	**2014 RMB million**	2013 RMB million
At 1 January	**360**	95	**–**	–
(Charged)/credited to profit or loss (Note 14)	**(89)**	223	**–**	–
(Charged)/credited to OCI	**(127)**	42	**–**	–
At 31 December	**144**	360	**–**	–

37 Deferred Taxation (continued)

The deferred tax assets and liabilities (prior to the offsetting of balances within the same tax jurisdiction) were made up of the taxation effects of the following:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Deferred tax assets:				
Impairment provision for obsolete flight equipment spare parts	**32**	24	**24**	20
Impairment provision for receivables	**23**	20	**14**	11
Impairment provision for property, plant and equipment	**23**	39	**7**	22
Derivative financial instruments	**9**	17	**9**	17
Provision for wages	**183**	146	**75**	57
Provision for post-retirement benefits	**–**	426	**–**	155
Tax losses	**96**	–	**67**	–
	366	672	**196**	282
Deferred tax liabilities:				
Depreciation and amortisation	**(208)**	(295)	**(187)**	(265)
Available-for-sale financial assets	**(5)**	–	**–**	–
Derivative financial instruments	**(9)**	(17)	**(9)**	(17)
	(222)	(312)	**(196)**	(282)
	144	360	**–**	–

37 Deferred Taxation (continued)

Movements of the net deferred tax assets of the Group for the year:

	At the beginning of the year RMB million	(Charged)/ credited to profit or loss RMB million	Charged to OCI RMB million	At the end of the year RMB million
For the year ended 31 December 2014				
Impairment provision for obsolete flight equipment spare parts	24	8	–	32
Impairment provision for receivables	20	3	–	23
Impairment provision for property, plant and equipment	39	(16)	–	23
Derivative financial instruments	17	(8)	–	9
Provision for wages	146	37	–	183
Provision for post-retirement benefits	426	(304)	(122)	–
Tax losses	–	96	–	96
	672	(184)	(122)	366
Depreciation and amortisation	(295)	87	–	(208)
Available-for-sale financial assets	–	–	(5)	(5)
Derivative financial instruments	(17)	8	–	(9)
	(312)	95	(5)	(222)
Net deferred tax assets	360	(89)	(127)	144

	At the beginning of the year RMB million	(Charged)/ credited to profit or loss RMB million	Credited to OCI RMB million	At the end of the year RMB million
For the year ended 31 December 2013				
Impairment provision for obsolete flight equipment spare parts	41	(17)	–	24
Impairment provision for receivables	24	(4)	–	20
Impairment provision for property, plant and equipment	43	(4)	–	39
Derivative financial instruments	20	(3)	–	17
Provision for wages	–	146	–	146
Provision for post-retirement benefits	267	117	42	426
	395	235	42	672
Depreciation and amortisation	(295)	–	–	(295)
Derivative financial instruments	(5)	(12)	–	(17)
	(300)	(12)	–	(312)
Net deferred tax assets	95	223	42	360

37 Deferred Taxation (continued)

As at the reporting period date, the Group and the Company had following balances in respect of which no deferred tax asset has been recognised:

	Group			
	2014		2013	
	Deferred taxation RMB million	**Temporary differences RMB million**	Deferred taxation RMB million	Temporary differences RMB million
Tax losses carried forward	**473**	**1,891**	1,310	5,239
Other deductible temporary differences	**671**	**2,685**	1,831	7,327
Total unrecognized deferred tax assets	**1,144**	**4,576**	3,141	12,566

	Company			
	2014		2013	
	Deferred taxation RMB million	**Temporary differences RMB million**	Deferred taxation RMB million	Temporary differences RMB million
Tax losses carried forward	**–**	**–**	791	3,165
Other deductible temporary differences	**630**	**2,520**	1,722	6,886
Total unrecognized deferred tax assets	**630**	**2,520**	2,513	10,051

In accordance with the PRC tax law, tax losses can be carried forward, for a period of five years, to offset against future taxable income. The Group and the Company's tax losses carried forward will expire between 2015 and 2019.

As at 31 December 2014, management carried out an assessment to determine whether future taxable profits will be available to utilize the tax losses and deductible temporary differences. As there are still uncertainties around the Group's future operation results, such as future fuel prices and market competition, management assessed that there are significant uncertainties that future taxable profits will be available and the deferred tax assets arisen from aforementioned tax losses and deductible temporary differences were not recognised.

38 Pension, Medical Insurance and Post-Retirement Benefits

(a) Pension

The Group companies participate in defined contribution retirement schemes organised by municipal governments of various provinces in which the Group companies operate. Substantially all of the Group's PRC employees are eligible to participate in the Group companies' retirement schemes. The Group companies are required to make annual contributions to the schemes at rates ranging from 14% to 22% on the employees' salary and allowances subject to certain ceiling as set up by the relevant municipal governments. Employees are required to contribute to the schemes at rates of 8% of their salaries. In addition, the Group companies initiated an additional defined contribution retirement benefit scheme for employees in 2014. For the year ended 31 December 2014, the Group's pension costs charged to the profit or loss amounted to RMB1,492 million (2013: RMB1,005 million).

(b) Medical insurance

Majority of the Group's PRC employees participate in the medical insurance schemes organised by municipal governments, under which the Group companies and their employees are required to contribute to the schemes approximately 6% and 12%, respectively, of the employee's basic salaries subject to certain ceiling as set up by the relevant municipal governments. For the year ended 31 December 2014, the Group's medical insurance contributions charged to the profit or loss amounted to RMB533 million (2013: RMB478 million).

38 Pension, Medical Insurance and Post-Retirement Benefits (continued)

(c) Post-retirement benefits

In addition to the above schemes, the Group provides retirees with other post-retirement benefits, including transportation subsidies, social function activities subsidies and other welfares. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, discount rate and employee turnover rate,etc.

The Company and other subsidiaries do not require contributions to be made to the separately administered fund.

The plan is exposed to interest rate risk, the risk of changes in the life expectancy for pensioners and securities market risk.

The most recent actuarial valuation of the post-retirement benefit obligations was carried out at 31 December 2014 with assistance from a third party consultant using the projected unit credit actuarial valuation method.

The post-retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Post-retirement benefit obligations	**3,032**	5,819	**2,214**	4,619
Less: current portion	**(210)**	(204)	**(157)**	(153)
Long-term portion	**2,822**	5,615	**2,057**	4,466

The principal actuarial assumptions utilised as at the end of the reporting period are as follows:

	2014	2013
Discount rates for post-retirement benefits	**3.40%-4.20%**	4.5%-5.15%
Mortality rate	**China Insurance Life Mortality Table (2000-2003). CL3 for Male and CL4 for Female**	China Insurance Life Mortality Table (2000-2003). CL3 for Male and CL4 for Female
Annual increase rate of medical expenses due to age	**2.50%**	2.50%
Annual increase rate of post-retirement medical expenses	**7.00%**	7.00%
Inflation rate of pension benefits	**3.00%**	3.00%

38 Pension, Medical Insurance and Post-Retirement Benefits (continued)

(c) Post-retirement benefits (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 is shown below:

	Increase in rate %	Increase/ (decrease) in net defined benefit obligation RMB million	Decrease in rate %	Increase/ (decrease) in net defined benefit obligation RMB million
Discount rate for post-retirement benefits	0.25	(88)	0.25	92
Annual increase rate of pension benefits	1.00	314	1.00	(266)
Annual increase rate of medical expenses	1.00	57	1.00	(47)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net post-retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Expected contributions to be made in the future years out of the post-retirement benefit obligations were as follows:

Group

	2014 RMB million	2013 RMB million
Within the next 12 months	210	213
Between 2 and 5 years	820	915
Between 5 and 10 years	966	1,306
Over 10 years	3,370	15,930
Total expected payments	5,366	18,364

Company

	2014 RMB million	2013 RMB million
Within the next 12 months	157	160
Between 2 and 5 years	613	686
Between 5 and 10 years	719	983
Over 10 years	2,498	12,713
Total expected payments	3,987	14,542

The average duration of the post-retirement benefit obligations at the end of 2014 was 12 years (2013: 19 years).

38 Retirement Benefit Plans and Post-Retirement Benefits (continued)

(c) Post-retirement benefits (continued)

The movements in the defined benefit obligations and the fair value of plan assets were as follows:

Group
2014

		Pension cost charged/(credited) to profit or loss				Remeasurement (gains)/losses in other comprehensive income					
	1 January 2014 RMB million	Service cost/ investment income RMB million	Net interest RMB million	Curtailment (Note) RMB million	Sub-total included in profit or loss RMB million	Actuarial changes arising from changes in financial assumptions RMB million	Actuarial changes arising from changes in demographic assumptions RMB million	Experience adjustments RMB million	Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2014 RMB million
Defined benefit obligations	5,941	223	294	(3,251)	(2,734)	–	407	(195)	212	(387)	3,032
Fair value of plan assets	(122)	–	–	122	122	–	–	–	–	–	–
Benefit liability	5,819	223	294	(3,129)	(2,612)	–	407	(195)	212	(387)	3,032

2013

		Pension cost charged/(credited) to profit or loss			Remeasurement (gains)/losses in other comprehensive income					
	1 January 2013 RMB million	Service cost/ investment income RMB million	Net interest RMB million	Sub-total included in profit or loss RMB million	Actuarial changes arising from changes in financial assumptions RMB million	Actuarial changes arising from changes in demographic assumptions RMB million	Experience adjustments RMB million	Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2013 RMB million
Defined benefit obligations	6,324	(60)	276	217	(593)	492	(325)	(426)	(172)	5,941
Fair value of plan assets	(90)	(28)	(5)	(34)	–	–	–	–	1	(122)
Benefit liability	6,234	(88)	271	183	(593)	492	(325)	(426)	(171)	5,819

Note: In 2014, pursuant to the relevant approvals, the aforesaid defined benefit plan relating to the employees of the Group was curtailed. As a result, defined benefit liability of RMB3,129 million was reversed and credited to the profit or loss for the current year.

38 Retirement Benefit Plans and Post-Retirement Benefits (continued)

(c) Post-retirement benefits (continued)

Company
2014

	Pension cost charged/(credited) to profit or loss					Remeasurement (gains)/losses in other comprehensive income					
	1 January 2014 RMB million	Service cost RMB million	Net interest RMB million	Curtailment RMB million	Sub-total included in profit or loss RMB million	Actuarial changes arising from changes in financial assumptions RMB million	Actuarial changes arising from changes in demographic assumptions RMB million	Actuarial Experience adjustments RMB million	Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2014 RMB million
Defined benefit obligations	4,619	166	234	(2,533)	(2,133)	-	301	(239)	62	(334)	2,214

2013

	Pension cost charged to profit or loss				Remeasurement (gains)/losses in other comprehensive income					
	1 January 2013 RMB million	Service cost RMB million	Net interest RMB million	Sub-total included in profit or loss RMB million	Actuarial changes arising from changes in financial assumptions RMB million	Actuarial changes arising from changes in demographic assumptions RMB million	Experience adjustments RMB million	Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2013 RMB million
Defined benefit obligations	5,067	(13)	221	208	(418)	386	(490)	(522)	(134)	4,619

39 Staff Housing Benefits

(a) Staff housing fund

In accordance with the PRC housing reform regulations, the Group is required to contribute to the State-sponsored housing fund for its employees at rates ranging from 7% to 15% (2013: 7% to 15%) of the specified salary amounts of its PRC employees. At the same time, the employees are required to contribute an amount equal to the Group's contribution. The employees are entitled to claim the entire sum of the fund contributed under certain specified withdrawal circumstances. For the year ended 31 December 2014, the Group's contributions to the housing funds amounted to RMB826 million (2013: RMB718 million) which was charged to the consolidated profit or loss. The staff housing fund payable as at 31 December 2014 is RMB81 million (2013: RMB84 million). The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(b) Staff housing allowances

The Group also provides staff housing allowances in cash to eligible employees. The total entitlement of an eligible employee is principally vested over a period of 20 years. Upon an eligible employee's resignation or retirement, his or her entitlement would cease and any unpaid entitlement related to past service up to the date of resignation or retirement would be paid. As at 31 December 2014, the present obligation of the provision for employee's staff housing allowances is RMB315 million (2013: RMB360 million). For the year ended 31 December 2014, the staff housing benefit amounted to RMB317 million (2013: RMB218 million) which was charged to the consolidated profit or loss.

40 Derivative Financial Instruments

	Group and Company			
	Assets		Liabilities	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
At 31 December				
Interest rate swaps (Note (a))	**8**	55	**95**	124
Forward foreign exchange contracts (Note (b))	**27**	13	**–**	3
Total	**35**	68	**95**	127
Less: current portion				
– Forward foreign exchange contracts	**(5)**	–	**–**	(3)
	(5)	–	**–**	(3)
Non-current portion	**30**	68	**95**	124

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the statement of financial position.

Notes:

(a) Interest rate swaps

The Group uses interest rate swaps to reduce the risk of changes in market interest rates (Note 3(a)(ii)). The interest rate swaps entered into by the Group for swapping floating interest rates, usually referenced to LIBOR, into fixed rates are accounted for as cash flow hedges. Other interest rate swaps are accounted for as fair value hedges. As at 31 December 2014, the notional amount of the outstanding interest rate swap agreements was approximately US$801 million (2013: US$844 million). These agreements will expire between 2015 and 2024.

Realised and unrealised gains and losses arising from the valuation of these interest rate swaps have been dealt with in the consolidated statement of profit or loss and other comprehensive income as follows:

	Group and Company	
	2014	2013
	RMB million	RMB million
Realised losses (recorded in finance costs)	**(80)**	(73)
Unrealised mark to market losses		
– cash flow hedges (recognised in OCI)	**(28)**	209
– fair value hedges (recognised in gain on fair value movements of derivative financial instruments)	**11**	16
	(97)	152

40 Derivative Financial Instruments (continued)

Notes: (continued)

(b) Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to reduce the risk of changes in currency exchange rates in respect of ticket sales and expenses denominated in foreign currencies (Note 3(a)(i)). The Group's foreign exchange forward contracts for selling foreign currency (i.e. Japanese Yen) and purchasing U.S. dollars at fixed exchange rates are accounted for as cash flow hedges. Other foreign exchange forward contracts are accounted for as fair value hedges. As at 31 December 2014, the notional amount of the outstanding currency forward contracts was approximately US$39 million (2013: US$38 million), which will expire between 2015 and 2017.

Realised and unrealised gains and losses arising from the valuation of these contracts have been dealt with in the consolidated statement of profit or loss and other comprehensive income as follows:

	Group and Company	
	2014 RMB million	2013 RMB million
Realised (losses)/gains (recorded in finance (costs)/income)	**(2)**	39
Unrealised mark to market gains		
– cash flow hedges (recognised in OCI)	**17**	37
	15	76

41 Financial Instruments by Category

(a) Group

	Loans and Receivables RMB million	**Assets at fair value through the profit and loss RMB million**	**Derivatives used for hedging RMB million**	**Available for sale RMB million**	**Total RMB million**
Financial assets					
Balance, 31 December 2014					
Available-for-sale financial assets	**–**	**–**	**–**	**433**	**433**
Derivative financial instruments	**–**	**–**	**35**	**–**	**35**
Trade receivables	**3,862**	**–**	**–**	**–**	**3,862**
Prepayments and other receivables excluding prepayments	**1,313**	**–**	**–**	**–**	**1,313**
Restricted bank deposits and short-term bank deposits	**38**	**–**	**–**	**–**	**38**
Cash and cash equivalents	**1,355**	**–**	**–**	**–**	**1,355**
Other long-term assets	**528**	**–**	**–**	**–**	**528**
Total	**7,096**	**–**	**35**	**433**	**7,564**

41 Financial Instruments by Category (continued)

(a) Group (continued)

	Loans and Receivables RMB million	Liabilities at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Financial liabilities					
Balance, 31 December 2014					
Borrowings	59,189	–	–	–	59,189
Obligations under finance leases	38,695	–	–	–	38,695
Derivative financial instruments	–	8	87	–	95
Trade and bills payable	2,083	–	–	–	2,083
Other payables and accrued expenses	12,818	–	–	–	12,818
Total	112,785	8	87	–	112,880

	Loans and Receivables RMB million	Assets at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Available for sale RMB million	Total RMB million
Financial assets					
Balance, 31 December 2013					
Available-for-sale financial assets	–	–	–	411	411
Derivative financial instruments	–	–	68	–	68
Trade receivables	3,525	–	–	–	3,525
Prepayments and other receivables excluding prepayments	1,940	–	–	–	1,940
Restricted bank deposits and short-term bank deposits	383	–	–	–	383
Cash and cash equivalents	1,995	–	–	–	1,995
Other long-term assets	1,030	–	–	–	1,030
Total	8,873	–	68	411	9,352

41 Financial Instruments by Category (continued)

(a) Group (continued)

	Loans and Receivables RMB million	Liabilities at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Financial liabilities					
Balance, 31 December 2013					
Borrowings	50,600	–	–	–	50,600
Obligations under finance leases	23,135	–	–	–	23,135
Derivative financial instruments	–	–	127	–	127
Trade and bills payable	3,463	–	–	–	3,463
Other payables and accrued expenses	12,296	–	–	–	12,296
Total	89,494	–	127	–	89,621

(b) Company

	Loans and Receivables RMB million	Assets at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Available for sale RMB million	Total RMB million
Financial assets					
Balance, 31 December 2014					
Available-for-sale financial assets	–	–	–	388	388
Derivative financial instruments	–	–	35	–	35
Trade receivables	2,920	–	–	–	2,920
Prepayments and other Receivables excluding prepayments	10,075	–	–	–	10,075
Restricted bank deposits and short-term bank deposits	27	–	–	–	27
Cash and cash equivalents	865	–	–		865
Other long-term assets	369	–	–	–	369
Total	14,256	–	35	388	14,679

41 Financial Instruments by Category (continued)

(b) Company (continued)

	Loans and receivables RMB million	Liabilities at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Financial liabilities					
Balance, 31 December 2014					
Borrowings	49,256	–	–	–	49,256
Obligations under finance leases	27,003	–	–	–	27,003
Derivative financial instruments	–	8	87	–	95
Trade and bills payable	6,449	–	–	–	6,449
Other payables and accrued expenses	12,171	–	–	–	12,171
Total	94,879	8	87	–	94,974

	Loans and Receivables RMB million	Assets at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Available for sale RMB million	Total RMB million
Financial assets					
Balance, 31 December 2013					
Available-for-sale financial assets	–	–	–	373	373
Derivative financial instruments	–	–	68	–	68
Trade receivables	2,914	–	–	–	2,914
Prepayments and other Receivables excluding prepayments	9,225	–	–	–	9,225
Restricted bank deposits and short-term bank deposits	213	–	–	–	213
Cash and cash equivalents	1,029	–	–	–	1,029
Other long-term assets	641	–	–	–	641
Total	14,022	–	68	373	14,463

41 Financial Instruments by Category (continued)

(b) Company (continued)

	Loans and receivables RMB million	Liabilities at fair value through the profit and loss RMB million	Derivatives used for hedging RMB million	Other financial liabilities at amortised cost RMB million	Total RMB million
Financial liabilities					
Balance, 31 December 2013					
Borrowings	39,134	–	–	–	39,134
Obligations under finance leases	16,227	–	–	–	16,227
Derivative financial instruments	–	–	127	–	127
Trade and bills payable	7,169	–	–	–	7,169
Other payables and accrued expenses	11,860	–	–	–	11,860
Total	74,390	–	127	–	74,517

42 Issued Capital

	Group and Company 2014 RMB million	2013 RMB million
Registered, issued and fully paid of RMB1.00 each		
A shares listed on The Shanghai Stock Exchange ("A Shares")	**8,481**	8,481
– Tradable shares held by CEA Holding with trading moratorium (Note)	**242**	242
– Tradable shares held by CES Finance Holding Co.,Ltd. With trading moratorium (Note)	**457**	457
– Tradable shares without trading moratorium	**7,782**	7,782
H shares listed on The Stock Exchange of Hong Kong Limited ("H Shares")	**4,193**	4,193
– Tradable shares held by CES Global Holding (Hong Kong) Limited with trading moratorium (Note)	**699**	699
– Tradable shares without trading moratorium	**3,494**	3,494
	12,674	12,674

Pursuant to articles 49 and 50 of the Company's Articles of Association, both the listed A shares and the listed H shares are registered ordinary shares and carry equal rights.

Note: Newly issued shares during 2013 are all shares with trading moratorium.

43 Reserves

Group

	Share Premium RMB million	Capital reserve (Note (a)) RMB million	Hedging reserve (Note 40) RMB million	Other reserve RMB million	Retained earnings/ (Accumulated losses) RMB million	Total RMB million
At 1 January 2013	18,015	(720)	(296)	(3,101)	(4,967)	8,931
Unrealised gain on cashflow hedges (Note 40)	–	–	246	–	–	246
Fair value movements of available-for-sale financial assets held by associates	–	–	–	(3)	–	(3)
Fair value movements of available-for-sale financial assets	–	–	–	149	–	149
Actuarial gain on post-retirement benefit obligations	–	–	–	416	–	416
Profit attributable to equity shareholders of the Company	–	–	–	–	2,372	2,372
Issue of shares	2,175	–	–	–	–	2,175
Others	–	(58)	–	–	–	(58)
At 31 December 2013	20,190	(778)	(50)	(2,539)	(2,595)	14,228
Unrealised loss on cashflow hedges (Note 40)	–	–	(11)	–	–	(11)
Fair value movements of available-for-sale financial assets	–	–	–	14	–	14
Actuarial loss on post-retirement benefit obligations	–	–	–	(341)	–	(341)
Profit attributable to equity shareholders of the Company	–	–	–	–	3,410	3,410
At 31 December 2014	20,190	(778)	(61)	(2,866)	815	17,300

43 Reserves (continued)

Company

	Share Premium RMB million	Capital reserve (Note (a)) RMB million	Hedging reserve (Note 40) RMB million	Other reserve RMB million	Accumulated losses RMB million	Total RMB million
At 1 January 2013	18,289	(720)	(296)	(2,913)	(3,390)	10,970
Unrealised gain on cashflow hedges (Note 40)	–	–	246	–	–	246
Issue of shares	2,175	–	–	–	–	2,175
Actuarial gain on post-retirement benefit obligations	–	–	–	522	–	522
Profit for the year	–	–	–	–	832	832
Fair value movements of available-for-sale financial assets	–	–	–	137	–	137
At 31 December 2013	20,464	(720)	(50)	(2,254)	(2,558)	14,882
Unrealised loss on cashflow hedges (Note 40)	–	–	(11)	–	–	(11)
Actuarial gain on post-retirement benefit obligations	–	–	–	(62)	–	(62)
Profit for the year	–	–	–	–	2,173	2,173
Fair value movements of available-for-sale financial assets	–	–	–	15	–	15
At 31 December 2014	20,464	(720)	(61)	(2,301)	(385)	16,997

Note:

(a) Capital reserve

Capital reserve represents the difference between the fair value of the net assets injected and the nominal amount of the Company's share capital issued in respect of a Group restructuring carried out in June 1996 for the purpose of the Company's listing.

44 Assets Classified as Held for Sale

The Group and the Company entered into several agreements with third parties to dispose certain aircraft and related engines. The aircraft and engines to be sold in the next 12 months with an aggregated carrying value of RMB4,330 million and RMB2,866 million have been recognised as assets classified as held for sale by the Group and the Company as at 31 December 2014 respectively. There was no impairment loss by reference to the contracted selling price less estimated cost to sell for the year ended 31 December 2014.

In December 2012, the Group entered into an agreement with a third party to dispose certain aircraft and related engines. The aircraft and engines with an aggregated carrying value of RMB344 million (after the impairment loss charge) ceased operation in 2013 and have been recognised as assets classified as held for sale at 31 December 2013. An impairment loss of approximately RMB50 million was made against these aircraft and engines by reference to the contracted selling price less estimated cost to sell (Note 10) for the year ended 31 December 2013. The abovementioned aircraft and engines were sold in the year ended 31 December 2014.

45 Note to Consolidated Cash Flow Statement

(a) Cash generated from operations

	2014 RMB million	2013 RMB million
Profit before income tax	4,113	2,217
Adjustments for:		
Depreciation of property, plant and equipment – and intangible assets	9,125	8,174
Losses/(gains) on disposals of property, plant and equipment	25	(316)
Gain on disposals of Investment in associates	–	(9)
Share of results of associates	(91)	(38)
Share of results of joint ventures	(36)	(27)
Amortisation of lease prepayments	58	52
Net foreign exchange losses/(gains)	203	(1,976)
Gain arising from fair value movements of derivative financial instruments	(11)	(16)
Consumption of flight equipment spare parts	712	787
Impairment charge/(reversal) for trade and other receivables	11	(2)
(Reversal of)/provision for post-retirement benefits	(2,612)	183
Provision for return condition checks for aircraft under operating leases	1,122	872
Impairment charges	12	186
Interest income	(88)	(148)
Interest expense	1,957	1,549
Operating profit before working capital changes	14,500	11,488
Changes in working capital		
Flight equipment spare parts	(750)	(985)
Trade receivables	(345)	(557)
Prepayments and other receivables	(1,314)	(2,028)
Restricted bank deposits and short-term bank deposits	345	1,343
Sales in advance of carriage	1,491	440
Trade and bills payable	(720)	387
Other payables and accruals	1,024	1,539
Other long-term liabilities	145	(94)
Provision for return condition checks for aircraft under operating leases	(1,455)	(453)
Staff housing allowances	45	(11)
Post-retirement benefit obligations	(387)	(172)
Operating lease deposits	188	223
Cash generated from operations	12,767	11,120

(b) Non-cash transactions

	2014 RMB million	2013 RMB million
Financing activities not affecting cash:		
Finance lease obligations incurred for acquisition of aircraft	19,905	4,525

46 Commitments

(a) Capital commitments

The Group and the Company had the following capital commitments:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Authorised and contracted for:				
– Aircraft, engines and flight equipment (Note)	**105,011**	83,726	**104,290**	81,171
– Other property, plant and equipment	**3,108**	1,649	**2,137**	1,559
– Investment	**38**	38	**38**	38
	108,157	85,413	**106,465**	82,768
Authorised but not contracted for:				
– Other property, plant and equipment	**26,182**	3,422	**23,871**	1,884
– Investment	**1,000**	–	**2,950**	420
	27,182	3,422	**26,821**	2,304
	135,339	88,835	**133,286**	85,072

Note:

Contracted expenditures for the above aircraft, engines and flight equipment, including deposits prior to delivery, subject to future inflation increases built into the contracts were expected to be paid as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Within one year	**25,830**	28,762	**25,109**	26,925
In the second year	**18,249**	24,129	**18,249**	23,411
In the third year	**14,833**	14,094	**14,833**	14,094
In the fourth year	**16,119**	6,930	**16,119**	6,930
Over four years	**29,980**	9,811	**29,980**	9,811
	105,011	83,726	**104,290**	81,171

46 Commitments (continued)

(b) Operating lease commitments

As at the reporting period date, the Group and the Company had commitments under operating leases to pay future minimum lease rentals as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Aircraft, engines and flight equipment				
Within one year	**3,818**	4,201	**1,412**	1,571
In the second year	**3,508**	3,699	**1,283**	1,352
In the third to fifth year inclusive	**8,022**	8,651	**2,691**	3,282
After the fifth year	**8,682**	5,581	**3,112**	410
	24,030	22,132	**8,498**	6,615
Land and buildings				
Within one year	**202**	276	**75**	115
In the second year	**164**	181	**40**	53
In the third to fifth year inclusive	**382**	414	**17**	61
After the fifth year	**1,983**	2,179	**–**	7
	2,731	3,050	**132**	236
	26,761	25,182	**8,630**	6,851

47 Related Party Transactions

The Group is controlled by CEA Holding, which directly owns 40.03% of the Company's shares as at 31 December 2014 (2013: 40.03%). In addition, through CES Global Holding (Hong Kong) Limited, and CES Finance Holding Co., Ltd., two wholly owned subsidiaries of CEA Holding, CEA Holding owns 20.72% and 3.61% of the Company's shares respectively as at 31 December 2014 (2013: 20.72% and 3.61%).

The Company is a state-owned enterprise established in the PRC and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include CEA Holding and its subsidiaries (other than the Group), other government-related entities and their subsidiaries ("Other State Owned Enterprises"), other entities and corporations over which the Company is able to control or exercise significant influence and key management personnel of the Company as well as their close family members.

For the purposes of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed below in addition to the transactions detailed elsewhere in these financial statements:

(a) Nature of related parties that do not control or controlled by the Group:

Name of related party	Relationship with the Group
Eastern Finance	Associate of the Company
Kunming Dongmei Aviation Travel Co., Ltd. ("Kunming Dongmei")	Controlled by the same parent company
Shanghai Dongmei Air Travel Co., Ltd. ("Shanghai Dongmei")	Associate of the Company (it was acquired by the Group and became a wholly-owned subsidiary in August 2014)
Xian Dongmei Aviation Travel Co., Ltd. ("Xian Dongmei")	Controlled by the same parent company
Eastern Import & Export	Associate of the Company
Wheels & Brakes	Joint controlled entity of the Company
Technologies Aerospace	Joint controlled entity of the Company
Shanghai P&W	Associate of the Company
Shanghai Eastern Air Catering Co., Ltd. ("Shanghai Catering")	Controlled by the same parent company
Eastern Advertising	Associate of the Company
CEA Development Co. Ltd. ("CEA Development")	Controlled by the same parent company
Shanghai Hute Aviation Tech. Co. Ltd. ("Shanghai Hute")	Joint controlled entity of the Company
Shanghai Hang Lv International Freight Forwarding Co., Ltd. ("Hang Lv International Freight Forwarding")	Controlled by the same parent company
Eastern China Kaiya System Integration ("China Kaiya")	Joint controlled entity of the Company
Shanghai Aviation Import & Export Co., Ltd. ("Shanghai Import & Export")	Associate of the Company
Shanghai Eastern Airlines Investment Co., Ltd. ("Eastern Investment")	Controlled by the same parent company
Eastern Airlines Tourism Investment (Group) Co., Ltd. ("Eastern Tourism")	Controlled by the same parent company
Jetstar	Associate of the Company
Collins Aviation Maintenance Services (Shanghai) Limited ("Collins Aviation")	Associate of the Company

47 Related Party Transactions (continued)

(b) Related party transaction

Nature of transactions	Related party	Pricing policy and decision process	Income/(expense or payments) 2014 RMB million	2013 RMB million
With CEA Holding or companies directly or indirectly held by CEA Holding:				
Interest income on deposits at an average rate of 0.35% per annum	Eastern Finance	(iv)	**21**	25
Interest income on loans at an average rate of 6.00% per annum	Jetstar	(vi)	**10**	–
Commission expense on air tickets sold on behalf of the Group, at rates ranging from 3% to 9% of the value of tickets sold*	Shanghai Dongmei	(ii)	**(5)**	(9)
Handling charges of 0.1% to 2% for purchase of aircraft, flight equipment, flight equipment spare parts, other property, plant and flight equipment and repairs for aircraft and engines*	Eastern Import & Export	(ii)	**(120)**	(105)
Repairs and maintenance expense for aircraft and engines	Wheels & Brakes	(ii)	**(81)**	(72)
	Technologies Aerospace	(ii)	**(188)**	(142)
	Shanghai P&W	(ii)	**(1,804)**	(1,660)
Supply of system services	China Kaiya	(ii)	**(36)**	(6)
Supply of food and beverages*	Shanghai Catering and its subsidiaries	(i)	**(851)**	(919)
Advertising expense*	Eastern Advertising	(ii)	**(5)**	(10)
Media royalty fee	Eastern Advertising	(iii)	**16**	15
Automobile maintenance service, aircraft maintenance, providing transportation automobile and other products*	CEA Development	(ii)	**(142)**	(143)
Equipment maintenance fee	Shanghai Hute	(ii)	**(66)**	(69)
	Collins Aviation	(ii)	**(46)**	–
Property management and green maintenance expenses*	Eastern Investment	(ii)	**(4)**	–
Supply of hotel accommodation service*	Eastern Tourism	(ii)	**(1)**	–
Land and building rental*	CEA Holding	(ii)	**(50)**	(59)
Acquisition of a subsidiary*	Eastern Tourism	(v)	**(32)**	(12)

47 Related Party Transactions (continued)

(b) Related party transaction (continued)

(i) The Group's pricing policies on products purchased from related parties are mutually agreed based on market prices between contract parties.

(ii) The Group's pricing policies on services provided by related parties are mutually agreed based on the market prices between contract parties.

(iii) The Group's pricing policies on services provided to related parties are mutually agreed based on the market prices between contract parties.

(i) The Group's pricing policies on related party interest rate are mutually agreed based on benchmark interest rates between contract parties.

(v) The Company's pricing policies on transfer of equity or dispose of investment are based on the valuation prices.

(vi) The Group's pricing policies on related party interest rate are mutually agreed based on market interest rates between contract parties.

(c) Balances with related companies

(i) Amounts due from related companies

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Trade receivables				
Hang Lv International Freight Forwarding	**–**	1	**–**	–
China Cargo	**–**	–	**1,804**	1,413
Others	**1**	1	**86**	82
	1	2	**1,890**	1,495
Prepayments and other receivables				
Eastern Import & Export	**123**	169	**4**	47
China Kaiya	**14**	14	**14**	14
Shanghai Airlines	**–**	–	**6,078**	6,287
United Airlines	**–**	–	**–**	167
CEA Yunnan	**–**	–	**1,067**	438
China Cargo	**–**	–	**924**	459
CEA Wuhan	**–**	–	**4**	172
CEA Jiangsu	**–**	–	**41**	–
Collins Aviation	**16**	–	**16**	–
Eastern Technology	**–**	–	**151**	–
Eastern Air Overseas	**–**	–	**44**	37
Shanghai Airlines Hotel Investment Management Co., Ltd.	**–**	–	**221**	–
Others	**16**	18	**153**	115
	169	201	**8,717**	7,736
Other long-term asset				
Eastern Technology	**–**	–	**437**	–

All the amounts due from related companies are trade in nature, interest free and payable within normal credit trade customers.

47 Related Party Transactions (continued)

(c) Balances with related companies (continued)

(ii) Amounts due to related companies

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Trade and bills payable				
Eastern Import & Export	**112**	942	**–**	861
Shanghai Catering	**38**	4	**–**	3
Technologies Aerospace	**4**	29	**–**	2
China Cargo	**–**	–	**1,279**	929
CEA Yunnan	**–**	–	**146**	515
Shanghai Airlines	**–**	–	**818**	1,599
CEA Jiangsu	**–**	–	**424**	457
United Airlines	**–**	–	**1,051**	633
Eastern Air Overseas	**–**	–	**984**	–
CEA Wuhan	**–**	–	**870**	–
Others	**32**	21	**2**	381
	186	996	**5,574**	5,380

47 Related Party Transactions (continued)

(c) Balances with related companies (continued)

(ii) Amounts due to related companies (continued)

	Group		Company	
	2014	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million
Other payables and accruals				
Eastern Import & Export	**652**	45	**257**	45
Shanghai P&W	**255**	323	**235**	238
Shanghai Catering	**154**	224	**122**	5
CEA Holding	**97**	63	**95**	63
Eastern Air Overseas	**–**	–	**2,613**	4,522
China Cargo	**–**	–	**70**	166
United Airlines	**–**	–	**206**	152
Shanghai Airlines	**–**	–	**325**	181
CEA Yunnan	**–**	–	**649**	–
CEA Wuhan	**–**	–	**92**	1
Shanghai Airlines Tours	**–**	–	**100**	–
Eastern Business Airlines Service	**–**	–	**64**	–
Flight Training	**–**	–	**21**	24
Collins Aviation	**15**	–	**–**	–
China Kaiya	**12**	–	**12**	–
Shanghai Hute	**59**	–	**59**	–
Technologies Aerospace	**157**	–	**140**	–
CEA Development	**50**	–	**44**	–
Others	**32**	48	**74**	32
	1,483	703	**5,178**	5,429

Except for the amounts due to CEA Holding, which are reimbursement in nature, all other amounts due to related companies are trade in nature. All amounts due to related companies are interest free and payable within normal credit terms given by trade creditors.

47 Related Party Transactions (continued)

(c) Balances with related companies (continued)

(iii) Short-term deposits and borrowings with associates and CEA Holding

	Average interest rate		Group		Company	
	2014	2013	**2014**	2013	**2014**	2013
	RMB million	RMB million	**RMB million**	RMB million	**RMB million**	RMB million
Short-term deposits (included in restricted bank deposits and short-term bank deposits) "**Eastern Finance**"	**0.35%**	0.39%	**369**	620	**298**	265
Short-term loans (included in borrowings) "**Eastern Finance**"	**2.26%**	4.01%	**73**	1,421	**15,470**	800
Long-term loans (included in borrowings) "**Eastern Finance**"	**5.73%**	5.76%	**125**	165	**24,995**	–
Loans(Note) (included in prepayments and other receivables) "**Jetstar**"	**6.00%**	–	**369**	–	**–**	–

Note: In July 2014, Eastern Air Overseas signed a loan contract with Jetstar, an associate of the Company. According to the contract, Eastern Air Overseas offered a loan of USD 60 million at market interest rate for Jetstar. The principal of the loan will be repayable on 30 April 2015.

(d) Guarantees by holding company

As at 31 December 2014, bonds of the Group guaranteed by CEA Holding were RMB4.8 billion (2013: RMB4.8 billion) (Note 34).

(e) Key management compensation

The compensation paid or payable to key management for employee services mainly comprised of salaries and other short-term employee benefits and was analysed as below:

	2014	2013
	RMB million	RMB million
Directors and supervisors (Note 9(a))	**3**	4
Senior management	**3**	3
	6	7

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the listing rules.

48 Ultimate Holding Company

The Directors regard CEA Holding, a state-owned enterprise established in the PRC, as being the ultimate holding company.

49 Events After the Reporting Period

In December 2014, the Company entered into a capital injection agreement pursuant to which the Company, CEA Holding and CES Finance would inject and increase the registered capital of CEA Finance by RMB1,500 million in proportion according to their respective shareholding. The Company contributed a pro-rata amount of RMB375 million in February 2015.

On each of 12 February 2015 and 26 March 2015, the Company issued short-term debentures with a principal of RMB3 billion with a maturity of 180 days. The debentures bear interest at the rate of 4.5% per annum.

SUPPLEMENTARY FINANCIAL INFORMATION

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under the PRC Accounting Standards.

Consolidated Profit or Loss

(Prepared in accordance with PRC Accounting Standards)
For the year ended 31 December 2014

	2014 RMB million	2013* RMB million
Revenue	**89,746**	88,109
Less: Cost of operation	**(79,645)**	(80,455)
Taxes and surcharges	**(107)**	(305)
Selling and distribution expenses	**(5,788)**	(5,909)
General and administrative expense	**(2,451)**	(2,838)
Finance costs, net	**(2,286)**	440
Impairment loss	**(22)**	(184)
Add: Fair value gain	**11**	18
Investment income	**142**	68
Operating profit	**(400)**	(1,056)
Add: Non-operating income	**4,609**	3,319
Less: Non-operating expenses	**(89)**	(58)
Total profit	**4,120**	2,205
Less: Income tax	**(573)**	(126)
Net profit	**3,547**	2,079
Attribute to:		
– Equity shareholders of the Company	**3,417**	2,358
– Non-controlling interests	**130**	(279)
	3,547	2,079

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under the PRC Accounting Standards.

Condensed Consolidated Statement of Financial Position

(Prepared in accordance with PRC Accounting Standards)
For the year ended 31 December 2014

	2014 RMB million	2013* RMB million
Assets		
Current assets	**18,243**	12,683
Long-term investment	**1,591**	1,494
Fixed assets and construction in progress	**129,654**	109,029
Goodwill	**9,028**	9,028
Intangible assets and non-current assets	**4,856**	5,223
Deferred tax assets	**170**	389
Total assets	**163,542**	137,846
Liabilities and equity		
Current liabilities	**61,127**	53,122
Non-current liabilities	**72,902**	58,374
Deferred tax liabilities	**26**	30
Total Liabilities	**134,055**	111,526
Equity shareholders of the Company	**27,696**	24,646
Non-controlling interests	**1,791**	1,674
Total equity	**29,487**	26,320
Total liabilities and equity	**163,542**	137,846

(A) Significant Differences Between IFRS and PRC Accounting Standards

The Group's accounting policies, which conform with IFRS, differ in certain aspects from PRC Accounting Standards. Differences between IFRS and PRC Accounting Standards which have a significant effect on the consolidated profit attributable to equity shareholders of the Company and consolidated net assets attributable to equity shareholders of the Company are summarised as follows:

	2014 **RMB million**	2013* RMB million
Consolidated profit attributable to equity shareholders of the Company		
As stated in accordance with PRC Accounting Standards	**3,417**	2,358
Impact of IFRS and other adjustments:		
– Difference in depreciation charges for aircraft and engines due to different depreciation lives and revaluation(b)	**(4)**	(3)
– Adjustment of business combination under common control	**(3)**	18
As stated in accordance with IFRS	**3,410**	2,373

	2014 **RMB million**	2013* RMB million
Consolidated net assets attributable to equity shareholders of the Company		
As stated in accordance with PRC Accounting Standards	**27,696**	24,646
Impact of IFRS and other adjustments:		
– Intangible assets(goodwill)(a)	**2,242**	2,242
– Difference in depreciation charges for aircraft and engines due to different depreciation lives and revaluation(b)	**45**	49
– Adjustment of business combination under common control	**–**	(29)
– Non-controlling interests(c)	**(6)**	(6)
– Others	**(3)**	–
As stated in accordance with IFRS	**29,974**	26,902

* In 2014, the Group acquired a subsidiary which was under 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 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 PRC Accounting Standards as at 31 December 2013 were re-presented to reflect the inclusion of the acquiree.

(a) The recognition and measurement of the fair values of the acquisition costs and identifiable assets and liabilities of Shanghai Airlines acquired are different under IFRS and the PRC Accounting Standards, which result in difference in the intangibles/goodwill recognised arising from the acquisition.

(b) Under the PRC Accounting Standards, on or before 30 June 2001, depreciation of aircraft was calculated to write off their costs on a straight-line basis over their expected useful lives of 10 to 15 years to their residual values of 3%. With effect from 1 July 2001, depreciation of aircraft under the PRC Accounting Standards is calculated to write off their costs on a straight-line basis over their expected useful lives of 15 to 20 years to their residual values of 5% of costs, the change was applied prospectively which resulted in the difference in the carrying amounts under IFRS and the PRC Accounting Standards. These differences will be reduced progressively in the coming years, and will be fully eliminated when the related assets are fully depreciated or disposed.

(c) This difference results from the influence of above items on non-controlling interests.

CORPORATE INFORMATION

DIRECTORS

Liu Shaoyong *(Chairman)*
Ma Xulun *(Vice Chairman, President)*
Xu Zhao *(Director)*
Gu Jiadan *(Director)*
Li Yangmin *(Director, Vice President)*
Tang Bing *(Director, Vice President)*
Sandy Ke-Yaw Liu *(Independent Non-executive Director)*
Ji Weidong *(Independent Non-executive Director)*
Li Ruoshan *(Independent Non-executive Director)*
Ma Weihua *(Independent Non-executive Director)*

SUPERVISORS

Yu Faming *(Chairman of the Supervisory Committee)*
Xi Sheng *(Supervisor)*
Ba Shengji *(Supervisor)*
Feng Jinxiong *(Supervisor)*
Yan Taisheng *(Supervisor)*

SENIOR MANAGEMENT

Tian Liuwen *(Vice President)*
Wu Yongliang *(Vice President, Chief Financial Officer)*
Feng Liang *(Vice President)*
Sun Youwen *(Vice President)*
Wang Jian *(Board Secretary, Joint Company Secretary)*

Note: Mr. Shu Mingjiang ceased to be a vice president of the Company and Mr. Sun Youwen was appointed as a vice president of the Company, both with effect from 24 March 2014.

COMPANY SECRETARY

Wang Jian
Ngai Wai Fung

AUTHORISED REPRESENTATIVES

Liu Shaoyong
Wang Jian

COMPANY'S WEBSITE ADDRESS

http://www.ceair.com

COMPANY'S E-MAIL ADDRESS

ir@ceair.com

COMPANY'S OFFICE ADDRESS

2550 Hongqiao Road, Shanghai, China

COMPANY'S STOCK INFORMATION

A Shares Place of listing: The Shanghai Stock Exchange	Abbreviation: CEA	Code: 600115
H Shares Place of listing: The Hong Kong Stock Exchange	Abbreviation: CEA	Code: 00670
ADR Place of listing: NYSE	Abbreviation: China Eastern	Code: CEA

AUDITORS

Auditor for Hong Kong and US financial reports:	Ernst & Young 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Auditor for domestic financial report:	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower, Tower E3, Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing, China

LEGAL ADVISERS

Hong Kong: Baker & McKenzie
USA: Baker & McKenzie
China: Beijing Commerce & Finance Law Office

PRINCIPAL BANKS

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China Construction Bank, Shanghai Branch
The Bank of China, Shanghai Branch

SHARE REGISTRAR

Hong Kong Registrars Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Hong Kong

The Bank of New York
101 Barclay Street
New York, NY 10286 USA

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
166 East Lu Jiazui Road, Pudong New Area, Shanghai

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 31/F., United Centre, 95 Queensway, Hong Kong

CUSTODIAN FOR LISTED SHARES WITH TRADING MORATORIUM

China Securities Depository and Clearing Corporation Limited, Shanghai Branch

DESCRIPTION OF BUSINESS LICENSE REGISTRATION

Registered capital of the Company:	RMB12,674,268,860
Registered address of the Company:	66 Airport Street, Pudong International Airport, Shanghai, China
Business License Registration Number of the Corporation Legal Person:	310000400111686 (Airport)
Tax Registration Number:	310043741602981
Organization code:	74160298-1

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