ENTERRA ENERGY TRUST
Form F-X/A
April 02, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-X/A
(Amendment No. 1)

APPOINTMENT OF AGENT FOR SERVICE OF PROCESS AND UNDERTAKING

A.

Name of issuer or person filing (Filer): **Enterra Energy Trust**

B.

(1) This is [check one]

an original filing for the Filer.

an amended filing for the Filer.

(2) Check the following box if you are filing the Form F-X in paper in accordance with Regulation S-T Rule 101(b)(9)
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C.

Identify the filings in conjunction with which this Form is being filed:

Name of Registrant	Form Type	File Number	Filed By	Date Filed
Enterra Energy Trust	F-10	333-129601	Enterra Energy Trust	November 10, 2005
Enterra Energy Trust	40-F	001-32744	Enterra Energy Trust	March 31, 2006
Enterra Energy Trust	40-F/A	001-32744	Enterra Energy Trust	August 29, 2006
Enterra Energy Trust	40-F	001-32744	Enterra Energy Trust	March 30, 2007, filed concurrently herewith

D.

The Filer is incorporated or organized under the laws of: **Alberta, Canada**

and has its principal place of business at:

Suite 2700, 500 4th Avenue S.W

Calgary, Alberta, Canada

T2P 2V6

Telephone: (403) 263-0262

E.

The Filer designates and appoints CT Corporation System (**Agent**), located at:

CT Corporation System

2610, 520 Pike Street

Seattle, Washington 98101

Telephone: (212) 894-8940

as the agent of the Filer upon whom may be served any process, pleadings, subpoenas, or other papers in:

(a)

any investigation or administrative proceeding conducted by the Securities and Exchange Commission (**Commission**); and

(b)

any civil suit or action brought against the Filer or to which the Filer has been joined as a defendant or respondent, in any appropriate court in any place subject to the jurisdiction of any state or of the United States, or of any of its territories or possessions, or of the District of Columbia, where the investigation, proceeding or cause of action arises out of or relates to or concerns (i) any offering made or purported to be made in connection with the securities registered or qualified by the Filer on Form F-10 on November 10, 2005 or any purchases or sales of any security in connection therewith; (ii) the securities in relation to which the obligation to file an annual report on Form 40-F arises, or any purchases or sales of such securities; (iii) any tender offer for the securities of a Canadian issuer with respect to which filings are made by the Filer with the Commission on Schedule 13E-4F, 14D-1F or 14D-9F; or (iv) the securities in relation to which the Filer acts as trustee pursuant to an exemption under Rule 10a-5 under the Trust Indenture Act of 1939. The Filer stipulates and agrees that any such civil suit or action or administrative proceeding may be commenced by the service of process upon, and that service of an administrative subpoena shall be effected by service upon such agent for service of process, and that service as aforesaid shall be taken and held in all courts and administrative tribunals to be valid and binding as if personal service thereof had been made.

F.

The Filer stipulates and agrees to appoint a successor agent for service of process and file an amended Form F-X if the Filer discharges the Agent or the Agent is unwilling or unable to accept service on behalf of the Filer at any time until six years have elapsed from the date the Filer has ceased reporting under the Securities Exchange Act of 1934. Filer further undertakes to advise the Commission promptly of any change to the Agent s name or address during the applicable period by amendment of this Form, referencing the file number of the relevant form in conjunction with which the amendment is being filed.

G.

The Filer undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the Forms referred to in section C of this Form; the securities to which such Forms relate; and the transactions in such securities.

The Filer certifies that it has duly caused this power of attorney, consent, stipulation and agreement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Calgary, Province of Alberta, Country of Canada on this 30th day of March, 2007.

ENTERRA ENERGY CORP., AS ADMINISTRATOR OF ENTERRA ENERGY TRUST

Date: March 30, 2007	By:	/s/ Keith Conrad Keith Conrad President and Chief Executive Officer

This statement has been signed by the following persons in the capacities and on the dates indicated.

CT Corporation System

As agent for Service of Process for

Enterra Energy Trust

Date: March 30, 2007	By:	/s/ Lori Stuhlman Name: Lori D. Stuhlman Title: Senior Customer Specialist

At 1 January 2007
— 52,870 40,151 93,021
Charge for the year
— 82,194 24,454 106,648
Disposals
— — (287) (287)

At 31 December 2007	—	135,064	64,318	199,382
At 1 January 2008	—	135,064	64,318	199,382
Charge for the year	—	82,194	27,911	110,105
At 31 December 2008	—	217,258	92,229	309,487
Impairment				
At 1 January 2008	—	—	—	—
Charge for the year	688,311	—	—	688,311
At 31 December 2008	688,311	—	—	688,311
Net book amount				
At 31 December 2007	688,311	184,936	66,427	939,674
At 31 December 2008	—	102,742	61,837	164,579

Notes:

(a) Impairment tests for goodwill

The Group operates in two cash-generating units (''CGU'') which are passenger (including cargo carried by passenger flights) and cargo and logistics.

For the year ended 31 December 2008, the Group and the Company recognised impairment charge of RMB993 million and RMB688 million respectively, against goodwill which had previously been recognised in connection with the acquisition of Yunnan Airline, Xibei Airline and Wuhan Airline within the passenger CGU. The impairment charge recognised represents the amount by which the CGU's carrying amount exceeds its recoverable amount.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management.

Key assumptions used for cash flow projections are as following:

— Passenger yield growth rate	0% to 4.5%
— Passenger load factor	63% to 80%
— Aircraft daily utilization (hours per day)	5.4 to 11.4
— Discount rate	10%

Management determined budgeted passenger yield increase rate, load factor and aircraft daily utilization based on past performance and its expectations for market development. The discount rate used is pre-tax and reflects specific risks relating to the Group's business.

(b) Sponsorship fees

In March 2006, the Company entered into an agreement (the ''Sponsorship Agreement'') with the Bureau of 2010 Expo Shanghai (the ''Bureau'') which designated the Group as the exclusive airline passenger carrier in the PRC to sponsor the 2010 Shanghai Expo. The Company will be entitled to a number of rights, including but not limited to the use of the Expo logo in the Group's products, priority to purchase advertising space at the Expo site etc. In return, the Company is required to pay a total sponsorship fee of RMB320 million, RMB160 million of which would be paid in cash by instalments, the remaining RMB160 million would be settled by value-in-kind services (''VIK'') (in the form of goods or services) to support the 2010 Shanghai Expo. Accordingly, an intangible asset has been recognised and amortised on straight-line basis over the period from the effective date of the Sponsorship Agreement to the completion of the Expo. The outstanding sponsorship fee of RMB178 million (2007 : 233 million) has been recognised as other long-term liabilities (Note 34) in the Group's balance sheet.

APPENDIX II FINANCIAL INFORMATION ON THE GROUP

19. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Aircraft, engines and flight equipment					
	Owned RMB'000	Held under finance leases RMB'000	Buildings RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2008, as restated	32,928,494	27,815,704	2,825,748	3,883,784	480,791	67,934,521
Reclassification upon a purchase	3,094,561	(3,094,561)	—	—	—	—
Sales and finance lease back	(3,085,419)	3,085,419	—	—	—	—
Transfers from construction in progress	—	—	233,746	19,313	(253,059)	—
Transfers from advanced payments on acquisition of aircraft (Note 21)	411,153	3,816,843	—	—	—	4,227,996
Other additions	1,781,272	4,683,699	360,498	335,220	345,730	7,506,419
Other disposals	(719,787)	(408,134)	(8,047)	(143,060)	—	(1,279,028)
At 31 December 2008	34,410,274	35,898,970	3,411,945	4,095,257	573,462	78,389,908
Accumulated depreciation						
At 1 January 2008, as restated	13,165,501	4,820,675	673,892	1,986,752	—	20,646,820
Reclassification upon purchase	1,580,097	(1,580,097)	—	—	—	—
Sales and finance lease back	(1,779,979)	1,779,979	—	—	—	—
Charge for the year	2,138,172	1,913,877	108,826	379,654	—	4,540,529
Other disposals	(520,373)	(408,134)	(932)	(6,326)	—	(935,765)
At 31 December 2008	14,583,418	6,526,300	781,786	2,360,080	—	24,251,584
Impairment						

At 1 January 2008	—	—	13,094	550	4,303	17,947
Charge for the year (Note (a))	966,191	473,393	—	—	2,320	1,441,904
At 31 December 2008	966,191	473,393	13,094	550	6,623	1,459,851
Net book amount						
At 31 December 2008	18,860,665	28,899,277	2,617,065	1,734,627	566,839	52,678,473
At 1 January 2008	19,762,993	22,995,029	2,138,762	1,896,482	476,488	47,269,754

	Group					
	Aircraft, engines and flight equipment					
	Owned RMB'000	Held under finance leases RMB'000	Buildings RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2007, as restated	31,922,671	21,310,056	2,752,340	3,514,463	250,112	59,749,642
Reclassification upon a purchase	4,203,030	(4,203,030)	—	—	—	—
Transfers from construction in progress	—	—	84,402	91,269	(175,671)	—
Transfers from advanced payments on acquisition of aircraft (Note 21)	189,402	4,920,311	—	—	—	5,109,713
Other additions	1,792,502	6,026,340	51,276	380,211	406,350	8,656,679
Disposal to a jointly controlled entity (Note 24)	—	—	(28,489)	(2,773)	—	(31,262)
Other disposals	(788,727)	(237,973)	(33,781)	(99,386)	—	(1,159,867)
Transfers to assets held for sale	(4,390,384)	—	—	—	—	(4,390,384)
At 31 December 2007	32,928,494	27,815,704	2,825,748	3,883,784	480,791	67,934,521
Accumulated depreciation						
At 1 January 2007, as restated	12,472,726	5,393,870	582,072	1,659,800	—	20,108,468
Reclassification upon a purchase	2,203,703	(2,203,703)	—	—	—	—
Charge for the year	2,221,399	1,868,481	103,622	394,683	—	4,588,185
Disposal to a jointly controlled entity	—	—	(5,562)	(1,426)	—	(6,988)
Other disposals	(786,032)	(237,973)	(6,240)	(66,305)	—	(1,096,550)
Transfers to assets held for sale	(2,946,295)	—	—	—	—	(2,946,295)

At 31 December 2007	13,165,501	4,820,675	673,892	1,986,752	—	20,646,820
Impairment						
At 1 January 2007, as restated	—	—	13,094	550	4,303	17,947
Charge for the year	—	—	—	—	—	—
At 31 December 2007	—	—	13,094	550	4,303	17,947
Net book amount						
At 31 December 2007	19,762,993	22,995,029	2,138,762	1,896,482	476,488	47,269,754
At 1 January 2007	19,449,945	15,916,186	2,157,174	1,854,113	245,809	39,623,227

	Company					
	Aircraft, engines and flight equipment					
	Owned RMB'000	Held under finance leases RMB'000	Buildings RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2008, as restated	27,203,710	23,659,953	1,539,304	2,433,576	205,951	55,042,494
Reclassification upon a purchase	3,094,561	(3,094,561)	—	—	—	—
Sales and finance lease back	(3,085,419)	3,085,419	—	—	—	—
Transfers from construction in progress	—	—	56,226	19,314	(75,540)	—
Transfers from advanced payments on acquisition of aircraft (Note 21)	411,153	3,816,843	—	—	—	4,227,996
Other additions	1,662,101	4,616,658	346,804	150,603	284,791	7,060,957
Other disposals	(494,530)	(360,988)	(2,070)	(95,289)	—	(952,877)
At 31 December 2008	28,791,576	31,723,324	1,940,264	2,508,204	415,202	65,378,570
Accumulated depreciation						
At 1 January 2008, as restated	10,254,289	4,333,277	409,816	1,460,062	—	16,457,444
Reclassification upon purchase	1,580,097	(1,580,097)	—	—	—	—
Sales and finance lease back	(1,779,979)	1,779,979	—	—	—	—
Charge for the year	1,929,703	1,636,342	53,734	271,797	—	3,891,576
Other disposals	(478,713)	(360,988)	(346)	(88,027)	—	(928,074)
At 31 December 2008	11,505,397	5,808,513	463,204	1,643,832	—	19,420,946
Impairment						
At 1 January 2008	—	—	—	—	4,303	4,303

Charge for the year (Note (a))	966,191	473,393	—	—	897	1,440,481
At 31 December 2008	966,191	473,393	—	—	5,200	1,444,784
Net book amount						
At 31 December 2008	16,319,988	25,441,418	1,477,060	864,372	410,002	44,512,840
At 1 January 2008	16,949,421	19,326,676	1,129,488	973,514	201,648	38,580,747

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	Company					
	Aircraft, engines and flight equipment					
	Owned RMB'000	Held under finance leases RMB'000	Buildings RMB'000	Other property, plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2007, as restated	22,709,498	18,475,510	1,503,144	2,212,408	155,533	45,056,093
Reclassification upon a purchase	3,909,982	(3,909,982)	—	—	—	—
Transfers from construction in progress	—	—	82,588	13,388	(95,976)	—
Transfers from advanced payments on acquisition of aircraft (Note 21)	114,941	4,177,685	—	—	—	4,292,626
Other additions	1,070,095	5,149,747	1,437	289,425	146,394	6,657,098
Disposal to a jointly controlled entity (Note 24)	—	—	(28,489)	(2,773)	—	(31,262)
Other disposals	(597,936)	(233,007)	(19,376)	(78,872)	—	(929,191)
Transfers to assets held for sale	(2,870)	—	—	—	—	(2,870)
At 31 December 2007	27,203,710	23,659,953	1,539,304	2,433,576	205,951	55,042,494
Accumulated depreciation						
At 1 January 2007, as restated	7,145,363	5,001,753	369,913	1,226,280	—	13,743,309
Reclassification upon a purchase	2,061,531	(2,061,531)	—	—	—	
Charge for the year	1,642,746	1,626,062	49,979	293,667	—	3,612,454
Disposal to a jointly controlled entity (Note 24)	—	—	(5,562)	(1,426)	—	(6,988)
Other disposals	(595,240)	(233,007)	(4,514)	(58,459)	—	(891,220)
Transfers to assets held for sale	(111)	—	—	—	—	(111)

At 31 December 2007	10,254,289	4,333,277	409,816	1,460,062	—	16,457,444
Impairment						
At 1 January 2007, as restated	—	—	—	—	4,303	4,303
Charge for the year	—	—	—	—	—	—
At 31 December 2007	—	—	—	—	4,303	4,303
Net book amount						
At 31 December 2007	16,949,421	19,326,676	1,129,488	973,514	201,648	38,580,747
At 1 January 2007	15,564,135	13,473,757	1,133,231	986,128	151,230	31,308,481

Notes:

(a) In view of the decline in demand on the air transportation market under the current economic environment, the Group performed an impairment test on property, plant and equipment (''PP&E'') as at 31 December 2008, based on which an impairment provision of RMB1,442 million was made against certain aircraft model and the related equipment which reflects their relatively lower operation efficiency and which management intend to retire in the near future (Note 10). In determining the recoverable amounts of the related assets, management has compared the value in use and the fair value less costs to sell of the related assets, primarily determined by reference to estimated market values.

(b) As at 31 December 2008, certain aircraft and buildings owned by the Group and the Company with an aggregate net book amount of approximately RMB8,723 million and RMB7,209 million respectively (2007 : RMB9,865 million and RMB8,990 million respectively) were pledged as collateral under certain loan arrangements (note 32).

20. LEASE PREPAYMENTS

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At 1 January	1,175,104	1,247,104	546,404	616,553
Other additions	54,964	—	5,381	—
Disposal to a jointly controlled entity (Note 24)	—	(70,149)	—	(70,149)
Other disposals	—	(1,851)	—	—
At 31 December	1,230,068	1,175,104	551,785	546,404
Accumulated amortisation				
At 1 January	207,607	192,742	121,268	118,885
Charge for the year	25,940	24,847	10,245	11,502
Disposal to a jointly controlled entity (Note 24)	—	(9,119)	—	(9,119)
Other disposals	—	(863)	—	—
At 31 December	233,547	207,607	131,513	121,268
Net book amount				
At 31 December	996,521	967,497	420,272	425,136

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 2008, the majority of these land use rights had remaining terms ranging from 38 to 53 years (2007 : from 39 to 54 years).

21. ADVANCED PAYMENTS ON ACQUISITION OF AIRCRAFT

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	6,695,573	7,668,708	6,695,573	7,006,853
Additions	3,603,824	3,737,079	3,603,824	3,604,445

Interest capitalised (Note 13)	342,153	399,499	342,153	376,901
Transfers to property, plant and equipment (Note 19)	(4,227,996)	(5,109,713)	(4,227,996)	(4,292,626)
At 31 December	6,413,554	6,695,573	6,413,554	6,695,573

Included in the Group's and the Company's balance as at 31 December 2008 is accumulated interest capitalised of RMB518 million (2007 : RMB553 million), at an average interest rate of 5.43% (2007 : 5.90%).

22. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries, all of which are limited liability companies established and operating in the PRC or Hong Kong, are as follows:

Company	Place and date of establishment	Paid-up capital 2008 RMB'000	Paid-up capital 2007 RMB'000	Attributable equity interest 2008	Attributable equity interest 2007	Principal activities
China Eastern Airlines Jiangsu Co., Ltd. (''CEA Jiangsu'')	PRC 3 May 1993	880,000	880,000	63%	63%	Provision of airline services
China Cargo Airlines Co., Ltd. (''China Cargo'')	PRC 22 July 1998	950,000	950,000	70%	70%	Provision of cargo carriage services
China Eastern Airlines Wuhan Co., Ltd. (''CEA Wuhan'')	PRC 16 August 2002	600,000	600,000	96%	96%	Provision of airline services
Shanghai Eastern Flight Training Co., Ltd.	PRC 18 December 1995	473,000	473,000	95%	95%	Provision of flight training services
Shanghai Eastern Airlines Logistics Co., Ltd. (''Eastern Logistics'')	PRC 23 August 2004	200,000	200,000	70%	70%	Provision of cargo logistics services
Eastern Airlines Hotel Co., Ltd.	PRC 18 March 1998	70,000	70,000	86%	86%	Provision of hotel services primarily to crew members
Shanghai Eastern Maintenance Co., Ltd.	PRC 27 November 2002	25,658	25,658	60%	60%	Provision of aircraft repair and maintenance services

China Eastern Airlines Development (HK) Co., Ltd.	PRC 20 May 1995	10,047	10,047	80%	80%	Provision of ticket sales and logistics
China Eastern Airlines (Shantou) Economics Development Co., Ltd.	PRC 18 March 1998	10,000	10,000	55%	55%	Provision of airline equipment sales
China Eastern Airline Gifting Co., Ltd.	PRC 17 August 2007	50,000	50,000	100%	100%	Provision of marketing services
Eastern Business Airline Service Co., Ltd.	PRC 27 September 2008	50,000	—	100%	—	Provision of airlines consultation services

23. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	808,417	425,817	762,058	377,872
Share of post acquisition results/reserves	171,902	175,302	—	—
	980,319	601,119	762,058	377,872

The movement on investments in associates is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	601,119	623,390	377,872	377,872
Costs of additional investments	384,186	—	384,186	—
Disposal of an indirectly held associate	(3,820)	(102,750)	—	—
Share of results of associates	69,668	58,312	—	—
Share of revaluation surplus/ (deficits) on available for sale investments held by associates	(19,080)	22,167	—	—
Dividend received during the year	(51,754)	—	—	—
At 31 December	980,319	601,119	762,058	377,872

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

Company	Place and date of establishment	Paid-up capital 2008 RMB'000	Paid-up capital 2007 RMB'000	Attributable equity interest 2008	Attributable equity interest 2007	Principal activities
Eastern Air Group Finance Co., Ltd. (''EAGF'')	PRC 6 December 1995	400,000	400,000	25%	25%	Provision of financial services to group companies of CEA Holding
China Eastern Air Catering Investment Co., Ltd.	PRC 17 November 2003	350,000	350,000	45%	45%	Provision of air catering services
Jiangsu Huayu General Aviation Co., Ltd.	PRC 1 December 2004	110,000	110,000	27%	27%	Provision of aviation support services
Eastern Aviation Import & Export Co., Ltd (''EAIEC'')	PRC 9 June 1993	80,000	80,000	45%	45%	Provision of aviation equipment, spare
Collins Aviation Maintenance Service Shanghai Ltd.	PRC 27 September 2002	57,980	57,980	35%	35%	Provision of airline electronic product maintenance services
Shanghai Dongmei Aviation Travel Co., Ltd. (''SDATC'')	PRC 17 October 2004	31,000	31,000	27%	27%	Provision of traveling and accommodation agency services
Shanghai Hongpu Civil Airport Communication Co., Ltd.	PRC 18 October 2002	25,000	25,000	30%	30%	Provision of cable and wireless communication services
Eastern Aviation Advertising Service	PRC	10,320	10,320	45%	45%	Provision of aviation

Co., Ltd. (''CAASC'')	04 March 1986					advertising agency services
Joy Air Co., Ltd (Note (a))	PRC 28 March 2008	600,000	—	40%	—	Provision of regional airline transportation
Shanghai Pratt & Whitney Maintenance Company Limited (Note (b))	PRC 28 March 2008	USD 39,500	—	51%	—	Provision of maintenance Aircraft Engine of aircraft, engine and other related components maintenance services

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Note:

(a) On 24 January 2008, the Company entered into an agreement with China Aviation Industry Corporation to establish Joy Air Company Limited (''Joy Air''). The Company holds a 40% interests of Joy air. As at 31 December 2008, the Company contributed RMB240 million in cash. Joy Air is still in preparation period as at the balance sheet date.

(b) In 2008, the Company entered into an agreement with a third party to establish Shanghai Pratt & Whitney Aircraft Engine Maintenance Company Limited (''Shanghai P&W''). Shanghai P&W's registered capital is USD40 million, in which the Company holds 51% interests. As at 31 December 2008, the Company contributed USD20,145,000 in cash to Shanghai P&W. According to the agreement, the third party has the power to govern the financial and operating policies of Shanghai P&W and hence the Company accounts for Shanghai P&W as an associate. At the balance sheet date, Shanghai P&W is still in preparation period.

(c) The Group's aggregated share of the revenues, results, assets and liabilities of its associates are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/(loss) RMB'000
2008	4,326,145	3,345,826	913,845	69,668
2007	2,194,818	1,593,699	919,495	58,312

24. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Unlisted investments, at cost	270,208	268,892	301,802	301,802
Share of post-acquisition results/reserves	92,124	68,074	—	—
	362,332	336,966	301,802	301,802

The movement on investments in jointly controlled entities is as follows:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
At 1 January	336,966	115,540	301,802	59,552
Other addition	—	209,340	—	242,250
Dividend received during the year	—	(18,000)	—	—
Share of results	24,050	30,086	—	—
	1,316	—	—	—

Amortisation of previously unrecognised gain				
At 31 December	362,332	336,966	301,802	301,802

Particulars of the principal jointly controlled entities, all of which are limited liability companies established and operating in the PRC are as follows:

Company	Place and date of establishment	Paid-up capital 2008 RMB'000	Paid-up capital 2007 RMB'000	Attributable equity interest 2008	Attributable equity interest 2007	Principal activities
Shanghai Technologies Aerospace Co., Ltd. (''STA'') (Note (a))	PRC 28 September 2004	576,795	576,795	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	17,484	17,484	40%	40%	Provision of spare parts repair and maintenance services
Eastern China Kaiya System Integration Co., Ltd.	PRC 21 May 1999	10,000	10,000	41%	41%	Provision of computer systems development

Notes:

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

(b) The Group's aggregated share of the revenues, results, assets and liabilities of its jointly controlled entities is as follows:

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/(loss) RMB'000
2008	404,888	42,556	187,997	24,050
2007	382,501	45,535	205,188	30,086

25. OTHER LONG-TERM ASSETS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Deposits relating to aircraft under operating leases (Note (a))	509,887	508,903	360,061	361,453
Prepaid flight training fees (Note (b))	337,597	43,920	326,254	43,920
Prepaid staff benefits (Note (c))	26,888	40,567	21,401	32,398
Rental and renovation deposits	26,460	33,032	26,460	33,032
Other long-term receivables	40,724	34,329	31,175	28,046
	941,556	660,751	765,351	498,849

Notes:

(a) The fair value of deposits relating to aircraft held under operating leases of the Group and the Company are RMB473 million and RMB349 million (2007 : RMB441 million and RMB318 million), which are determined using the expected future payments discounted at market interest rates prevailing at the year end of 0.75%–2.79% (2007 : 2.4%–3.06%).

(b) Prepaid flight training expenses represent the training expenses prepaid for pilot undergraduates and pilots in service of the Group and are amortised over the relevant training periods for which the prepayments cover on a straight-line basis.

(c) Prepaid staff benefits represent subsidies to certain employees as an encouragement to purchase motor vehicles. The employees are required to continue serving the Group for six years from the date of receipt of the subsidies. If the employee leaves before the end of the six-year period, a refund by the employee is required to be calculated on a pro-rata basis. These subsidies are amortised over six years on the straight-line basis.

26. TRADE RECEIVABLES AND NOTES RECEIVABLE

The credit terms given to trade customers are determined on an individual basis, with the credit periods generally ranging from half a month to two months.

The aging analysis of trade receivables is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	1,088,951	1,761,799	733,498	1,098,281
91 to 180 days	24,282	104,991	12,546	97,212
181 to 365 days	30,451	187,355	27,800	150,506
Over 365 days	103,919	101,769	63,286	84,914
	1,247,603	2,155,914	837,130	1,430,913
Less: provision for impairment of receivables	(101,081)	(59,907)	(86,635)	(55,757)
Trade receivables	1,146,522	2,096,007	750,495	1,375,156

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

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

As at 31 December 2008, trade receivables of RMB153 million (2007 : RMB360 million) were past due but not impaired. These relate to a number of independent sales agents for whom there is no recent history of default. The Group holds cash deposits of RMB175 million (2007 : RMB202 million) from these agents. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000

Up to 6 months	122,407	202,238	34,950	156,897
6 to 12 months	30,451	157,850	27,800	126,517
	152,858	360,088	62,750	283,414

As at 31 December 2008, trade receivables of RMB84 million (2007 : RMB44 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(r).

The ageing of impaired receivables is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
12 to 24 months overdue	15,660	26,734	551	18,527
Over 24 months overdue	88,259	75,035	62,734	66,387
	103,919	101,769	63,285	84,914

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	59,907	90,405	55,757	87,195
Receivables written off during the year as uncollectible	(1,027)	(4,009)	(552)	(4,009)
Provision for impairment of receivables	42,201	—	31,430	—
Unused amounts reversed	—	(26,489)	—	(27,429)
At 31 December	101,081	59,907	86,635	55,757

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

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Currency				
Renminbi	899,905	1,800,355	552,572	1,159,012
US Dollars	51,075	89,944	17,580	15,255
HK Dollars	48,901	80,246	46,916	80,094
Korea Won	9,021	41,538	24,620	41,538
Euro	42,706	54,185	9,021	49,517
Japanese Yen	56,003	1,323	55,929	1,323
Other currencies	38,911	28,416	43,857	28,417
	1,146,522	2,096,007	750,495	1,375,156

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

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

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Restricted bank deposits (Note (a))	2,159,848	—	2,082,075	—
Rebates receivable on aircraft acquisitions	930,665	929,652	881,395	875,786
Deposits relating to aircraft under finance leases — current portion	—	419,604	—	419,604
Ground Service Fees	310,452	337,166	178,300	215,296
Prepaid aircraft operating lease rentals	249,308	256,069	210,078	233,808
Rental deposits	88,001	130,348	74,477	79,393
Custom duties and value added tax recoverable	64,501	88,747	29,127	25,612
Prepayments for acquisition of flight equipment and other assets	36,480	60,325	34,707	36,340
Deposits with banks and a financial institution with original maturity over three months but less than a year (Note (b))	33,116	52,843	31,860	52,843
Others	253,848	280,895	184,757	211,927
	4,126,219	2,555,649	3,706,776	2,150,609

Notes:

(a) The restricted bank deposits represent: i) a deposit of RMB1,347 million pledged against 188 million US dollar loan (2007 : Nil); ii) a security deposit of US dollar 117 million (RMB796 million equivalent) for fuel option contracts (2007 : Nil); iii) a deposit of RMB17 million for notes payable (2007 : Nil.)

(b) As at 31 December 2008, the effective interest rate on deposits with banks with original maturity over three months but less than a year was 0.36% (2007 : 0.7%).

28. CASH AND CASH EQUIVALENTS

The carrying amounts of the Group's and Company's cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Renminbi	2,623,585	585,797	1,636,815	322,447

US Dollars	494,249	736,951	441,671	460,383
Euro	126,695	92,205	95,622	60,122
Japanese Yen	37,657	70,996	22,705	57,480
Pounds Sterling	11,016	16,141	11,016	16,141
Australian Dollars	18,922	14,991	18,915	14,991
Canadian Dollars	12,394	25,332	12,245	25,332
Singapore Dollars	42,617	1,116	42,617	1,116
Others	83,875	111,715	80,335	82,885
	3,451,010	1,655,244	2,361,941	1,040,897

29. TRADE PAYABLES AND NOTES PAYABLE

The aging analysis of trade payables and notes payable is as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	3,310,710	1,465,079	3,109,316	1,228,690
91 to 180 days	1,249,400	1,126,091	1,241,243	1,125,495
181 to 365 days	267,785	449,391	123,544	221,750
Over 365 days	316,963	97,319	273,127	86,781
	5,144,858	3,137,880	4,747,230	2,662,716

As at 31 December 2008, notes payable totaling RMB3,840 million (2007 : RMB1,616 million) were unsecured. Discount rates ranged from 2.9% to 5.9% (2007 : 3.5% to 5.5%) and all notes are repayable within six months.

30. OTHER PAYABLES AND ACCRUED EXPENSES

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued fuel cost	3,841,660	2,348,932	3,534,281	2,180,773
Accrued take-off and landing charges	1,879,751	1,036,423	1,563,049	838,218
Accrued aircraft overhaul expenses	1,256,115	1,184,529	986,055	978,089
Other accrued operating expenses	1,417,988	928,267	1,251,514	841,311
Accrued salaries, wages and benefits	976,551	1,067,245	786,964	861,035
Duties and levies payable	545,482	858,966	423,527	646,588
Staff housing allowance (Note 37(b))	386,065	363,110	317,918	332,156
Deposits received from ticket sales agents	320,254	339,064	229,399	268,064
Current portion of other long-term liabilities (Note 34)	130,460	135,859	121,178	135,859
Current portion of post-retirement benefit obligations (Note 36(b))	46,461	34,425	43,801	31,707
Others	1,346,388	1,294,425	1,229,272	1,190,894
	12,147,175	9,591,245	10,486,958	8,304,694

31. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2008, the Group and the Company had 68 and 61 aircraft (2007 : 55 and 48 aircraft) respectively under finance leases. Under the terms of the leases, the Group/the Company has the option to purchase, at or near the end of the lease terms, certain aircraft at fair market value and others 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 are as follows:

	Group					
	2008			2007		
	Minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000	Minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Within one year	2,765,969	848,980	1,916,989	3,356,665	811,442	2,545,223
In the second year	2,704,499	688,327	2,016,172	2,206,135	638,882	1,567,253
In the third to fifth year inclusive	7,805,669	1,602,339	6,203,330	5,714,466	1,509,114	4,205,352
After the fifth year	11,868,053	1,195,645	10,672,408	9,331,048	1,196,666	8,134,382
Total	25,144,190	4,335,291	20,808,899	20,608,314	4,156,104	16,452,210
Less: amount repayable within one year	(2,765,969)	(848,980)	(1,916,989)	(3,356,665)	(811,442)	(2,545,223)
Long-term portion	22,378,221	3,486,311	18,891,910	17,251,649	3,344,662	13,906,987

	Company					
	2008			2007		
	Minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000	Minimum lease payments RMB'000	Interest RMB'000	Present value of minimum lease payments RMB'000
Within one year	2,458,559	743,497	1,715,062	2,993,378	676,597	2,316,781
In the second year	2,400,584	594,223	1,806,361	1,866,827	524,660	1,342,167
In the third to fifth year	6,892,822	1,380,412	5,512,410	4,725,108	1,230,149	3,494,959

inclusive						
After the fifth year	10,534,868	1,039,530	9,495,338	7,574,768	956,172	6,618,596
Total	22,286,833	3,757,662	18,529,171	17,160,081	3,387,578	13,772,503
Less: amount repayable within one year	(2,458,559)	(743,497)	(1,715,062)	(2,993,378)	(676,597)	(2,316,781)
Long-term portion	19,828,274	3,014,165	16,814,109	14,166,703	2,710,981	11,455,722

The fair value of obligations under finance leases of the Group and the Company are RMB21,037 million and RMB18,640 million (2007: RMB16,577 million and RMB13,863 million respectively), which are determined using the expected future payments discounted at market interest rates prevailing at the year end.

At 31 December 2008, the Group and the Company had bank deposits totaling nil (2007: RMB420 million) pledged as collateral under certain finance lease arrangements.

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32. BORROWINGS

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Long-term bank borrowings				
— secured	3,350,114	3,994,947	2,189,950	3,376,847
— unsecured	5,237,938	7,374,360	4,855,130	6,273,736
	8,588,052	11,369,307	7,045,080	9,650,583
Current				
Long-term bank borrowings				
— secured	1,133,836	772,286	742,176	615,626
— unsecured	5,905,655	2,533,233	5,772,969	2,288,940
Short-term bank borrowings				
— secured	1,284,236	—	1,222,953	—
— unsecured	18,189,593	15,189,002	16,325,335	13,039,208
	26,513,320	18,494,521	24,063,433	15,943,774
Total borrowings	35,101,372	29,863,828	31,108,513	25,594,357
The borrowings are repayable as follows:				
Within one year	26,513,320	18,494,521	24,063,433	15,943,774
In the second year	4,147,845	5,927,098	3,569,348	5,515,186
In the third to fifth year inclusive	3,665,352	4,216,517	2,977,920	3,266,554
After the fifth year	774,855	1,225,692	497,812	868,843
Total borrowings	35,101,372	29,863,828	31,108,513	25,594,357

Notes:

As at 31 December 2008, the secured bank borrowings of the Group and the Company for the purchases of aircraft were secured by the related aircraft with an aggregate net book amount of RMB8,723 million and RMB7,209 million respectively (2007 : RMB9,865 million and RMB8,990 million) (Note 19).

Certain unsecured bank borrowings of the Group and the Company totaling of RMB357 million and Nil (2007 : RMB1,008 million and Nil respectively) were guaranteed by CEA Holding (Note 44).

Certain unsecured bank borrowings of the Group and the Company totaling of RMB600 million (2007 : Nil) were guaranteed by a third party bank.

The terms of the long-term bank loans are summarised as follows:

Currency	Interest rate and final maturities	Group		Company	
		2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
RMB denominated	Interest rates ranging from 4.52% to 8.36% per annum with final maturities through to 2017.	6,898,178	6,132,551	5,042,498	4,270,211
U.S. dollar denominated	Interest rates ranging from 3 month LIBOR +0.25% to 6 month LIBOR +3% per annum with final maturities through to 2019	8,617,707	8,418,967	8,406,069	8,161,630
EURO denominated	Interest rate is 6 months LIBOR +0.6% with final maturity through 2010.	111,658	123,308	111,658	123,308
Total long-term bank loans		15,627,543	14,674,826	13,560,225	12,555,149

Note:

(a) The fair value of long-term borrowings of the Group and the Company are RMB15,826 million and RMB13,684 million (2007: RMB14,111 million and RMB12,124 million), which are determined using the expected future payments discounted at prevailing market interest rates available to the Group and the Company for financial instruments with substantially the same terms and characteristics at the balance sheet date.

(b) Short-term borrowings of the Group and the Company are repayable within one year with interest charged at the prevailing market rates based on the rates quoted by the People's Bank of China. As at 31 December 2008, the interest rates relating to such borrowings ranged from 2.7% to 7.47% per annum (2007: 4.39% to 6.72% per annum). During the year ended 31 December 2008, the weighted average interest rate on short-term bank loans was 6.36 % per annum (2007: 5.75% per annum).

(c) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	21,955,769	12,528,550	18,262,088	8,590,026
US Dollars	13,007,688	17,196,836	12,734,767	16,874,186
Euro	111,658	130,145	111,658	130,145
HK Dollar	26,257	8,297	—	—
	35,101,372	29,863,828	31,108,513	25,594,357

33. PROVISION FOR OPERATING LEASE AIRCRAFT RETURN CONDITION CHECK

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	956,910	510,621	737,371	429,590
Additional provisions	618,555	446,289	431,319	307,781
Utilisation	(41,447)	—	—	—
At 31 December	1,534,018	956,910	1,168,690	737,371
Less: current portion	(213,830)	—	(139,710)	—
Long-term portion	1,320,188	956,910	1,028,980	737,371

Provision of operating lease aircraft return condition check represents the present value of estimated costs of major return check for aircraft under operating leases as the Group has the responsibility to fulfill certain return conditions under relevant leases.

34. OTHER LONG-TERM LIABILITIES

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Long-term duties and levies payable	805,794	584,791	713,522	501,867
Fair value of unredeemed points awarded under the Group's frequent flyer program	364,858	378,361	364,858	378,361
Long-term payable to the Bureau of 2010 Expo Shanghai (Note 18(b))	177,883	232,811	177,883	232,811
Long-term payable to Aviation China Civil Flight Institute (Note (a))	30,000	60,000	30,000	60,000
Deferred gains on sale and leaseback transactions of aircraft	14,549	21,011	14,549	21,011
Other long-term payable	58,135	101,582	56,319	101,582
	1,451,219	1,378,556	1,357,131	1,295,632
Less: Current portion	(130,460)	(135,859)	(121,178)	(135,859)
Long-term portion	1,320,759	1,242,697	1,235,953	1,159,773

Notes:

(a) The balance is unsecured, interest bearing at an effective rate of 6.21% per annum and is repayable by annual instalments of RMB30 million up to year 2009.

35. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right of offset and when the deferred income taxes relate to the same authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
— Deferred tax asset to be utilised after 12 months	79,802	111,874	—	—
— Deferred tax asset to be utilised within 12 months	2,145	1,337	—	—
	81,947	113,211	—	—
Deferred tax liabilities				
— Deferred tax liability to be realised after 12 months	(55,444)	(50,369)	—	—
— Deferred tax liability to be realised within 12 months	(2,145)	—	—	—
	(57,589)	(50,369)	—	—

Movements in the net deferred taxation asset/(liability) are as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	62,842	13,687	—	—
(Charged)/credited to income statement (Note 14)	(38,484)	49,155	—	—
At 31 December	24,358	62,842	—	—

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	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Deferred tax assets:				
Tax losses carried forward	1,846	317,392	—	313,755
Impairment provision for obsolete flight equipment spare parts	78,634	138,783	74,872	136,614
Impairment provision for receivables	68,553	79,195	52,872	44,348
Impairment provision for property, plant and equipment	170,808	—	170,451	—
Provision for aircraft overhaul expense	152,231	96,834	135,196	56,985
Provision for frequent flyer program	13,619	—	13,619	—
Financial derivative liabilities	313,488	10,449	313,488	10,449
Provision for post-retirement benefits	271,672	351,283	247,424	306,694
	1,070,851	993,936	1,007,922	868,845
Deferred tax liabilities:				
Depreciation and amortisation	(1,024,173)	(931,094)	(985,602)	(868,845)
Financial derivative assets	(22,320)	—	(22,320)	—
	(1,046,493)	(931,094)	(1,007,922)	(868,845)

Movements of the net deferred tax assets/(liabilities) of the Group for the year:

	At the beginning of the year RMB'000	(Charged)/ credited to income statement RMB'000	(Charged)/ credited to equity RMB'000	At the end of the year RMB'000
For the year ended 31 December 2008				
Tax losses carried forward	317,392	(315,546)	—	1,846
Impairment provision for obsolete flight equipment spare parts	138,783	(60,149)	—	78,634
Impairment provision for receivables	79,195	(10,642)	—	68,553
Impairment provision for property, plant and equipment	—	170,808	—	170,808
Provision for aircraft overhaul expense	96,834	55,397	—	152,231
Provision for frequent flyer program	—	13,619		13,619
Financial derivative liabilities	10,449	303,039		313,488
Provision for post-retirement benefits	351,283	(79,611)	—	271,672
	993,936	76,915	—	1,070,851
Depreciation and amortisation	(931,094)	(93,079)	—	(1,024,173)
Financial derivative assets	—	(22,320)	—	(22,320)
Net deferred tax assets/(liabilities)	62,842	(38,484)	—	24,358
For the year ended 31 December 2007				
Tax losses carried forward	90,335	227,057	—	317,392
Impairment provision for obsolete flight equipment spare parts	68,574	70,209	—	138,783
Impairment provision for receivables	57,467	21,728	—	79,195
Provision for aircraft overhaul expense	77,000	19,834	—	96,834
Financial derivative liabilities	20,823	(10,374)	—	10,449
Provision for post-retirement benefits	216,570	134,713	—	351,283
	530,769	463,167	—	993,936
Depreciation and amortisation	(517,082)	(414,012)	—	(931,094)
Net deferred tax assets	13,687	49,155	—	62,842

In accordance with the PRC tax law, tax losses can be carried forward to offset against future taxable income for a period of five years. As at 31 December 2008, the Group and the Company had tax losses carried forward of approximately RMB11,465 million and RMB8,778 million respectively (2007 : RMB5,380 million and RMB4,119 million respectively) which will expire between 2009 and 2013, and which are available to set off against the Group and the Company's future taxable income. As at 31 December 2008, the Group and the Company did not recognise RMB2,864 million and RMB2,195 million respectively (2007 : RMB1,035 million and RMB718 million respectively) of deferred tax assets arising from tax losses available as management did not consider it probable that such tax losses would be realised before they expire.

36. RETIREMENT BENEFIT PLANS AND POST-RETIREMENT BENEFITS

(a) Defined contribution retirement schemes

(i) Pension

The Group companies participate in defined contribution retirement schemes organised by municipal governments of the various provinces in which the Group companies operate, and 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 20% to 22% on the employees' prior year salary and allowances. Employees are required to contribute to the schemes at rates ranging from 7% to 8% of their basic salaries. The Group has no other material obligation for the payment of retirement benefits beyond the annual contributions under these schemes. For the year ended 31 December 2008, the Group's pension cost charged to the consolidated income statement amounted to RMB360 million (2007 : RMB296 million).

(ii) 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 scheme 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 the annual contributions. For the year ended 31 December 2008, the Group's medical insurance contributions charged to the income statement amounted to RMB93 million (2007 : RMB77 million).

(b) Post-retirement benefits

In addition to the above retirement schemes, the Group provides retirees with other post-retirement benefits including transportation subsidies, social function activities subsidies and others. 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 employees' turnover ratio.

The post-retirement benefit obligations recognised in the balance sheets are as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Present value of unfunded post-retirement benefit obligations	4,481,420	2,155,393	3,941,724	1,861,036
Unrecognised actuarial losses	(2,965,835)	(750,266)	(2,611,045)	(634,259)
Post-retirement benefit obligations	1,515,585	1,405,127	1,330,679	1,226,777
Less: current portion (Note 30)	(46,461)	(34,425)	(43,801)	(31,707)

Long-term portion	1,469,124	1,370,702	1,286,878	1,195,070

Changes in post-retirement benefit obligations are as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	1,405,127	1,323,684	1,226,777	1,173,380
Total expenses charged in the income statement	200,603	170,670	181,309	128,057
Payments	(90,145)	(89,227)	(77,407)	(74,660)
At 31 December	1,515,585	1,405,127	1,330,679	1,226,777

The costs of post-retirement benefits are recognised under wages, salaries and benefits in the income statements as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Current service cost	74,478	73,416	71,552	55,624
Interest cost	102,009	83,858	89,145	63,678
Actuarial losses recognised	24,116	13,396	20,612	8,755
Total (Note 9)	200,603	170,670	181,309	128,057

The principal actuarial assumptions at the balance sheet date are as follows:

	Group and Company	
	2008	2007
Discount rate	3.75%	4.75%
Annual rate of increase of per capita benefit payment	3%	2.5%
Employee turnover rate	3.00%	3.0%
Mortality rate	8.80%	8.43%
Medical inflation rate	5%	2.5%–5%

37. 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 at rates ranging from 7% to 15% (2007 : 7% to 15%) of the specified salary amount 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 2008, the Group's contributions to the housing funds amounted to

RMB282 million (2007 : RMB285 million) which has been charged to the consolidated income statement. The staff housing fund payable as at 31 December 2008 is RMB25 million (2007 : RMB17 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 cash staff housing allowances to eligible employees who have not been allocated with any housing quarters or who have not been allocated with a quarter above the minimum as set out in the Group's staff housing allowance policy introduced in October 2003 (the ''Policy'') based on the area of quarter to which they are entitled and the unit price as set out in the Policy.

The total entitlement of an eligible employee is principally vested over a period of 20 years. Upon an eligible employee's resignation, his or her entitlement will cease and any unpaid entitlement related to past service up to the date of resignation will be paid. As at 31 December 2008, the present obligation of the provision for employee's staff housing entitlement is RMB386 million (2007 : RMB363 million).

For the year ended 31 December 2008, the staff housing benefit provided under the Staff Housing Allowance Policy amounted to RMB123 million (2007 : RMB53 million) which has been charged to the consolidated income statement.

38. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company			
	Assets		Liabilities	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December				
Interest rate swaps (Note (a))	988	33,232	182,971	39,542
Forward foreign exchange contracts (Note (b))	—	2,847	138,760	1,719
Fuel option contracts (Note (c))	123,010	59,468	6,319,868	535
Total	123,998	95,547	6,641,599	41,796
Less: current portion				
— Interest rate swaps	—	(27,155)	(41,668)	(17,984)
— Forward foreign exchange contracts	—	(2,847)	(94,539)	(1,719)
— Fuel option contracts	(123,010)	(59,468)	(6,319,868)	(535)
	(123,010)	(89,470)	(6,456,075)	(20,238)
Non-current portion	988	6,077	185,524	21,558

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

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 Group's interest rate swaps qualify for hedge accounting. The interest rate swaps entered into by the Group are generally for swapping variable rates, usually referenced to LIBOR, into fixed rates and are accounted for as cashflow hedges. Other interest rate swaps are for swapping fixed rates into variable rates and are accounted for as fair value hedges. As at 31 December 2008, the notional amount of the outstanding interest rate swap agreements was approximately US$471 million (2007 : US$624 million). These agreements will expire between 2009 and 2016.

Realised and unrealised gains and losses arising from the valuation of these interest rate swaps have been dealt with in the income statements as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Realised (losses)/gain (recorded in finance costs)	10,083	59,862
Unrealised mark to market (losses)/gains		
— cash flow hedges (recognised in equity)	(126,138)	(79,783)
— fair value hedges (recognised in the income statement)	(49,535)	(8,824)
	(165,590)	(28,745)

(b) Forward foreign exchange contracts

The Group uses forward foreign exchange 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 forward foreign exchange contracts qualify for hedge accounting. These contracts are generally for selling Japanese Yen and purchasing U.S. dollars at fixed exchange rates and are accounted for as cash flow hedges. Other forward foreign exchange contracts are for selling Japanese Yen and purchasing U.S. dollars at variable exchange rates and are accounted for as fair value hedges. As at 31 December 2008, the notional amount of the outstanding currency forward contracts was approximately US$121 million (2007 : US$33 million), which will expire between 2009 and 2017.

Realised and unrealised gains and losses arising from the valuation of these contracts have been dealt with in the income statements as follows:

	Group	
	2008	2007
	RMB'000	RMB'000
Realised (losses)/gain (recorded in finance income)	14,759	17,932
Unrealised mark to market (losses)/gains		
— cash flow hedges (recognised in equity)	(44,222)	1,586
— fair value hedges (recognised in the income statement)	(95,666)	(3,787)
	(125,129)	15,731

(c) Fuel option contracts

The Group enters into fuel hedging contracts to reduce the risk of changes in market oil/petroleum prices as a hedge against aircraft fuel costs. The fuel hedging contracts used by the Group are normally structured to include a combination of both put and call options which allow the Group to lock in fuel prices for specified volumes within a price range. In each hedging contract, the call options price at which the Group is effectively entitled to buy fuel will be higher than that at which the counterparty is effectively entitled to sell.

None of the fuel hedging contracts entered into by the Group in 2008 or which remained open at 31 December 2008 qualified for hedge accounting. The Group is required to account for the fair value of the difference between the spot price of fuel and the price at which the counterparties are effectively entitled to sell in future periods as unrealised mark to market losses and recognised these losses in the income statements immediately.

Realised and unrealised gains and losses arising from the valuation of these contracts have been dealt with in the income statements.

	Group	
	2008	2007
	RMB'000	RMB'000
Realised (losses)/gains (recorded in aircraft fuel)	(8,577)	120,171
Unrealised mark to market (losses)/gains (recorded in loss on fair value movements of financial derivatives)	(6,255,791)	96,576
	(6,264,368)	216,747

The fair value of fuel option contracts is determined by reference to mark-to-market values provided by counterparties and independent third parties applying appropriate option valuation models (i.e. mean regression model using the Monte Carlo Simulation Process). Key parameters used in the valuation models include volatility, credit spread, long run mean and mean reverting ratio at date of valuation.

39. SHARE CAPITAL

	2008	2007
	RMB'000	RMB'000
Registered, issued and fully paid of RMB1.00 each		
Circulating shares with restricted transfer held by CEA Holding and employees	2,904,000	2,904,000
A shares listed on The Shanghai Stock Exchange	396,000	396,000
H shares listed on The Stock Exchange of Hong Kong Limited	1,566,950	1,566,950
	4,866,950	4,866,950

Pursuant to articles 49 and 50 of the Company's Articles of Association, each of the unlisted shares, the listed A shares and the listed H shares are all registered ordinary shares and carry equal rights.

On 4 January 2007, the Company's share reform plan was approved by the Ministry of Commerce and implemented on 9 January 2007. In this connection, CEA Holding granted 96 million shares in total to the holders of the circulating shares and the original non-circulating shares held by CEA Holding were granted the status of listing subject to certain circulating conditions.

40. RESERVES

Group

	Share premium RMB'000	Statutory and discretionary reserve (Note (a)) RMB'000	Revaluation reserve RMB'000	Capital reserve (Note (b)) RMB'000	Hedging reserve (Note 38) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2007, as restated	1,006,455	428,808	23,816	(720,057)	53,167	(3,621,106)	(2,828,917)
Unrealised loss on cashflow hedges (Note 38)	—	—	—	—	(79,783)	—	(79,783)
Realised gains on cashflow hedges (Note 38)	—	—	—	—	1,586	—	1,586
Fair value movements of available for sale investments held by associates	22,167	—	—	—	—	—	22,167
Profit attributable to equity holders of the Company	—	—	—	—	—	378,568	378,568
Adjustments to statutory and discretionary reserves	—	(428,808)	—	—	—	428,808	—
At 31 December 2007	1,028,622	—	23,816	(720,057)	(25,030)	(2,813,730)	(2,506,379)
	1,028,622	—	23,816	(720,057)	(25,030)	(2,813,730)	(2,506,379)

At 1 January 2008, as restated							
Unrealised loss on cashflow hedges (Note 38)	—	—	—	—	(170,525)	—	(170,525)
Realised gains on cashflow hedges (Note 38)	—	—	—	—	165	—	165
Fair value movements of available for sale investments held by associates	(19,080)	—	—	—	—	—	(19,080)
Loss attributable to equity holders of the Company	—	—	—	—	—	(15,268,532)	(15,268,532)
At 31 December 2008	1,009,542	—	23,816	(720,057)	(195,390)	(18,082,262)	(17,964,351)

	Company					
	Share premium RMB'000	Statutory and discretionary reserve (Note (a)) RMB'000	Capital reserve (Note (b)) RMB'000	Hedging reserve (Note 38) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2007, as restated	1,006,455	182,336	(720,057)	53,167	(3,160,413)	(2,638,512)
Unrealised loss on cashflow hedges (Note 38)	—	—	—	(79,783)	—	(79,783)
Realised gains on cashflow hedges (Note 38)	—	—	—	1,586	—	1,586
Adjustments to statutory and discretionary reserves	—	(182,336)	—	—	182,336	—
Profit for the year	—	—	—	—	505,330	505,330
At 31 December 2007	1,006,455	—	(720,057)	(25,030)	(2,472,747)	(2,211,379)
At 1 January 2008, as restated	1,006,455	—	(720,057)	(25,030)	(2,472,747)	(2,211,379)
Unrealised loss on cashflow hedges (Note 38)	—	—	—	(170,525)	—	(170,525)
Realised gains on cashflow hedges (Note 38)	—	—	—	165	—	165
Loss for the year	—	—	—	—	(13,877,388)	(13,877,388)
At 31 December 2008	1,006,455	—	(720,057)	(195,390)	(16,350,135)	(16,259,127)

Notes:

(a) Statutory and Discretionary Reserves

Pursuant to the PRC regulations and the Companies' Articles of Association, each of the Group companies is required to transfer 10% of its profit for the year, as determined under the PRC Accounting Regulations, to a statutory common reserve fund until the fund balance exceeds 50% of the Group company's registered capital. The statutory common reserve fund can be used to make good previous years' losses, if any, and to issue new shares to shareholders in proportion to their existing shareholdings or to increase the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Each of the Group companies is permitted to transfer 5% of its profit for the year as determined under the PRC Accounting Regulations, to a discretionary common reserve fund. The transfer to this reserve is subject to approval at shareholders' meetings.

No profit appropriation by the Company to the discretionary common reserve fund was made for the year ended 31 December 2008 (2007 : nil).

(b) 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.

41. NON-CURRENT ASSETS HELD FOR SALE

In December 2006, the Board of Directors passed a resolution to dispose of certain older aircrafts and related flight equipments in the forthcoming 12-months. Accordingly, these aircrafts together with related flight equipments and spare parts were classified as non-current assets held for sale as at 31 December 2006. Despite of the Company's continuing effort to locate and negotiate with potential buyers, no agreement to dispose these assets has been reached. It is management's intention to dispose these assets in the forthcoming 12-months and management is continuing to take active step to locate potential buyers of these assets. They have therefore been still classified as non-current assets held for sale as of 31 December 2008. An impairment loss of RMB235 million has been recognised in the income statement in relation to these assets with reference to the estimated market values as at the balance sheet date (Note 10(c)).

42. NOTE TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash generated from operations

	2008 RMB'000	2007 RMB'000
(Loss)/gain before income tax	(15,256,009)	377,938
Adjustments for:		
Depreciation of property, plant and equipment	4,755,622	4,694,888
Gains on disposals of property, plant and equipment	(267,084)	(674)
Share of results of associates	(69,668)	(58,312)
Share of results of jointly controlled entities	(24,050)	(30,086)
Amortisation of lease prepayments	25,940	24,847
Net foreign exchange gains	(1,970,990)	(2,023,032)
Amortisation of deferred revenue	(19,965)	(12,594)
Loss/(gain) arising from fair value movements of derivative financial instruments	6,400,992	(96,575)
Consumption of flight equipment spare parts	476,282	468,888
Impairment provision trade and other receivables	39,338	10,481
Provision for post-retirement benefits	200,603	170,670
Provision for operating lease aircraft return condition check	618,556	446,289
Impairment loss	2,976,678	227,456
Interest income	(89,275)	(96,849)
Interest expenses	2,328,147	1,978,550
Gain on disposal of an associate and available-for-sale financial assets	(13,557)	—
Gain of contribution to a joint controlled entity	—	(31,620)
Gain on disposal of a subsidiary	—	(54,441)
Operating profit before working capital changes	111,560	5,995,824

	2008 RMB'000	2007 RMB'000
Changes in working capital		
Flight equipment spare parts	(529,068)	(409,392)
Trade receivables	909,701	(478,550)
Amount due from related companies	(223,112)	349,897
Prepayments, deposits and other receivables	(216,706)	(336,890)
Sales in advance of carriage	(197,331)	319,550
Trade payables and notes payables	2,006,978	(1,888,884)
Amounts due to related companies	(187,819)	29,571
Other payables and accrued expenses	1,901,892	(194,694)
Other long-term liabilities	(431,956)	(74,081)
Provision for operating lease aircraft return condition check	(41,448)	—
Staff housing allowances	(100,428)	(76,381)
Post-retirement benefit obligations	(90,145)	(89,227)
Operating lease deposits	30,348	(3,909)
	2,830,906	(2,852,990)
Cash generated from operations	2,942,466	3,142,834

(b) Non-cash transactions

	2008 RMB'000	2007 RMB'000
Financing activities not affecting cash:		
Finance lease obligations incurred for acquisition of aircraft	7,964,792	8,395,965

43. COMMITMENTS

(a) Capital commitments

The Group and the Company had the following capital commitments:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Authorised and contracted for:				
— Aircraft, engines and flight equipment	52,533,736	50,852,865	52,533,736	50,852,865
— Other property, plant and equipment	130,180	353,771	111,810	289,971

	52,663,916	51,206,636	52,645,546	51,142,836
Authorised but not contracted for:				
— Other property, plant and equipment	5,235,712	11,326,338	4,874,680	10,709,963
	5,235,712	11,326,338	4,874,680	10,709,963
	57,899,628	62,532,974	57,520,226	61,852,799

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Contracted expenditures for the above aircraft and flight equipment, including deposits prior to delivery, subject to future inflation increases built into the contracts and any discounts available upon delivery of the aircraft, if any, were expected to be paid as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	8,852,380	17,127,081	8,852,380	17,127,081
In the second year	13,174,190	15,056,943	13,174,190	15,056,943
In the third year	9,051,539	13,960,033	9,051,539	13,960,033
In the fourth year	9,224,482	2,531,964	9,224,482	2,531,964
Over four years	12,231,145	2,176,844	12,231,145	2,176,844
	52,533,736	50,852,865	52,533,736	50,852,865

(b) Operating lease commitments

As at the balance sheet date, the Group and the Company had commitments under operating leases to pay future minimum lease rentals as follows:

	Group		Company	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Aircraft, engines and flight equipment				
Within one year	2,671,355	2,527,072	2,145,554	2,235,504
In the second year	2,330,080	2,331,741	2,008,984	2,124,109
In the third to fifth year inclusive	4,598,624	4,991,164	4,432,529	4,925,469
After the fifth year	4,100,560	5,341,362	4,028,862	5,341,361
	13,700,619	15,191,339	12,615,929	14,626,443
Land and buildings				
Within one year	202,540	87,410	46,701	84,482
In the second year	124,643	50,683	21,066	49,363
In the third to fifth year inclusive	325,423	40,888	16,323	40,026
After the fifth year	2,398,361	29,846	29,276	29,846
	3,050,967	208,827	113,366	203,717
	16,751,586	15,400,166	12,729,295	14,830,160

44. RELATED PARTY TRANSACTIONS

The Group is controlled by CEA Holding, which owns approximately 59.67% of the Company's shares as at 31 December 2008. The aviation industry in the PRC is administrated by the CAAC. CEA Holding and the Group is ultimately controlled by the PRC government, which also controls a significant portion of the productive assets and entities in the PRC (collectively referred as the ''SOEs'').

(a) Related party transactions

The Group sells air tickets through sales agents and is therefore likely to have extensive transactions with other state-controlled enterprises, and the employees and their close family members of SOEs while such employees are on corporate business. These transactions are carried out on normal commercial terms that are consistently applied to all of the Group's customers. Due to the large volume and the pervasiveness of these transactions, management is unable to determine the aggregate amount of the transactions for disclosure. Therefore, retail transactions with these related parties are not disclosed herein. The Directors of the Company believe that meaningful related party disclosures on these retail transactions have been adequately made.

The other related party transactions are:

Nature of transaction	Related party	Income/ (expense or payments) 2008 RMB'000	2007 RMB'000
With CEA Holding or companies directly or indirectly held by CEA Holding:			
Interest income on deposits at an average rate of 0.36% per annum (2007: 0.72% per annum)	EAGF*	30,766	9,717
Interest expense on loans at rate of 4.87% per annum (2007: 5.42% per annum)	EAGF*	(22,267)	(33,590)
Ticket reservation service charges for utilisation of computer reservation system	Travel Sky Technology Limited	(241,206)	(241,161)
Commission expense on air tickets sold	SDATC*	(610)	(9,220)

on behalf of the Group, at rates ranging from 3% to 9% of the value of tickets sold	Shanghai Tourism (HK) Co., Ltd	(1,696)	(6)
Handling charges of 0.1% to 2% for purchase of aircraft, flight equipment, flight equipment spare parts, other property, plant and equipment	EAIEC*	(47,257)	(34,643)
Repairs and maintenance expense for aircraft and engines	Wheels & Brakes	(64,653)	(56,764)
	STA	(131,081)	(100,270)
Supply of food and beverages	Shanghai Eastern Air Catering Co., Ltd	(267,117)	(243,895)
	Yunnan Eastern Air Catering Investment Co., Ltd.	(40,836)	(37,782)
	Xian Eastern Air Catering Investment Co., Ltd.	(36,526)	(28,780)
	Qingdao Eastern Air Catering Investment Co., Ltd	(27,480)	(20,101)

Nature of transaction	Related party	Income/ (expense or payments) 2008 RMB'000	2007 RMB'000
Disposal of a subsidiary	CEA Holding	—	461,916
Disposal of a associate	CEA Holding	32,972	—
Advertising expense	CAASC	(3,595)	(14,370)
Automobile maintenance fee	CEA Development Co. Ltd	(23,595)	(18,574)
Land and building rental	CEA Holding	(55,399)	(55,399)
Purchase of other fixed assets	CEA Northwest Co. Ltd	—	(67,305)
With CAAC and its affiliates:			
Civil aviation infrastructure levies paid	CAAC	(769,849)	(781,613)
Aircraft insurance premiums paid through CAAC which entered into the insurance policies on behalf of the Group	CAAC	(134,176)	(136,875)
With other SOE:			
Take-off and landing fee charges	State-controlled airports	(4,323,382)	(4,152,888)
Purchase of aircraft fuel	State-controlled fuel suppliers	(14,020,301)	(11,120,186)
Ticket reservation service charges for utilisation of computer reservation system	Travel Sky Technology Limited	(241,206)	(241,161)
Interest income on deposits at an	State-controlled banks	14,778	15,411

average rates of 0.36% per annum (2006: 0.72% per annum)			
Interest expense on loans at an average rate of 5.96% per annum (2007: 5.47% per annum)	State-controlled banks	(1,872,553)	(1,406,812)
Commission expense on air tickets sold on behalf of the Group at rates ranging from 3% to 9% of the value of tickets sold	Other PRC airlines	(65,832)	(70,285)
Supply of food and beverages	Other state-control enterprises	(567,071)	(511,766)

* EAGF is also 25% owned associate of the Group; SDATC and EAIEC are both 45% owned associates of the Group.

(b) Balances with related companies

(i) Amounts due from related companies

Company	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
SDATC	9,714	16,378	9,714	16,378
Shanghai Tourism (HK) Co., Ltd	4,020	2,914	4,020	2,914
EAIEC	181,788	26,166	181,788	26,166
China Cargo	—	—	1,091,055	1,535,804
CEA Wuhan	—	—	208,928	—
Other related companies	12,767	19,997	22,836	37,070
Total	208,289	65,455	1,518,341	1,618,332

All the amounts due from related companies are trade in nature, interest free and payable within normal credit terms given to trade customers.

(ii) Amounts due to related companies

Company	Group 2008 RMB'000	Group 2007 RMB'000	Company 2008 RMB'000	Company 2007 RMB'000
EAIEC	(241,560)	(470,349)	(182,277)	(401,178)
CEA Holding	(69,497)	(40,214)	(69,497)	(40,214)
Shanghai Eastern Airlines Catering Co. Ltd.	(46,580)	(60,718)	(46,580)	(60,718)
Yunnan Eastern Air Catering Investment Co., Ltd.	(665)	(488)	(665)	(488)
CAASC	(164)	(2,550)	(164)	(2,550)
CEA Northwest	—	(64,895)	—	—
Eastern Logistics	—	—	(134,213)	(31,503)
CEA Jiangsu	—	—	(157,885)	(193,193)
Other related companies	(54,660)	(32,379)	(104,522)	(47,578)
Total	(413,126)	(671,593)	(695,803)	(777,422)

Except for amounts due to EAGF and CEA Holding, which are reimbursement in nature, all other amounts due to related companies are trade in nature, interest free and payable within normal credit terms given by trade creditors.

(iii) Short-term deposits and short-term loans with an associate

	Average interest rate		Group		Company	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term deposits (included in Prepayments, Deposits and Other Receivables) ''EAGF''	0.4%	0.7%	1,202,892	408,151	427,363	90,793
Short-term loans (included in Borrowings) ''EAGF''	4.3%	5.3%	295,181	260,351	295,181	180,351

(iv) State-controlled banks and other financial institutions

	Average interest rate		Group		Company	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits (included in cash and cash equivalents)	0.4%	0.7%	1,762,245	845,719	1,601,059	630,783
Long-term bank borrowings	5.3%	5.7%	14,577,150	13,062,353	12,671,832	11,104,676

(c) Guarantees by holding company

As at 31 December 2008, bank loans of the Group and the Company with an aggregate amount of RMB357 million and Nil respectively (2007: RMB1,008 million and Nil) were guaranteed by CEA Holding (Note 32).

(d) Key management compensation

	2008	2007
	RMB'000	RMB'000
Salaries, bonus, allowances and benefits	1,614	1,805

45. ULTIMATE HOLDING COMPANY

The Directors regard CEA Holding, a state-owned enterprise established in the PRC, as being the ultimate holding company.

46. CONTINGENT LIABILITIES

In 2005, the family members of certain victims in the aircraft accident (the aircraft was then owned and operated by China Eastern Air Yunnan Company), which occurred in Baotou on 21 November 2004, sued the Company in a U.S. court for compensation. On 5 July 2007, pursuant to several conditions with which the Company has complied, the Superior Court of the State of California ordered the action stayed on the grounds of forum non convenients for the purpose of permitting proceedings in the PRC. On 20 February 2008, the plaintiffs filed a motion with the Superior Court of the State of California to lift the stay, but the motion was rejected by the court on 6 May 2008. The plaintiffs filed a second motion to lift the stay on 10 July 2008. On 27 August 2008, the Superior Court of the State of California rejected the motion of the plaintiffs again. After the case entered the procedures on appeal in the California Court of Appeal, the Court of Appeal of California issued an opinion on 26 February 2009, dismissing the appeal of the plaintiffs and affirming the original order. On 16 March 2009, the Chinese counsel of the plaintiff sued the Company on behalf of the family members of victims in the Beijing No. 2 Intermediate People's Court. The case is under the filing procedure and no official summons from the court has been received by the Company. The management of the Group believe that a negative outcome of the case will not have an adverse effect on the financial condition and results of operations of the Company. The Group intends to provide updates to the shareholders regarding the progress of the litigation. As at 31 December 2008, the Group was not involved in any other litigation, arbitration or claim of material importance.

47. POST BALANCE SHEET EVENTS

On 15 January 2009, CEA Holding (as the principal), Eastern Air Group Finance Company Limited (the ‘‘Finance Company’’) (as the trustee) and the Company (as the borrower) entered into an entrusted loan agreement, pursuant to which, the Company will obtain a short-term loan of RMB5.55 billion from CEA Holding through the Finance Company. Details are set out in the Company’s announcement dated 15 January 2009.

On 19 January 2009, the Company obtained a two-year credit facility of RMB10 billion from Shanghai Pudong Development Bank.

On 13 February 2009, the Company obtained a three-year credit facility of RMB15 billion from Agricultural Bank of China.

On 26 February 2009, the Company convened an extraordinary general meeting of A and H Share Shareholders in which the special resolution in relation to the approval of the non-public issuance of 1,437,375,000 new A Shares at subscription price of approximately RMB5,563 million to China Eastern Air Holding Company and the issuance of 1,437,375,000 new H Share at subscription price of approximately RMB1,437 million to CES Global Holdings (Hong Kong) Limited was passed. Details are set out in the Company’s announcement dated 10 December 2008 and its Notice of Extraordinary General Meeting and Notice of H Shareholders Class Meeting dated 8 January 2009.

On 16 March 2009, the Company obtained a three-year credit facility of RMB11 billion from Construction Bank of China.

Set out below are the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2009, the statement of adjusted consolidated net tangible assets of the Group and the unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group (collectively, the ''Unaudited Pro Forma Financial Information'') which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Acquisition as if it had taken place on 30 June 2009.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of their hypothetical nature, they may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at 30 June 2009 or at any future date.

(I) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group is compiled based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2009 as extracted from the interim result announcement of the Company for the six months ended 30 June 2009, and the audited consolidated balance sheet of the Target Group as at 30 June 2009 as extracted from the accountant's report of the Target Group as set out in Appendix I to this circular.

	Pro forma adjustments				
	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2009 RMB'000 (Note 1)	Audited consolidated statement of assets and liabilities of the Target Group as at 30 June 2009 RMB'000 (Note 2)	Other pro forma adjustments RMB'000		Pro forma consolidated balances of the Enlarged Group as at 30 June 2009 RMB'000
ASSETS					
Non-current assets					
Intangible assets	116,402	21,874	379,355	(Note 3(a))	10,068,429
			9,550,798	(Note 3(b))	
Property, plant and equipment	53,351,228	8,696,469	(1,700,625)	(Note 3(a))	60,347,072
Lease prepayments	983,767	117,244	368,351	(Note 3(a))	1,469,362
Advanced payments on acquisition of aircraft	5,667,142	2,966,923			8,634,065
Investments in jointly controlled entities	370,502	19,587			390,089
Investments in associates	703,710	55,085			758,795
Available-for-sale financial assets	61,268	181,945			243,213

Other long-term assets	874,585	542,208	1,416,793
Deferred tax assets	110,475	7,470	117,945
	62,239,079	12,608,805	83,445,763

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APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	Pro forma adjustments Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2009 RMB'000 (Note 1)	Audited consolidated statement of assets and liabilities of the Target Group as at 30 June 2009 RMB'000 (Note 2)	Other pro forma adjustments RMB'000	Pro forma consolidated balances of the Enlarged Group as at 30 June 2009 RMB'000
Current assets				
Flight equipment spare parts	918,384	392,576		1,310,960
Trade receivables	1,263,507	489,262		1,752,769
Amounts due from related companies	204,757	2,935		207,692
Prepayments, deposits and other receivables	3,954,369	749,070		4,703,439
Cash and cash equivalents	3,796,963	1,951,542		5,748,505
Derivative assets	208	—		208
Non-current assets held for sale	462,700	—		462,700
	10,600,888	3,585,385		14,186,273
TOTAL ASSETS	72,839,967	16,194,190		97,632,036
LIABILITIES				
Current liabilities				
Sales in advance of carriage	(1,119,648)	(194,547)		(1,314,195)
Trade payables and notes payable	(4,420,470)	(1,340,061)		(5,760,531)
Amounts due to related companies	(476,539)	(12,339)		(488,878)
Other payables and accrued expenses	(11,407,689)	(1,744,648)		(13,152,337)
Current portion of obligations under finance leases	(2,018,328)	(71,861)		(2,090,189)
Current portion of borrowings	(22,723,843)	(7,203,120)		(29,926,963)
Income tax payable	(22,285)	(20,250)		(42,535)
Current portion of provision for aircraft overhaul expenses	(333,547)	—		(333,547)
Derivative liabilities	(2,229,316)	(58,037)		(2,287,353)
	(44,751,665)	(10,644,863)		(55,396,528)
Non-current liabilities				
Obligations under finance leases	(18,379,006)	(1,048,516)		(19,427,522)

Borrowings	(9,851,317)	(2,854,788)	(12,706,105)
Provision for aircraft overhaul expenses	(1,344,391)	(599,063)	(1,943,454)
Other long-term liabilities	(1,264,318)	(233,601)	(1,497,919)
Deferred tax liabilities	(41,139)	(295)	(41,434)
Post-retirement benefit obligations	(1,648,420)	(413,281)	(2,061,701)
Derivative liabilities	(129,578)	—	(129,578)
	(32,658,169)	(5,149,544)	(37,807,713)
TOTAL LIABILITIES	(77,409,834)	(15,794,407)	(93,204,241)
NET (LIABILITIES)/ASSETS	(4,569,867)	399,783	4,427,795

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Notes:

1. The balances are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2009 as set out in the interim result announcement dated 10 August 2009, which is set out in Appendix II to this circular.

2. The adjustment represents the inclusion of the statement of assets and liabilities of the Target Group as at 30 June2009 as extracted from the accountant's report of the Target Group as set out in Appendix I to this circular.

3. The adjustments reflect the allocation of the cost of the acquisition to the identifiable assets and liabilities of the Target Group, which represents:

(a) fair value adjustment of the identifiable assets and liabilities of the Target Group

Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard No. 3 ''Business Combinations'' (''IFRS 3''). The identifiable assets and liabilities of the Target Group are recorded in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at their fair values estimated by the Directors with reference to a valuation report issued by an independent valuer. The pro forma adjustments represent the fair value adjustments on property, plant and equipment, intangible assets and lease prepayments of the Target Group amounting to RMB1,700,625,000 in negative, RMB379,355,000 and RMB368,351,000 respectively.

(b) recognition of goodwill

Goodwill represents the excess of the cost of the acquisition over the estimated fair value of the identifiable net assets of the Target Group. The cost of acquisition is calculated based on the Company's 1,694,838,860 A Shares to be issued in connection with the Proposed Acquisition and the average trading price of A Share at RMB5.28 for a period of 20 trading days up to and including 5 June 2009, being the last trading day immediately before the suspension of trading of A Shares on the Shanghai Stock Exchange prior to 30 June 2009. The estimated fair value of the identified net assets of the Target Group as at 30 June 2009 is determined based on the Target Group's net asset value attributable to the equity holders of the Target Company amounting to RMB350,870,000 and the fair value adjustments on property, plant and equipment, intangible assets and lease prepayments as set out in Note 3(a) above.

Since the closing share price of A share on the date of Completion and the fair value of the identifiable assets and liabilities of the Target Group at the date of Completion may be substantially different from their respective values used in the Unaudited Pro Forma Financial Information, the final amount of goodwill may be different from the amount presented above.

4. No other adjustment has been made to reflect any trading result or other transaction of the Group and the Target Group entered into subsequent to 30 June 2009.

(II) STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP AND UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The statement of adjusted consolidated net tangible assets of the Group before completion of the Proposed Acquisition is compiled based on the unaudited condensed consolidated balance sheet of the Group as at 30 June 2009 as extracted from the interim result announcement of the Company for the six months ended 30 June 2009. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Enlarged Group after completion of the Proposed Acquisition is compiled based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2009 as set out in this Appendix:

Adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009 RMB'000 (Note 1)	Adjusted consolidated net tangible assets of the Group per Share as at 30 June 2009 RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to the equity holders of the Company as at 30 June 2009 RMB'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share as at 30 June 2009 RMB'000 (Note 4)
(5,187,366)	(0.67)	(6,190,644)	(0.66)

Notes:

1. The adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009 of RMB5,187,366,000 in negative is derived from the unaudited condensed consolidated balance sheet of the Group as set out in Appendix II to this circular, which is based on the unaudited consolidated net liabilities of the Group attributable to the equity holders of the Company as at 30 June 2009 of RMB5,070,964,000 with an adjustment for intangible assets as at 30 June 2009 of RMB116,402,000.

2. The adjusted consolidated net tangible assets of the Group per Share as at 30 June 2009 is determined based on 7,741,700,000 Shares issued and outstanding as at 30 June 2009.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to the equity holders of the Company as at 30 June 2009 of RMB6,190,644,000 in negative is derived from the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in section I of this appendix, which is based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the equity holders of the Company as at 30 June 2009 of RMB3,877,785,000 with an adjustment for intangible assets as at 30 June 2009 of RMB10,068,429,000.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per Share as at 30 June 2009 is determined based on 9,436,538,860 Shares assumed to be issued and outstanding as at 30 June 2009,

representing 7,741,700,000 existing Shares and 1,694,838,860 new A Shares to be issued pursuant to the Proposed Acquisition.

5. No other adjustment has been made to reflect any trading result or other transaction of the Group and the Target Group entered into subsequent to 30 June 2009.

(III) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA EASTERN AIRLINES CORPORATION LIMITED

We report on the unaudited pro forma financial information set out on pages 197 to 200 under the heading of ''Unaudited Pro Forma Financial Information of the Enlarged Group'' (the ''Unaudited Pro Forma Financial Information'') in Appendix III of the circular dated 25 August 2009 (the ''Circular'') of China Eastern Airlines Corporation (the ''Company''), in connection with the proposed acquisition of Shanghai Airlines Co., Ltd. (the ''Proposed Acquisition'') by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Proposed Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the ''Group''). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 197 to 200 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 ''Accountants' Reports on Pro Forma Financial Information in Investment Circulars'' issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2009 with the unaudited condensed consolidated financial statements of the Group as at 30 June 2009, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2009 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 25 August 2009

Shanghai Airlines is a company with its A shares listed on Shanghai Stock Exchange on 11 October 2002. Shanghai Airlines primarily engages in the business of domestic air transportation of passengers and cargo, agency business for airline companies, approved international and regional business for air transportation of passengers and cargo, domestic business flight, business flight in neighbouring countries and regions, approved management of business aircraft, and maintenance of aviation equipment and machinery.

In the last several years, the Target Group (as defined in Appendix I) has been actively developing its principal business by gradually expanding the scale of its fleet and the coverage of its airline routes, actively pursuing cooperation with other international and domestic airlines, and promoting its strategy of globalization. Until now, the scheduled flights of the Target Group connects more than 60 cities spanning the PRC and overseas, and it has ran more than 170 passenger routes, and operated a total of 68 aircraft.

RESULTS OF OPERATIONS

Revenues

For 2006, 2007, 2008 and the period from January to June 2009, the revenues generated by the Target Group amounted to RMB9,842 million, RMB12,045 million, RMB13,154 million and RMB5,328 million respectively, the breakdown of which is as follows:

	The Target Group				
	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenues					
Traffic revenues					
— Passenger	6,301,485	7,467,893	8,400,729	4,057,528	3,714,386
— Cargo and mail	1,284,774	1,850,631	1,977,810	1,024,984	489,349
Revenue from tour operations	1,124,660	1,329,857	1,359,314	748,849	581,744
Revenue from export and import trading	864,655	976,116	726,413	359,026	265,779
Revenue from freight forwarding services	459,304	565,710	713,467	331,693	265,868
Others	54,796	170,911	285,139	214,798	157,070
	10,089,674	12,361,118	13,462,872	6,736,878	5,474,196
Less: Business tax	(247,625)	(316,261)	(308,780)	(176,299)	(146,176)
	9,842,049	12,044,857	13,154,092	6,560,579	5,328,020

In 2007, the rapid growth of demand in the aviation market contributed to a substantial growth of the revenue of the Target Group. in the year of 2008 there was a slowdown of the growth rate of the Target Group's revenue, followed by a decrease of revenue for the period from January to June 2009, with the following primary reasons: (1) the quick decrease of demand in the aviation market under the overall economic adjustments on a global basis against the backdrop of the financial crisis; (2) the significant impact in terms of international passenger and cargo transportation in Shanghai, which has its economy more outward-oriented as a leading city in Yangtze River Delta; (3) the occurrence of natural disasters and the unexpected circumstances in 2008 as well as the spread of H1N1 flu in 2009 also had, to a certain extent, adverse impact on the demand for aviation.

Other Income

For 2006, 2007, 2008 and the period from January to June 2009, other operating income generated by the Target Group amounted to RMB4 million, RMB45 million, RMB82 million and RMB315 million respectively. The larger amount of other operating income for the period from January to June 2009 was mainly a result of the return of civil aviation infrastructure levies paid.

Operating Expenses

Operating expenses incurred by the Target Group in 2006, 2007, 2008 and the period from January to June 2009 amounted to RMB9,724 million, RMB12,444 million, RMB14,451 million and RMB5,725 million respectively, mainly comprising aircraft fuel expenses, take-off and landing charges, depreciation and amortization, wages, salaries and benefits expenses, aircraft maintenance expenses, aircraft operating lease rentals, transportation and accommodation expenses and loss/gain on fair value movements of derivative financial instrument.

(1) Aircraft fuel

For 2006, 2007, 2008 and the period from January to June 2009, the aircraft fuel expenses of the Target Group amounted to RMB2,770 million, RMB3,704 million, RMB4,958 million and RMB1,400 million, accounting for 28.49%, 29.76%, 34.31% and 24.46% respectively of its operating expenses. The continual upsurge of aircraft fuel cost in 2007 and 2008 was mainly due to the fact that international oil prices sustained at a high level. The decrease in international oil prices in the first half of 2009 pulled down the cost of the Target Group's aircraft fuel.

(2) Take-off and landing charges

For 2006, 2007, 2008 and the period from January to June 2009, the take-off and landing charges of the Target Group amounted to RMB855 million, RMB1,046 million, RMB1,128 million and RMB588 million respectively, accounting for 8.79%, 8.40%, 7.80% and 10.26% respectively of the Target Group's operating expenses. The growth of the take-off and landing charges was mainly due to the increase in the number of take-offs and landings of aircraft as a result of the expansion of its scale of operations. Since 1 March 2008, there was a certain degree of increase in the unit price of aircraft take-off and landing, under the adjustment of the fee-charging policy applicable to civil airports in the PRC. This was also an important reason for the growth of take-off and landing charges incurred by the Target Group in 2008 and the first half of 2009.

(3) Depreciation and amortization

For 2006, 2007, 2008 and the period from January to June 2009, the depreciation and amortization of the Target Group amounted to RMB654 million, RMB747 million, RMB726 million and RMB415 million respectively. The persistent increase was mainly due to the increase in the number of aircraft.

(4) Wages, salaries and benefits

For 2006, 2007, 2008 and the period from January to June 2009, the wages, salaries and benefits of the Target Group amounted to RMB902 million, RMB1,192 million, RMB1,412 million and RMB778 million respectively. For the period from the end of 2006 to the first half of 2009, the Target Group had its headcount increasing from 4,542 to 5,754. The expansion in the size of its staff and the increase in wages and salaries contributed to the growth of the Target Group's wages, salaries and benefits expenses.

(5) Aircraft maintenance

For 2006, 2007, 2008 and the period from January to June 2009, the aircraft maintenance expenses incurred by the Target Group amounted to RMB493 million, RMB726 million, RMB963 million and RMB386 million. The growth was primarily attributable to the expansion of the scale of its fleet.

(6) Aircraft operating lease rentals

For 2006, 2007, 2008 and the period from January to June 2009, the Target Group's aircraft operating lease rentals amounted to RMB798 million, RMB1,103 million, RMB1,195 million and RMB590 million respectively. The growth was primarily due to the increase in the number of aircraft under operating lease which in turn was a result of the expansion of the scale of its fleet.

(7) Transportation and accommodation

For 2006, 2007, 2008 and the period from January to June 2009, the Target Group's transportation and accommodation expenses amounted to RMB1,034 million, RMB1,223 million, RMB1,244 million and RMB458 million respectively. The growth was primarily attributable to the expansion of the scale of its tour operations.

(8) Loss/gain on fair value movements of derivative financial instrument

The use of hedging contract against the risk of oil price upsurge adopted by the Target Group was implemented since 2008 and there was no loss/gain on fair value movements of derivative financial instrument in 2006 and 2007. In 2008, it was a loss on fair movement of derivative financial instrument amounting to RMB182 million, whereas for the period from January to June 2009 it was a gain amounting to RMB52 million. The primary reason was the substantial drop in international oil prices in the second half of 2008, contributing to a loss on the fair value of the Target Group's 2-year WTI hedging contracts. In the first half of 2009 when international oil prices picked up, there was a reversal of the loss in relation to that part of the fair value.

Finance income

For 2006, 2007, 2008 and the period from January to June 2009, the finance income of the Target Group amounted to RMB143 million, RMB283 million, RMB297 million and RMB12 million respectively. Finance income comprises primarily net foreign exchange gain. From 2006 to 2008, the persistent increase in the exchange rate of RMB contributed to the continual increase in net foreign exchange gain, and resulting in an increase in finance income. In the first half of 2009 when the appreciation of RMB slowed down, net foreign exchange gain substantially dropped and so was finance income.

Finance costs

For 2006, 2007, 2008 and the period from January to June 2009, the finance costs of the Target Group amounted to RMB274 million, RMB375 million, RMB397 million and RMB182 million respectively, among which interest on loans from banks amounted to RMB303 million, RMB399 million, RMB424 million and RMB209 million respectively. The increase in finance costs was primarily due to the persistent expansion of the scale of borrowing.

Profit/(Loss)

As a result of the foregoing, the profit/(loss) attributable to equity holders of the Target Group amounted to RMB8 million, –RMB532 million, –RMB1,199 million and –RMB271 million respectively for 2006, 2007, 2008 and the period from January to June 2009.

LIQUIDITY AND CAPITAL STRUCTURE

Cash and cash equivalents

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, the Target Group had cash and cash equivalents of RMB622 million, RMB944 million, RMB1,056 million and RMB1,952 million. In June 2009, the Target Group has raised RMB1,000 million through non public offering and its cash and cash equivalents increased correspondingly.

For 2006, 2007, 2008 and the period from January to June 2009, net cash inflow from the Target Group’s operating activities was RMB1,491 million, RMB826 million, RMB385 million and RMB49 million respectively. The decrease in net cash inflow from operating activities in 2007 and 2008 was primarily due to the persistent upsurge of international oil prices which contributed to continual increase in cash expenditure on aircraft fuel costs. The relatively lower net cash inflow from operating activities in 2009 was mainly due to the decrease in revenue from its principal business.

For 2006, 2007, 2008 and the period from January to June 2009, the Target Group’s net cash outflow from its investing activities amounted to RMB1,993 million, RMB1,172 million, RMB1,292 million and RMB907 million respectively. The net cash outflow generated from investing activities was mainly attributable to the purchase of aircraft and equipment and the payment schedules.

For 2006, 2007, 2008 and the period from January to June 2009, the Target Group's net cash inflow from financing activities amounted to RMB566 million, RMB678 million, RMB1,023 million and RMB1,754 million. The persistent increase was primarily attributable to the continual expansion of the scale of bank borrowing. In June 2009, the Target Group has raised RMB1,000 million through non public offering and its cash inflow from financing activities for the period from January to June 2009 increased correspondingly.

Net current liabilities

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, the net current liabilities of the Target Group amounted to RMB3,861 million, RMB5,258 million, RMB7,340 million and RMB7,059 million respectively.

Financial liabilities

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, the Target Group had a debt structure which mainly comprised short-term debts with a maturity within one year. The breakdown of the Target Group's debt profile is set out below:

	The Target Group			
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2006				
Short term debentures	800,000	—	—	—
Borrowings	2,891,292	730,380	1,769,798	1,694,534
Trade, notes and other payables	2,117,684	—	—	—
Total	5,808,976	730,380	1,769,798	1,694,534
At 31 December 2007				
Short term debentures	800,000	—	—	—
Borrowings	4,123,129	783,820	1,562,454	1,221,386
Obligations under finance leases	54,784	54,590	164,089	381,686
Trade, notes and other payables	2,995,494	—	—	—
Total	7,973,407	838,410	1,726,543	1,603,072

	The Target Group			
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2008				
Borrowings	6,332,098	863,049	1,422,724	871,174
Derivative financial instrument	172,458	—	—	—
Obligations under finance leases	103,891	106,146	329,018	862,364
Trade, notes and other payables	3,238,504	—	—	—
Total	9,846,951	969,195	1,751,742	1,733,538
At 30 June 2009				
Borrowings	7,395,213	838,409	1,374,833	867,350
Derivative financial instrument	58,037	—	—	—
Obligations under finance leases	108,626	110,083	339,860	815,351
Trade, notes and other payables	3,084,709	—	—	—
Total	10,646,585	948,492	1,714,693	1,682,701

Gearing Ratio

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, the gearing ratio of the Target Group was 0.79, 0.87, 1.04 and 0.95 respectively.

CAPITAL EXPENDITURES

Up to 2015, it is estimated that the Target Group's capital expenditure on aircraft and aviation equipment, including deposit payment, will be approximately RMB8,130 million in aggregate, among which it is expected that RMB934 million will be expended in 2009 and RMB1,573 million in 2010. The aforesaid amounts are subject to upward adjustment to take into account stipulations under contracts, or changes in price indices. The Target Group intends to satisfy the aforesaid other capital requirements with its revenue from operations, existing credit facilities granted by banks, bank borrowings, leasing arrangements and other means of external financing.

RISK PROFILE

Liquidity risk

The Target Group's primary cash requirements have been for additions of and upgrades to aircraft, engines and flight equipment and payments on related borrowings. It finances its working capital requirements through a combination of funds generated from operations and bank borrowings. It generally finances the acquisition of aircraft through long-term finance leases and bank loans.

Due to the dynamic nature of the underlying businesses, the Target Group's treasury policy aims at maintaining flexibility in funding by keeping credit lines available. At 30 June 2009, the Target Group had total un-used credit facilities of approximately RMB14.9 billion from certain banks.

Interest rate at risk

The Target Group's interest-rate risk primarily arises from borrowings and obligations under finance leases borrowings issued at variable rates expose it to cash flow interest-rate risk.

The following table indicates the approximate change in the Target Group's profit and loss if interest rate had been 25 bases points higher with all other variables held constant.

	The Target Group			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease in profit after tax	(13,358)	(17,272)	(20,642)	(11,949)

Foreign currency risk

The Target Group operates its business in several countries and territories. It 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. Its major liability item (purchases and leases of aircraft) is mainly priced and settled in US dollars. In addition, fluctuations in exchange rates will affect the Target Group's costs incurred from foreign purchases such as aircraft, flight equipment and aviation fuel, and take-off and landing charges at foreign airports.

The following table details the Target Group's exposure at the balance sheet date to major currency risk which is primarily attributable to US dollars.

	The Target Group			
	As at 31 December			As at 30 June
	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	25,192	36,510	47,144	78,824
Cash and cash equivalents	34,411	151,483	45,665	54,539
Trade and other payables	(83,328)	(156,042)	(149,111)	(115,532)
Obligations under finance leases	—	(498,956)	(1,154,784)	(1,120,377)
Borrowings	(4,198,596)	(4,303,086)	(3,670,354)	(4,079,153)
Net balance sheet exposure	(4,222,321)	(4,770,091)	(4,881,440)	(5,181,699)

Fuel price risk

The Target Group's results of operations may be significantly affected by fluctuations in fuel prices.

For the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, if the fuel price had been 5% higher or lower with all other variables held constant (excluding the impact of fuel option contracts), the Target Group's fuel cost would have been RMB139 million, RMB185 million, RMB248 million and RMB70 million higher or lower respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2006, 31 December 2007, 31 December 2008 and 30 June 2009, the Target Group had a headcount of 4,542, 5,256, 5,769 and 5,754 respectively. For 2006, 2007, 2008 and the period from January to June 2009, the Target Group's expenses on wages, salaries and other benefits totaled RMB902 million, RMB1,192 million, RMB1,412 million and RMB778 million respectively. Remuneration for employees of the Target Group basically comprises basic salaries and performance- based bonuses.

CHARGES ON THE ASSETS OF THE TARGET GROUP

As at 31 December 2006, 2007 and 2008 and 30 June 2009, certain aircraft and buildings owned by the Target Group with an aggregate net book amount of approximately RMB4,547 million, RMB4,306 million, RMB4,035 million and RMB4,241 million respectively were pledged as collateral under certain loan arrangements.

PRINCIPAL 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. The Target Group's principal accounting policies are set forth in Note 2 to Appendix I ''Financial Information of Shanghai Airlines'' (''Financial Information'') of this circular. The Target Group adopts the accounting policies and 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) Estimated impairment of property, plant and equipment

The Target Group tests whether property, plant and equipment have been impaired in accordance with the accounting policy stated in Note 2(l) to the Financial Information as set out in Appendix I of this circular. An impairment loss is recognized for the amount by which the recoverable amount of property, plant and equipment being lower than its carrying value. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The calculation of value in use is based on cash flow projections approved by management in which various assumptions and estimations (including but not limited to ticket price, fuel price, load factor, aircraft daily utilisation, fuel cost and discount rate etc.) are involved. Different judgments and estimations could significantly affect the results of the calculation.

(b) Revenue recognition

The Target Group recognises passenger, cargo and mail revenues in accordance with the accounting policy stated in Note 2(e) to the Financial Information as set out in Appendix I of this circular. Unused tickets are recognised in traffic revenues based on management's estimates. Management annually 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.

(c) Frequent flyer programme

The Target Company operates a frequent flyer programme called ''Crane Club'' that provides 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 are then used to project the expected utilisation of these benefits and the estimated fair value of the redeemable miles. Any remaining unutilised benefits are recognised as deferred revenue. Different judgments and estimates could significantly affect the estimated deferred revenue or impact the results of operations.

(d) Depreciation of components related to overhaul costs

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

(e) Provision for costs of return condition checks for aircraft and engines under operating leases

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

(f) Post retirement benefits

The Target Group operates and maintains defined retirement benefit plans which provide certain retirees with various retirement subsidies. The cost of providing the benefits in the defined retirement benefit plans is actuarially determined and recognised over the eligible employees' service period by utilising various actuarial assumptions and using the projected unit credit method in accordance with the accounting policy stated in Note 2(v) to the Financial Information as set out in Appendix I of this circular. These assumptions include, without limitation, the selection of discount rate, annual rate of increase of per capita benefit payment and employees' turnover rate etc. The discount rate is based on management's review of local high quality corporate 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 Target Group. Additional information regarding the retirement benefit plans is disclosed in Note 36 to the Financial Information.

(g) Taxation

The Target Group is subject to various taxes in different areas. Significant judgement is required in determining the provision for various tax charges. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

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 utilized. 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 Information as set out in Appendix I of this circular, the Target Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Target 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 Target 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 are made.

APPENDIX V GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

Directors, supervisors, chief executives and senior management

The interests of the Directors, supervisors, chief executives and senior management in the issued share capital of the Company as at the Latest Practicable Date were set out as follows:

		Number and type of shares held and nature of interest				
Name	Position	Personal	Family	Corporate	Total	Capacity in which the A Shares were held
Liu Shaoyong	Chairman, Director	—	—	—	0	—
Li Jun	Vice-Chairman, Director	—	—	—	0	—
Ma Xulun	Director	—	—	—	0	—
Luo Chaogeng	Director	6,600 A Shares (Note 1)	—	—	6,600 A Shares (Note 1)	Beneficial owner
Luo Zhuping	Director, Company secretary	11,616 A Shares (Note 2)	—	—	11,616 A Shares (Note 2)	Beneficial owner
Hu Honggao	Independent non-executive Director	—	—	—	0	—
Wu Baiwang	Independent non-executive Director	—	—	—	0	—
Zhou Ruijin	Independent non-executive Director	—	—	—	0	—
Xie Rong	Independent non-executive Director	—	—	—	0	—
Sandy Ke-Yaw Liu	Independent non-executive Director	—	—	—	0	—
Liu Jiangbo	Chairman of the	—	—	—	0	—

	Supervisory Committee						
Xu Zhao	Supervisor	—	—	—	0		—
Yan Taisheng	Supervisor	—	—	—	0		—
Feng Jinxiong	Supervisor	—	—	—	0		—
Liu Jiashun	Supervisor	3,960 A Shares (Note 3)	—	—	3,960 A Shares (Note 3)	Beneficial owner	
Zhang Jianzhong	Vice President	—	—	—	0		—
Li Yangmin	Vice President	3,960 A Shares (Note 3)	—	—	3,960 A Shares (Note 3)	Beneficial owner	
Fan Ru	Vice President	3,696 A Shares (Note 4)	—	—	3,696 A Shares (Note 4)	Beneficial owner	
Wu Yongliang	Chief Financial Officer	3,696 A Shares (Note 4)	—	—	3,696 A Shares (Note 4)	Beneficial owner	

Notes:

1. representing approximately 0.00014% of the Company's total issued and listed A Shares, totalling 4,737,375,000 A Shares, as at the Latest Practicable Date.

2. representing approximately 0.00025% of the Company's total issued and listed A Shares, totalling 4,737,375,000 A Shares, as at the Latest Practicable Date.

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3. representing approximately 0.000084% of the Company's total issued and listed A Shares, totalling 4,737,375,000 A Shares, as at the Latest Practicable Date.

4. representing approximately 0.000078% of the Company's total issued and listed A Shares, totalling 4,737,375,000 A Shares, as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Company's supervisors, chief executives or members of senior management of the Company had any 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 (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest and short position which he/she was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 to the Listing Rules.

Each of Liu Shaoyong, Li Jun and Luo Chaogeng was as at the Latest Practicable Date a director or employee of CEA Holding, which, as disclosed below, was a company having, as at the Latest Practicable Date, an interest in the Company's shares required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial shareholders

Interests in the Company

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons, other than a Director, supervisor, chief executive or member of the Company's senior management, had 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 Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was otherwise interested in 5% or more of any class of the then issued share capital of the Company:

			Interest As at the Latest Practicable Date			
Name of shareholder	Nature of shares interested	Number of shares interested	Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued A Shares	Approximate percentage of shareholding in the Company's total issued H Shares	Short position
CEA Holding	A Shares	4,831,375,000	62.41%	101.98%	—	—
CEA Holding (Note 1)	H Shares	1,927,375,000	24.90%	—	64.15%	—

CES Global (Note 1)	H Shares	1,927,375,000	24.90%	—	64.15%	—
HKSCC Nominees Limited (Notes 2 to 3)	H Shares	1,541,701,139	19.91%	—	51.32%	—

Notes:

Based on the information available to the Directors (including such information as was available on the website of the Stock Exchange) and so far as they are aware and understand, as at the Latest Practicable Date:

1. Such H Shares were held by CES Global, in the capacity of beneficial owner, which in turn is 100% held by CEA Holding.

2. Among the 1,541,701,139 H Shares held by HKSCC Nominees Limited, 189,078,000 H Shares (representing approximately 12.07% of the Company's then total issued H Shares) were held by China National Aviation Corporation (Group) Limited in the capacity of beneficial owner, which in turn was ultimately 100% controlled by China National Aviation Holding Company.

3. Among the 1,541,701,139 H Shares held by HKSCC Nominees Limited, Barclays PLC had, through controlled corporations, an interest in an aggregate of 90,371,770 H Shares (representing approximately 5.77% of the Company's then total issued H Shares). Barclays PLC was interested in the aforesaid 90,371,770 H Shares in the manner as follows:

a. 336,970 H Shares (representing approximately 0.02% of the Company's then total issued H Shares) were held by Barclays Global Investors Ltd in the capacity of beneficial owner, which in turn was 100% controlled by Barclays Global Investors UK Holdings Limited, which in turn was 92.3% controlled by Barclays Bank PLC, which in turn was ultimately 100% controlled by Barclays PLC;

b. 4,790,000 H Shares (representing approximately 0.31% of the Company's then total issued H Shares) were held by Barclays Global Investors, N.A. in the capacity of beneficial owner, which in turn was 100% controlled by Barclays California Corporation, which in turn was 100% controlled by Barclays Global Investors Finance Limited, which in turn was 100% controlled by Barclays Global Investors UK Holdings Limited, which in turn was 92.3% controlled by Barclays Bank PLC, which in turn was ultimately 100% controlled by Barclays PLC; and

c. 85,244,800 H Shares (representing approximately 5.44% of the Company's then total issued H Shares) were held by Barclays Global Fund Advisors in the capacity of beneficial owner, which in turn was 100% controlled by Barclays Global Investors, N.A., which in turn was 100% controlled by Barclays California Corporation, which in turn was 100% controlled by Barclays Global Investors Finance Limited, which in turn was 100% controlled by Barclays Global Investors UK Holdings Limited, which in turn was 92.3% controlled by Barclays Bank PLC, which in turn was ultimately 100% controlled by Barclays PLC.

Save as disclosed above and so far as the Directors are aware, as at the Latest Practicable Date, no other person had an 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 Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests in other members of the Group

So far as is known to the Directors, as at the Latest Practicable Date, each of the following persons, other than the Company or any of its Directors, supervisors, chief executives and members of the senior management, was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the relevant member of the Group:

Subsidiary	Name of relevant substantial shareholder
(Shanghai Technology Aerospace Company Limited)	(Singapore Technology Aerospace Limited)
(Eastern Airlines (Shantou) Economic Development Co., Ltd.)	用品總 (Shantou Aviation Equipment Group Company)
飛機維修 (Shanghai Eastern Aircraft Maintenance Co., Ltd.)	Aircraft Engineering Investment Ltd.
中國貨運 (China Cargo Airlines Co., Ltd.)	中國遠洋運輸 集&#22296 (China Ocean Shipping (Group) Company)
遠 物流 (Shanghai Eastern Logistics Co. Ltd.)	中國遠洋運輸 集&#22296 (China Ocean Shipping (Group) Company)
中國 江&#3431 (China Eastern Airlines Jiangsu Co., Ltd.)	江蘇省國信資產管& (Jiangsu Provincial Guoxin Asset Management Group Co., Ltd.)
香港 (Eastern Airlines Development (HK) Co., Ltd.)	大中華運通 (Dazhonghua Yuntong Co., Ltd.)
大酒店 (Eastern Airlines Hotel Co., Ltd.)	CEA Holding

Save as disclosed above and so far as is known to the Directors, as at the Latest Practicable Date, no other person (other than the Directors, the Company's supervisors, chief executives or members of senior management of the Company) had an 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 Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Company have been made up.

Please also refer to section 2.9 of the circular of the Company dated 24 July 2009 relating to the financial status of the Group.

4. COMPANY'S OFFICERS

Mr. Luo Zhuping, who is a holder of a Master's degree in global economics, is a Director and the secretary of the Company.

5. EXPERT STATEMENT

The following is the qualification of the expert who has given its opinion or advice which are contained in this circular:

Name	Qualification
PwC	Certified Public Accountants

As at the Latest Practicable Date, PwC had no beneficial shareholding interest in any member of the Group or has no right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, PwC was not interested, directly or indirectly, in any assets which had been since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or terminable by the Group within a year without payment of any compensation (other than statutory compensation).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

8. LITIGATION

In 2005, the family members of certain victims in the aircraft accident (the aircraft was then owned and operated by China Eastern Air Yunnan Company), which occurred in Baotou on 21 November 2004, sued the Company in a U.S. court for compensation. On 5 July 2007, pursuant to several conditions with which the Company has complied, the Superior Court of the State of California ordered the action stayed on the grounds of forum non-convenients for the purpose of permitting proceedings in the PRC. On 20 February 2008, the plaintiffs filed a motion with the Superior Court of the State of California to lift the stay, but the motion was rejected by the court on 6 May 2008. The plaintiffs filed a second motion to lift the stay on 10 July 2008. On 27 August 2008, the Superior Court of the State of California rejected the motion of the plaintiffs again. After the case entered the procedures on appeal in the California Court of Appeal, the Court of Appeal of California issued an opinion on 26 February 2009, dismissing the appeal of the plaintiffs and affirming the original order. On 18 August 2009, the Company received the complaint of the family members of certain victims from the Beijing No. 2 Intermediate People's Court.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any litigation or claim of material importance pending or threatened against any member of the Enlarged Group.

9. TRADING AND FINANCIAL PROSPECTS OF THE ENLARGED GROUP

Trading prospects

As an aviation enterprise which performs public service functions, the operation of the Enlarged Group is linked closely to political and economic situations, both internationally and locally. As such, the operation of the Enlarged Group and of the whole sector is, to a substantial extent, subject to the risks associated with geopolitics and the outbreaks of unexpected events.

The Company is of the view that the global economy can be expected to grow in 2009, but the rate may falter. The economic growth in East Asia continues. Factors such as international oil price, imbalance in global trading and investment and the swine flu become uncertainties in the global economic environment. China's economy is at a stage of growth, and with further system reform and opening up, the inherent impetus of economic growth and agility, spending increases gradually. In industrialized cities and town, the progress is faster, which continues to lead a faster economic growth, hence the effects of the macro-economic regulation. As such, growth in air transport demand is maintained.

The Company will seize upon the opportunity and make timely adjustments to its capacity, thereby pushing up the turnover volume in every aspect, and hence its revenue in air transport.

Financial outlook

The Directors believe that the growth of China's air passenger and cargo traffic will recover in 2009 and beyond, reflecting a positive outlook for China's economic and trade growth, rising domestic consumption and growth of business and leisure travel. At the same time, industry consolidation as evidenced by the restructuring undertaken by the three major airline groups in China, i.e. Air China, China Southern Airlines and the Group, will be beneficial to the establishment of a healthy and orderly market competition situation. As a result of immense market demand, the Company expects that, Chinese carriers, including the Enlarged Group, may experience positive revenue growth in 2009 subject to the impact of high aviation fuel price.

10. INDEBTEDNESS OF THE ENLARGED GROUP

Borrowings

At the close of business on 30 June 2009, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had the following borrowings:

		Unsecured		
	Secured RMB'000	Guaranteed RMB'000	Non-guaranteed RMB'000	Total RMB'000
Short-term bank loans	912,491	290,000	20,753,571	21,956,062
Notes payable	166,660	—	4,092,267	4,258,927
Long-term bank loans	7,471,006	166,903	13,039,097	20,677,006
Finance lease obligations	21,517,711	—	—	21,517,711
Loan from an associate, Eastern Air Group Finance Co., Ltd.	—	—	1,617,151	1,617,151
	30,067,868	456,903	39,502,086	70,026,857

Secured short-term bank loans were secured by bank deposits of RMB954,965,000.

Notes payable were secured by bank deposits of RMB65,332,000.

Secured long-term bank loans and other loan were secured by certain aircrafts and other fixed assets with an aggregate carrying amount of RMB13,447,174,000 and RMB170,929,000 respectively.

Finance lease obligations were secured by the related aircrafts under finance leases with an aggregate carrying amount of RMB29,492,431,000 and the relevant insurance policies and bank guarantees.

The unsecured guaranteed short-term and long-term loans were guaranteed by CEA Holding.

Material Capital Commitments

Details of the material capital commitments of the Enlarged Group as at 30 June 2009 are set out as follows:

	RMB'000
Authorised and contracted for:	
— Aircraft, engines and flight equipment	70,257,958
— Other property, plant and equipment	90,681
	70,348,639
Authorised but not contracted for:	
— Other property, plant and equipment	4,309,011
Total capital commitments	74,657,650

Contracted expenditure for the above aircraft, engines and flight equipment, including deposits prior to delivery and subject to future inflation increases built into the contracts and discounts available upon delivery of the aircraft (if any), were expected to be paid as follows:

	RMB'000
Within 1 year	15,213,553
In the second year	11,849,681
In the third year	18,085,249
In the fourth year	10,886,047
Over four years	14,223,428
	70,257,958

Contingent Liabilities

In 2005, the family members of certain victims in the aircraft accident (the aircraft was then owned and operated by China Eastern Air Yunnan Company), which occurred in Baotou on 21 November 2004, sued the Company in a U.S. court for compensation. On 5 July 2007, pursuant to several conditions with which the Company has complied, the Superior Court of the State of California ordered the action stayed on the grounds of forum non convenients for the purpose of permitting proceedings in the PRC. On 20 February 2008, the plaintiffs filed a motion with the Superior Court of the State of California to lift the stay, but the motion was rejected by the court on 6 May 2008. The plaintiffs filed a second motion to lift the stay on 10 July 2008. On 27 August 2008, the Superior Court of the State of California rejected the motion of the plaintiffs again. After the case entered the procedures on appeal in the California Court of Appeal, the Court of Appeal of California issued an opinion on 26 February 2009, dismissing the appeal of the plaintiffs and affirming the original order. On 18 August 2009, the Company received the complaint of the family members of certain victims from the Beijing No. 2 Intermediate People's Court. The management of the Group believe that a negative outcome of the case will not have an adverse effect on the financial condition and results of operations of the Company.

General

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have (a) any other debt securities issued and outstanding, and authorised or otherwise created but unissued; (b) any other term loans; (c) any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (d) any other mortgages or charges; or (e) any other material guarantees or contingent liabilities at the close of business on 30 June 2009.

11. SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Directors are of the opinion that the Enlarged Group will have sufficient working capital for its present requirements, that is at least for the next 12 months from the date of this circular, in the absence of any unforeseeable circumstances.

12. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest in any assets which have been, since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Enlarged Group.

13. MATERIAL CONTRACTS

On 9 November 2007, the Company entered into a subscription agreement with Singapore Airlines Limited (''SIA'') and Lentor Investment Pte. Ltd.. Simultaneously with the entering into the Investor Subscription Agreement, CEA Holding entered into a subscription agreement with the Company. On the same date, SIA and the Company entered into a cooperation agreement and a personnel secondment agreement. Details of the above agreements are disclosed in the circular of the Company dated 23 November 2007.

On 16 November 2007, CEA Holding (as the acquirer), the Company (as the seller) and 民 華 凱亞系統集成 (East China Cares System Co., Ltd.) (''Eas China Cares'') (as the seller) entered into an equity transfer agreement pursuant to which the Company and East China Cares agreed to dispose of their entire equity interests in 投資 (China Eastern Air Investment Comp Limited) (''CEA Investment'') to CEA Holding. The consideration to be received by the Company and the East China Cares are approximately RMB461.9 million and RMB5.66 million respectively. Details of the above agreements are disclosed in the announcement of the Company dated 10 November 2007.

On 29 December 2008, CEA Holding entered into a subscription agreement with the Company, pursuant to which, CEA Holding will subscribe in cash for 1,437,375,000 new A Shares at the subscription price of RMB3.87 per A Share. On the same day, CES Global entered into another subscription agreement with the Company, pursuant to which, CES Global will subscribe in cash for 1,437,375,000 new H Shares at the subscription price of RMB1.00 per H Share. Details of the above agreements are disclosed in the circular of the Company dated 8 January 2009.

On 25 February 2009, Jin Jiang International Holdings Co., Ltd (錦江國際 集團) (“Jin Jiang International”) entered into a subscription agreement with Shanghai Airlines, pursuant to which, Jin Jiang International will subscribe in cash for 222,222,200 new A shares of Shanghai Airlines at the subscription price of RMB4.50 per A share of Shanghai Airlines. Details of the agreement is disclosed in the announcement of Shanghai Airlines published on the Shanghai Stock Exchange on 26 February 2009.

On 10 July 2009, CEA Holding entered into a subscription agreement with the Company, pursuant to which, CEA Holding will subscribe in cash for not more than 490,000,000 new A Shares at the subscription price of not less than RMB4.75 per A Share. On the same day, CES Global entered into another subscription agreement with the Company, pursuant to which, CES Global will subscribe in cash for not more than 490,000,000 new H Shares at the subscription price of not less than HK$1.40 per H Share. Details of the above agreements are disclosed in the circular of the Company dated 24 July 2009.

On 10 July 2009, the Company and Shanghai Airlines entered into an Absorption Agreement in relation to the absorption proposal, which, if fully implemented, will involve the issue of a maximum of 1,694,838,860 A Shares by the Company to the SA Shareholders on a record date to be determined and announced by the Company and Shanghai Airlines, in exchange for all the existing issued shares of Shanghai Airlines. Details of the above agreement is disclosed in the announcement of the Company dated 10 July 2009.

Save as disclosed above, no material contract (not being contract entered into in the ordinary course of business) has been entered into by any member of the Enlarged Group within the two years immediately preceding the issue of this circular.

14. INVESTORS WHOSE H SHARES HELD BY NOMINEE OR TRUSTEE AND HOLDERS OF ADRs DISSENTING THE ABSORPTION PROPOSAL

As stated in the Announcement, the Shareholders who dissent the Absorption Proposal may be entitled to require a third party procured by the Company to buy-back the Shares of such Shareholders pursuant to the Absorption Proposal. According to Article 172 of the Articles of Association, the dissenting right referred to above is available to the registered holders of such Shares. Accordingly, any investor who has its H Shares held by nominee (including, for example, but without limitation, any H Shares held through CCASS operated by Hong Kong Securities Clearing Company Limited by any CCASS broker/custodian participant) or trustee and wishes to exercise such dissenting right should:

(1) take steps to register such H Shares under the name of such investor and take delivery of its H Shares so as to become the registered holder of such Shares prior to the EGM and the respective class meetings. Any investor who has Shares held by nominee or trustee (including, for example, without limitation, any shares held through CCASS by any CCASS broker/custodian participant) and who wishes personally to exercise the above dissenting right should take the steps to have the Shares registered in his/her/its name; or

(2) give instructions to and/or enter into private arrangements with its nominee or trustee such that such nominee or trustee will make the request of such Shareholders who dissent the Absorption Proposal in strict compliance with the conditions and procedures set out above.

Holders of ADRs of the Company who wish to exercise the dissenting rights discussed above should take steps to present their ADRs of the Company to the Bank of New York, the Company's Depositary, for cancellation and delivery of the H Shares so as to become registered shareholders of the Company prior to the EGM and the respective class meetings.

15. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Baker & McKenzie, 23rd Floor, One Pacific Place, 88 Queensway, Hong Kong for a period of 14 days (excluding Saturdays and Sundays) from the date of this circular:

(1) the Articles of Association;

(2) the Company's 2007 and 2008 annual reports and the interim results announcement of the Company dated 10 August 2009;

(3) each contract set out in the paragraph headed ''Material Contracts'' in this Appendix;

(4) each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since the date of the latest published audited accounts of the Company;

(5) the accountant's report on Shanghai Airlines from PwC as set out in Appendix I to this circular;

(6) the report from PwC regarding the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular; and

(7) the written consent from PwC referred to in the paragraph headed ''Expert Statements'' in this Appendix.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00670)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the ''EGM'') of 中國 股份 (China Eastern Airlines Corporation Limited) (the ''Company'') will be held at Shangh International Airport Hotel (國際機場賓館), 2550 Hongqiao Road, Shanghai, the People's Republic of China at 2 : 00 p.m. on 9 October 2009, or any adjournment thereof, for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolutions (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 August 2009 (the ''Circular'') relating to, among other things, the absorption of Shanghai Airlines):

AS SPECIAL RESOLUTIONS

1. ''THAT, the proposal for the absorption of Shanghai Airlines by the Company through share exchange be and is hereby approved, ratified and confirmed. Details of the aforesaid absorption proposal were set out in the Circular.''

2. ''THAT, the terms and conditions and the implementation of the transactions contemplated under the Absorption Agreement be and is hereby approved, ratified and confirmed.''

3. ''THAT, the Draft Report for the Absorption of Shanghai Airlines Co., Ltd by China Eastern Airlines Corporation Limited 《中國 股份 換股吸收合併 &#32929 報告書 草案 》be and is hereby approved, ratified and confirmed. Details of the aforesaid draft report were contained in an overseas regulatory announcement of the Company published on the website of the Stock Exchange on 10 August 2009.''

4. ''THAT, conditional upon the passing of Resolution No. 1 above, the Board is authorized to make such appropriate and necessary amendments to the Articles of Association as they think fit to reflect the increases in the registered capital and change of shareholding of the Company.''

AS ORDINARY RESOLUTIONS

5. ''THAT, that the Company satisfies the conditions for material assets reorganization be and is hereby confirmed.''

6. ''THAT, conditional upon the passing of Resolution No. 1 above, the Directors be and are hereby authorized to sign all such documents and/or do all such things and acts as the Directors may consider necessary or expedient and in the interest of the Company for the purpose of effecting or otherwise in connection with any transaction contemplated under Resolution No. 1 above or any matter incidental thereto.''

NOTICE OF EXTRAORDINARY GENERAL MEETING

7. ‘‘THAT, in connection with the proposed absorption of Shanghai Airlines, the Company may provide guarantee to its wholly owned subsidiary set up for the purpose of absorbing all the assets and assuming all the liabilities of Shanghai Airlines. Details of the aforesaid guarantee to be provided by the Company were set out in section 2 of the Circular.’’

By order of the Board
中國 股份
CHINA EASTERN AIRLINES CORPORATION LIMITED
Luo Zhuping
Director and Company Secretary

The Directors as at the date hereof, are:

Liu Shaoyong	(Chairman)
Li Jun	(Vice Chairman)
Ma Xulun	(Director, President)
Luo Chaogeng	(Director)
Luo Zhuping	(Director, Company Secretary)
Hu Honggao	(Independent Non-executive Director)
Wu Baiwang	(Independent Non-executive Director)
Zhou Ruijin	(Independent Non-executive Director)
Xie Rong	(Independent Non-executive Director)
Sandy Ke-Yaw Liu	(Independent Non-executive Director)

Shanghai, the PRC
25 August 2009

Notes:

1. Persons entitled to attend the EGM

Persons who hold H Shares and are registered as holders of H Shares on the register of members maintained by Hong Kong Registrars Limited, at the close of business on Tuesday, 8 September 2009 are entitled to attend the EGM upon completion of the necessary registration procedures.

2. Registration procedures for attending the EGM

(i) Holders of H Shares shall deliver their attendance slips for attending the EGM, copies of transfers or copies of their share certificates or copies of receipts of share transfers, together with copies of their identity cards or other documents of identity, to the Company at its place of business at 2550 Hongqiao Road, Shanghai, the PRC (for the attention of the Office of the Secretary of the Board of Directors) (fax no: +86 21 62686116) by 4 : 00 p.m. on Friday, 18 September 2009 (if by facsimile) or between Thursday, 10 September 2009 to Friday, 18 September 2009 (if by post). If proxies are appointed by shareholders to attend the EGM, they shall, in addition to the aforementioned documents, deliver the proxy forms and copies of their identity cards or other documents of identity to the above place of business of the Company.

(ii)

Shareholders can deliver the necessary documents for registration to the Company in the following manner: in person, by post or by facsimile. Upon receipt of such documents, the Company will complete the registration procedures for attending the EGM and will despatch to shareholders voting forms by post or by facsimile. Shareholders may present the voting forms when attending the EGM as evidence of eligibility to attend the meeting.

3. Appointing proxies

(i) Shareholders who have the right to attend and vote at the EGM are entitled to appoint in writing one or more proxies (whether a member of the Company or not) to attend and vote at the meeting on their behalf.

(ii) The instrument appointing a proxy must be duly authorized in writing by the appointor or his attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign (or other documents of authorization) must be notarially certified. For the holders of A Shares, the notarially certified power of attorney or other documents of authorization and proxy forms must be delivered to the registrar of the Company not less than 24 hours before the time scheduled for the holding of the EGM in order for such documents to be considered valid. For the holders of H Shares, the aforementioned documents must be delivered to Hong Kong Registrars Limited, the Company's H Share registrar, within the same time limit in order for such documents to be considered valid.

(iii) If more than one proxy has been appointed by any shareholder of the Company, such proxies shall not vote at the same time.

4. Duration of the EGM

The EGM is expected to last for half a day. Shareholders or their proxies attending the EGM shall be responsible for their own accommodation and travel expenses.

5. Closure of books

The H Share register of members of the Company will be closed from Wednesday, 9 September 2009 to Friday, 9 October 2009, both days inclusive, during which period no transfer of the H Shares will be effected. As such, holders of H Shares intending to attend the EGM are therefore required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the Company's H share registrar, Hong Kong Registrars Limited, by 4 : 00 p.m. on Tuesday, 8 September 2009.

The address and contact details of Hong Kong Registrars Limited are as follows:

Hong Kong Registrars Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Telephone: +852 2862 8628
Fax: +852 2865 0990

6. Abstention from voting

No shareholder is required to be abstain from voting in respect of any resolutions.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 00670)

NOTICE OF H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN THAT a class meeting of holders of H Shares (the ''H Shareholders Class Meeting'') of 中國 股份 (China Eastern Airlines Corporation Limited) (the ''Company'') will be Shanghai International Airport Hotel (國際機場賓館), 2550 Hongqiao Road, Shanghai, the People's Republic of China at 2 : 30 p.m. on Friday, 9 October 2009, or any adjournment thereof, for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolutions (unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 August 2009 (the ''Circular'') relating to, among other things, the absorption of Shanghai Airlines):

AS SPECIAL RESOLUTION

1. ''THAT, the proposal for the absorption of Shanghai Airlines by the Company through share exchange be and is hereby approved, ratified and confirmed. Details of the aforesaid absorption proposal were set out in the Circular.''

By order of the Board
中國 股份
CHINA EASTERN AIRLINES CORPORATION LIMITED
Luo Zhuping
Director and Company Secretary

The Directors, as at the date hereof, are:

Liu Shaoyong	(Chairman)
Li Jun	(Vice Chairman)
Ma Xulun	(Director, President)
Luo Chaogeng	(Director)
Luo Zhuping	(Director, Company Secretary)
Hu Honggao	(Independent Non-executive Director)
Wu Baiwang	(Independent Non-executive Director)
Zhou Ruijin	(Independent Non-executive Director)
Xie Rong	(Independent Non-executive Director)
Sandy Ke-Yaw Liu	(Independent Non-executive Director)

Shanghai, the PRC
25 August 2009

NOTICE OF H SHAREHOLDERS CLASS MEETING

Notes:

1. Persons entitled to attend the H Shareholders Class Meeting

Persons who hold H Shares and are registered as holders of H Shares on the register of members maintained by Hong Kong Registrars Limited at the close of business on Tuesday, 8 September 2009 are entitled to attend the H Shareholders Class Meeting upon completion of the necessary registration procedures.

2. Registration procedures for attending the H Shareholders Class Meeting

(i) Holders of H Shares shall deliver their attendance slips for attending the H Shareholders Class Meeting, copies of transfers or copies of their share certificates or copies of receipts of share transfers, together with copies of their identity cards or other documents of identity, to the Company at its place of business at 2550 Hongqiao Road, Shanghai, the PRC (for the attention of the Office of the Secretary of the Board of Directors) (fax no: +86 21 62686116) by 4 : 00 p.m. on Friday, 18 September 2009 (if by facsimile) or between Thursday, 10 September 2009 to Friday, 18 September 2009 (if by post). If proxies are appointed by shareholders to attend the H Shareholders Class Meeting, they shall, in addition to the aforementioned documents, deliver the proxy forms and copies of their identity cards or other documents of identity to the above place of business of the Company.

(ii) Shareholders can deliver the necessary documents for registration to the Company in the following manner: in person, by post or by facsimile. Upon receipt of such documents, the Company will complete the registration procedures for attending the H Shareholders Class Meeting and will despatch to shareholders voting forms by post or by facsimile. Shareholders may present the voting forms when attending the H Shareholders Class Meeting as evidence of eligibility to attend the meeting.

3. Appointing proxies

(i) Shareholders who have the right to attend and vote at the H Shareholders Class Meeting are entitled to appoint in writing one or more proxies (whether a member of the Company or not) to attend and vote at the meeting on their behalf.

(ii) The instrument appointing a proxy must be duly authorized in writing by the appointor or his attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign (or other documents of authorization) must be notarially certified. The holders of H Shares must deliver the aforementioned documents to Hong Kong Registrars Limited, the Company’s H share registrar, not less than 24 hours before the time scheduled for the holding of the H Shareholders Class Meeting in order for such documents to be considered valid.

(iii) If more than one proxy has been appointed by any shareholder of the Company, such proxies shall not vote at the same time.

4. Duration of the H Shareholders Class Meeting

The H Shareholders Class Meeting is expected to last for half a day. Shareholders or their proxies attending the H Shareholders Class Meeting shall be responsible for their own accommodation and travel expenses.

5. Closure of books

The H Share register of members of the Company will be closed from Wednesday, 9 September 2009 to Friday, 9 October 2009, both days inclusive, during which period no transfer of the H Shares will be effected. As such, holders of H Shares intending to attend the H Shareholders Class Meeting are therefore required to lodge their respective instrument(s) of transfer and the relevant share certificate(s) to the Company's H share registrar, Hong Kong Registrars Limited, by 4 : 00 p.m. on Tuesday, 8 September 2009.

The address and contact details of Hong Kong Registrars Limited are as follows:

Hong Kong Registrars Limited
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183 Queen's Road East
Wanchai
Hong Kong
Telephone: +852 2862 8628
Fax: +852 2865 0990

6. Abstention from voting

No shareholder is required to be abstain from voting in respect of the above resolution.