

CHINA EASTERN AIRLINES CORP LTD
Form 6-K
May 20, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

under the Securities Exchange Act of 1934

For the month of May 2016

Commission File Number: 001-14550

China Eastern Airlines Corporation Limited

(Translation of Registrant's name into English)

Board Secretariat's Office

Kong Gang San Lu, Number 88

Shanghai, China 200335

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934: Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): n/a

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**China Eastern Airlines
Corporation Limited
(Registrant)**

Date: May 20, 2016 **By:** /s/ Wang Jian

Name: Wang Jian

Title: Joint Company Secretary

Certain statements contained in this announcement may be regarded as "forward-looking statements" within the meaning of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's filings with the U.S. Securities and Exchange Commission. The forward-looking statements included in this announcement represent the Company's views as of the date of this announcement. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company specifically disclaims any obligation to update these forward-looking statements, unless required by applicable laws. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this announcement.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or the appropriate course of action, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other appropriate independent advisers.

If you have sold or transferred all your shares in China Eastern Airlines Corporation Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

MAJOR TRANSACTION AND

CONTINUING CONNECTED TRANSACTION

IN RELATION TO

2017–2019 AIRCRAFT FINANCE LEASE FRAMEWORK AGREEMENT

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

20 May 2016

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

- “2014 Aircraft Finance Lease CT” means the aircraft finance lease transaction entered into by the Company pursuant to a finance lease framework agreement dated 14 November 2014 as disclosed in the announcement of the Company dated 14 November 2014 and the circular of the Company dated 5 December 2014;
- “2015 AGM” means the 2015 annual general meeting of the Company to be convened in June 2016, to consider, and if thought fit, approve, among other things, the Proposed Transactions;
- “2015 Aircraft Finance Lease CT” means the aircraft finance lease transaction entered into by the Company pursuant to a master lease agreement dated 5 May 2015 as disclosed in the announcement of the Company dated 5 May 2015 and the circular of the Company dated 26 May 2015;
- “2016 Aircraft Finance Lease Framework Agreement” means the 2016 air craft finance lease framework agreement entered into between the Company and CES Leasing on 28 April 2016, pursuant to which CES Leasing agreed to provide finance leasing to the Company in relation to the Leased Aircraft for the period from 1 January 2016 to 31 December 2016 in accordance with its terms and conditions and the relevant implementation agreements contemplated thereunder;
- “2017–2019 Aircraft Finance Lease Framework Agreement” means the 2017–2019 aircraft finance lease framework agreement entered into between the Company and CES Leasing on 28 April 2016, pursuant to which CES Leasing agreed to provide finance leasing to the Company in relation to certain aircraft for the period from 1 January 2017 to 31 December 2019 in accordance with its terms and conditions and the relevant implementation agreements contemplated thereunder;
- “Airbus SAS” means Airbus SAS, a company created and existing under the laws of France;
- “Aircraft Finance Lease Agreement(s)” means the individual finance lease agreements in relation to the finance lease of the Leased Aircraft to be entered into by the Company pursuant to the 2017–2019 Aircraft Finance Lease Framework Agreement;

DEFINITIONS

“Aircraft Manufacturer(s)” means Boeing Company and Airbus SAS;

“Announcement” means the announcement of the Company dated 28 April 2016 in relation to the Proposed Transactions;

“associate(s)” has the meaning as defined in the Listing Rules;

“Bank Loans” means the loans provided by the Designated Financial Institutions to the Lessor(s) or the Company under the Proposed Transactions;

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

“Boeing Company” means Boeing Company, a company incorporated in the State of Delaware of the United States of America;

“CEA Holding” means (China Eastern Air Holding Company), a wholly PRC state-owned enterprise and the controlling shareholder of the Company directly or indirectly holding approximately 62.07% of its issued share capital as at the Latest Practicable Date;

“CES Leasing” means (CES International Financial Leasing Corporation Limited), a company incorporated in the China (Shanghai) Pilot Free Trade Zone of the PRC with registered capital of RMB1 billion, and is directly held as to: (i) 50% by CEA Holding; (ii) 35% by () (CES Global Holding Kong) Limited) (an indirect wholly-owned subsidiary of CEA Holding); and (iii) 15% by 體 (Baotou Yingde Gases Co., Ltd.) (an independent third party, the sole shareholder which is Yingde Gases (Hong Kong) Company Limited, a company registered in Hong Kong) as at the Latest Practicable Date;

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

“connected person” has the meaning ascribed thereto under the Listing Rules;

DEFINITIONS

“Delivery Date” means:

in respect of the Introduced Aircraft, the respective dates on which the Company delivers the Introduced Aircraft (i) to the Lessor(s), pursuant to the sale and purchase agreement entered into between the Company and the Lessor(s) in relation to the Introduced Aircraft; and

in respect of the Remaining Aircraft, the respective dates on which the respective Aircraft Manufacturer delivers each of the Remaining Aircraft to the Lessor(s), pursuant to (a) the respective sale and purchase agreements (ii) entered into between the Company and the respective Aircraft Manufacturer; and (b) the respective purchase agreement assignment entered into between the Company, the Aircraft Manufacturer and the Lessor(s) in relation to the Remaining Aircraft;

“Designated Financial Institutions” means commercial banks or other designated financial institutions in the PRC, being independent third parties, as designated by the Company in relation to the provision of the Bank Loans in accordance with the terms and conditions of the 2017–2019 Aircraft Finance Lease Framework Agreement;

“Directors” means the directors of the Company;

“Group” means the Company and its subsidiaries;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Board Committee” means the independent committee of the Board, comprising independent non-executive Directors, established for the purpose of considering the transactions under the 2017–2019 Aircraft Finance Lease Framework Agreement and the proposed annual caps for the three financial years ending 31 December 2017, 2018 and 2019, and to advise the Independent Shareholders on the same;

DEFINITIONS

“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 2017–2019 Aircraft Finance Lease Framework Agreement and the proposed annual caps for the three financial years ending 31 December 2017, 2018 and 2019;
“Independent Shareholders”	means the Shareholders, other than CEA Holding and its associates;
“Introduced Aircraft”	Leased Aircraft introduced before the 2017–2019 Aircraft Finance Lease Framework Agreement is approved by the Independent Shareholders at the 2015 AGM;
“Latest Practicable Date”	means 16 May 2016, being the latest practicable date of ascertaining certain information included herein before the printing of this circular;
“Leased Aircraft”	means part of the aircraft scheduled to be introduced by the Company for the financial years 2017–2019;
“Lessor(s)”	means wholly-owned subsidiaries of CES Leasing to be incorporated by CES Leasing in the China (Shanghai) Pilot Free Trade Zone or the Tianjin Dongjiang Bonded Zone of the PRC for the purpose of the Proposed Transactions;
“LIBOR”	means London Interbank Offered Rate;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“PBOC”	means People’s Bank of China;
“PRC”	means the People’s Republic of China;
“Proposed Transactions”	means the finance lease of the Leased Aircraft pursuant to the 2017–2019 Aircraft Finance Lease Framework Agreement;
“Remaining Aircraft”	means the Leased Aircraft excluding the Introduced Aircraft;

DEFINITIONS

- “rental fee” means the principal sum repayments and interest payments under the Proposed Transactions;
- “RMB” means renminbi, the lawful currency of the PRC;
- “SFO” means the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong as amended and modified from time to time;
- “Shareholders” means the shareholders of the Company;
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited; and
- “USD” means United States dollar, the lawful currency of the United States of America.

LETTER FROM THE BOARD

Directors:

Liu Shaoyong (*Chairman*)

Ma Xulun (*Vice Chairman, President*)

Xu Zhao (*Director*)

Gu Jiadan (*Director*)

Li Yangmin (*Director, Vice President*)

Tang Bing (*Director, Vice President*)

Tian Liuwen (*Director, Vice President*)

Independent non-executive Directors:

Ji Weidong

Li Ruoshan

Ma Weihua

Shao Ruiqing

Legal address:

66 Airport Street

Pudong International Airport

Shanghai

PRC

Head office:

92 Konggang 3rd Road

Changning District

Shanghai

PRC

Principal place of business in Hong Kong:

Unit B, 31/F.

United Centre

95 Queensway

Hong Kong

Hong Kong share registrar and transfer office:

Hong Kong Registrars Limited

Rooms 1712–1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

20 May 2016

To the shareholders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION AND

CONTINUING CONNECTED TRANSACTION

IN RELATION TO

2017–2019 AIRCRAFT FINANCE LEASE FRAMEWORK AGREEMENT

1.INTRODUCTION

Reference is made to: (i) the Announcement; and (ii) the notice of the 2015 AGM dated 28 April 2016.

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LETTER FROM THE BOARD

The 2015 AGM will be held on 15 June 2016. The purpose of this circular is to give Shareholders information on matters to be dealt with at the 2015 AGM, which include the approval of the 2017–2019 Aircraft Finance Lease Framework Agreement and the Proposed Transactions thereunder.

2. THE 2017–2019 AIRCRAFT FINANCE LEASE FRAMEWORK AGREEMENT

The major terms of the 2017–2019 Aircraft Finance Lease Framework Agreement are set out as follows:

Date	: 28 April 2016
Lessor(s)	: Wholly-owned subsidiaries of CES Leasing to be incorporated for the purpose of the Proposed Transactions.
Lessee	: The Company (including the wholly-owned and holding subsidiaries of the Company).
Financier	: The Designated Financial Institutions, being independent third parties.
Aircraft under the Proposed Transactions	: The Leased Aircraft comprises part of the aircraft in the Company's aircraft introduction plan for the years 2017 to 2019 which will be disclosed annually and subject to adjustment from time to time.

The Company has signed or will sign aircraft purchase agreements in batches with Airbus SAS and Boeing Company in relation to the Leased Aircraft, which agreements have been or will be negotiated and agreed independently and separately and has fulfilled or will fulfill the resolution procedures of the Board and the Company's general meetings and announcement obligations in accordance with relevant laws and regulations.

In the event that the Company introduces any of the Leased Aircraft before the 2017–2019 Aircraft Finance Lease Framework Agreement is approved by the Independent Shareholders at the 2015 AGM, the Company shall pay to the Aircraft Manufacturer(s) the relevant purchase price of the Introduced Aircraft according to the respective financing arrangement(s). After the 2017–2019 Aircraft Finance Lease Framework Agreement is approved by the Independent Shareholders at the 2015 AGM, the Company will enter into the relevant aircraft purchase agreements in relation to each of the Introduced Aircraft with the Lessor(s) to transfer the ownership of the Introduced Aircraft to the Lessor(s) in accordance with the relevant lease amount (which shall not be more than 100% of the purchase price of the relevant Introduced Aircraft).

LETTER FROM THE BOARD

Effective term : From 1 January 2017 to 31 December 2019.

Aggregate principal amount of the finance leases : Not more than 100% of the consideration for the purchase of the Leased Aircraft.

Rental fee/Interest rate : Under the Proposed Transactions, the applicable interest rate, together with the arrangement fee, will be determined through requests for proposals issued by the Company or other bidding processes (which will comprise of at least two other proposals from unrelated third parties), which will be negotiated and determined between the Company, CES Leasing and the Designated Financial Institutions.

The rental fee is the repayment of the principal amount for the Leased Aircraft and the interest under the Proposed Transactions.

The rental fee, of which the principal portion is measured according to the equal-principal or average-capital-plus-interests standard, is payable quarterly or semi-annually in arrears, commencing on the Delivery Date of each of the Leased Aircraft and concluding on the date of the last payment for such Leased Aircraft, subject to the terms and conditions of each individual Aircraft Finance Lease Agreement.

On the date of payment of each rental fee, the Company deposits the rental fee only in the Lessor(s)' permitted bank account with the Designated Financial Institutions. The Designated Financial Institution will maintain strict control and supervision over the relevant bank account and will automatically debit the rental fee (the amount of which is equal to the principal and interest of the Bank Loans) from the relevant bank account to its own account on the same day or the next day of the date of payment of each rental fee.

Bank Loans : Under the Proposed Transactions, the Designated Financial Institutions will provide Bank Loans to the Lessor(s), the principal amount of which will be equivalent to the principal amount of each individual Aircraft Finance Lease Agreement.

The principal amount, interest rate and amounts, and loan term under the Bank Loans will be respectively identical to the principal amount, interest rate and amounts, and lease term under the Proposed Transactions.

LETTER FROM THE BOARD

The material rights and obligations (including the right to obtain delivery of aircraft, the obligation to pay consideration, etc.) of the Company as a purchaser under the relevant aircraft sale and purchase agreement(s) will be transferred to the Lessor(s), and the Leased Aircraft will be mortgaged to the Designated Financial Institutions as security for the Bank Loans according to the loan agreements to be entered into between the Lessor(s) and the Designated Financial Institutions in due course.

Arrangement fee : The respective arrangement fee for each of the Leased Aircraft shall be paid by the Company in one lump sum prior to the commencement of the respective Delivery Date.

Buy-back : Upon the expiry of the lease term of each of the Leased Aircraft, the Company is entitled to purchase each relevant Aircraft back from the Lessor(s) at a nominal purchase price for such aircraft.

Effectiveness and conditions : The 2017–2019 Aircraft Finance Lease Framework Agreement is effective upon execution by the parties and approval of the 2017–2019 Aircraft Finance Lease Framework Agreement and the transactions contemplated thereunder by the Independent Shareholders at the 2015 AGM.

Implementation Agreements : To implement the Proposed Transactions, separate written agreements will be entered into between the Company, CES Leasing, the Lessor(s) and the Designated Financial Institutions etc. (as appropriate), including but not limited to:

- (i) the sale and purchase agreement(s) to be entered into between the Company and the Lessor(s) in respect of each of the Introduced Aircraft or the aircraft to be introduced;
- (ii) the purchase agreement assignment(s) to be entered into between the Company, the Lessor(s) and/or the Designated Financial Institutions etc. in respect of each of the Remaining Aircraft;
- (iii) the Aircraft Finance Lease Agreement(s) to be entered into between the Company and the Lessor(s) in respect of each of the Leased Aircraft;

LETTER FROM THE BOARD

- (iv) the tripartite lease agreement assignments(s) to be entered into between the Company, the Lessor(s) and the Designated Financial Institutions in respect of each of the Leased Aircraft; and
- (v) the loan agreement to be entered into between the Lessor(s) and the Designated Financial Institutions in respect of each of the Leased Aircraft,

the terms of which will in all material respects be consistent with the binding principles, guidelines, terms and conditions contained in the 2017–2019 Aircraft Finance Lease Framework Agreement.

Each Aircraft Finance Lease Agreement will have the same term as the corresponding Bank Loan which it relates to and commencing on the Delivery Date of each Leased Aircraft.

The lease period of the aircraft under the 2017–2019 Aircraft Finance Lease Framework Agreement will be agreed upon entering into the Aircraft Finance Lease Agreements. Based on previous similar transactions, the lease period of the aircraft under the 2017–2019 Aircraft Finance Lease Framework Agreement would be around 10 years.

3. INTERNAL CONTROL PROCEDURES

To ensure the Company's conformity with the terms of the 2017–2019 Aircraft Finance Lease Framework Agreement, the Company shall adopt a series of internal control policies during its daily operations. Such internal control policies shall be conducted and supervised by the finance department of the Company and the independent non-executive Directors of the Company:

- (1) The finance department of the Company monitors daily connected transactions of the Company and reports to the audit and risk management committee of the Company and independent non-executive Directors on a quarterly basis. The finance department of the Company shall supervise the implementation agreements to ensure they are entered into: (i) in accordance with the review and evaluation procedure set out on page 12 of this circular and the terms of the 2017–2019 Aircraft Finance Lease Framework Agreement; (ii) in the ordinary and usual course of business of the Group; (iii) on normal commercial terms or better; (iv) no less favourable than terms offered by independent third parties to the Company; and (v) according to the 2017–2019 Aircraft Finance Lease Framework Agreement on terms that are fair and reasonable and in the interests of the Company and Shareholders as a whole.

- (2) The independent non-executive Directors shall review and will continue to review the implementation agreements to ensure that they have been entered into on normal commercial terms or better, and according to the 2017–2019 Aircraft Finance Lease Framework Agreement on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report.

LETTER FROM THE BOARD

In addition, for the purpose of Rule 14A.56 of the Listing Rules, the Company's external auditors, will be engaged to issue a letter to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on "Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Directors are of the view that the above procedures can ensure that the transactions contemplated under the 2017–2019 Aircraft Finance Lease Framework Agreement will be conducted on normal commercial terms or better, and will not be prejudicial to the interests of the Company and the Shareholders.

4. INFORMATION ABOUT THE PARTIES

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

CES Leasing is principally engaged in the provision of finance leasing and other leasing services, purchase of domestic and foreign finance lease assets, handling salvage value and maintenance of finance lease assets, and provision of advisory services and guarantee etc. for finance lease transactions.

As of 31 December 2015, the total assets and net assets of CES Leasing amounted to RMB8,598,763,714.68 and RMB1,052,032,155.39 respectively. For the year ended 31 December 2015, CES Leasing recorded net profits of RMB49,025,351.61.

The Designated Financial Institutions are principally engaged in banking services.

5. HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

CES Leasing was established in 2014. The Company previously conducted transactions in relation to finance lease with CES Leasing in 2014 and 2015. However, such transactions were not conducted on a continuing basis. The total amounts payable under the 2015 Aircraft Finance Lease CT and the 2014 Aircraft Finance Lease CT were expected to be not more than approximately USD1,712 million and not more than approximately USD906 million, respectively.

The total fee payable under the Proposed Transactions is the sum of the rental fee, the arrangement fee and the buy-back fee, and the total rental fee payable under the Proposed Transactions fee equals to the sum of the principal and the interest payable under each Aircraft Finance Lease Agreement. Having considered the historical transaction amounts and the Company's aircraft introduction plan for the years 2017 to 2019 (the Company plans to introduce 52 aircraft in 2017 and 177 aircraft in 2018 and future years according to confirmed orders as at 31 December 2015. Please refer to page 11 of the annual report of the Company for year 2015 for details), the proposed annual caps in relation to the Proposed Transactions are set out as below:

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LETTER FROM THE BOARD**Annual caps:**

Units: USD in millions (or the equivalent amount in RMB)

Transaction period	For the financial year ending 31 December 2017	For the financial year ending 31 December 2018	For the financial year ending 31 December 2019
Total rental fee (including principal and interest)	2,400	2,400	2,600
Arrangement fee	15	15	16
Total annual cap	2,415	2,415	2,616

6. FINANCIAL IMPACT OF THE PROPOSED TRANSACTIONS

Under the Proposed Transactions, the Leased Aircraft will be recorded as fixed assets of the Company and the principal amount of the Proposed Transactions will be recorded as long-term liabilities of the Company. The consideration for the purchase of aircraft may be funded through the Company's working capital, bank loans from commercial banks and other sources of financing available to the Company. Using a finance lease structure under the Proposed Transactions may result in an increase in the Company's debt-to-equity ratio, but as the rental fee under the Proposed Transactions is payable quarterly or semi-annually in arrears, commencing on the Delivery Date of each of the Leased Aircraft and concluding on the date of the last payment for such Leased Aircraft, it is not expected to have a substantial impact on the Company's cashflow position or its business operations. The Proposed Transactions are not expected to result in a material impact on the earnings and net assets of the Group.

7. REASONS FOR ENTERING INTO THE PROPOSED TRANSACTIONS AND BENEFITS EXPECTED TO ACCRUE TO THE COMPANY

Upon reviewing and evaluating the financial proposals submitted from independent commercial banks and the Designated Financial Institutions, whether the Company may finally mandate the finance lease for the Leased Aircraft to CES Leasing depends on the following prerequisites: (1) the stable operation of CES Leasing and its qualification and ability in engaging in large-scale aircraft finance lease transactions; (2) through requests for proposals or other bidding processes, the evaluated advantages of CES Leasing's finance proposal and its quotations for the arrangement fee over other finance proposals and their quotations for the arrangement fee; and (3) the capability of CES Leasing to

issue value added tax invoices for the interest portion of finance lease, which enables the Company to deduct value added tax, and the arrangement fee being lower than the deductible value added tax in respect of the interest payments, which helps the Company reduce financing costs.