

CHINA EASTERN AIRLINES CORP LTD
Form 6-K
August 25, 2009

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 August 2009

Commission File Number: 001-14550

China Eastern Airlines Corporation Limited

(Translation of Registrant's name into English)

2550 Hongqiao Road
Hongqiao Airport
Shanghai, China 200335

(Address of principal executive offices)

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

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

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

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

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

SIGNATURES

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

China Eastern Airlines Corporation Limited
(Registrant)

Date August 25, 2009

By

/s/ Luo Zhuping
Name: Luo Zhuping
Title: 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, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in the Company.

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

**MAJOR TRANSACTION
ABSORPTION OF SHANGHAI AIRLINES**

Financial Adviser

A letter from the board of directors of China Eastern Airlines Corporation Limited (the "Company") is set out on pages 1 to 12 of this circular.

An extraordinary general meeting of the Company (the "EGM") and separate class meetings of the holders of H shares

of the Company (the “H Shareholders Class Meeting”) and the holders of A shares of the Company (the “A Shareholders Class Meeting”), respectively will be held at Shanghai International Airport Hotel (), 2550 Hongqiao Road, Shanghai, the People’s Republic of China at 2 : 00 p.m. and 2 : 30 p.m. respectively on Friday, 9 October 2009. Notices of the EGM and H Shareholders Class Meeting dated 25 August 2009 setting out the resolutions to be approved at the EGM and the H Shareholders Class Meeting are set out at the end of this circular. Proxy forms for use at the EGM and the H Shareholders Class Meeting and the attendance slips are also despatched together with this circular. If you intend to attend the EGM and/or the H Shareholders Class Meeting, you should complete and return the attendance slip in accordance with the instructions printed thereon as soon as possible.

Whether or not you intend to attend the EGM and/or the H Shareholders Class Meeting, you are requested to complete and return the proxy form in accordance with the instructions thereon and return it to Hong Kong Registrars Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 24 hours before the time appointed for holding such meetings or any adjournment thereof.

Completion and return of the proxy form will not preclude you from attending and voting at the EGM and/or the H Shareholders Class Meeting should you so wish.

25 August 2009

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DEFINITIONS

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

- “Absorption Agreement” means the agreement entered into between the Company and Shanghai Airlines on 10 July 2009 in relation to the Absorption Proposal;
- “Absorption Proposal” means the proposed absorption of Shanghai Airlines by the Company pursuant to the Absorption Agreement through the proposed issue of A Shares by the Company at the Exchange Ratio to exchange for SA Shares or the Cash Alternative;
- “ADRs” means the American depository shares of the Company, which are listed on the New York Stock Exchange Inc.;
- “Announcement” means the announcement of the Company dated 10 July 2009 relating to, among other things, the proposed absorption of Shanghai Airlines pursuant to the Absorption Proposal;
- “A Shareholders Class Meeting” means the shareholders’ meeting to be convened for the holders of A Shares on Friday, 9 October 2009, or any adjournment thereof, to consider, and if thought fit, approve the Absorption Proposal;
- “A Shares” means the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in RMB and are listed on the Shanghai Stock Exchange;
- “Articles of Association” means the articles of association of the Company;
- “associates” has the meaning ascribed thereto under the Listing Rules;
- “Board” means the board of directors of the Company;
- “Business Day” means a day (excluding Saturday and Sunday) on which the banks are generally open for business in the PRC;
- “Buy-back Alternative” means the right of the CEA Dissenting Shareholder to require the Buy-back Alternative Provider to buy-back its Shares as required by the applicable PRC laws and regulations (for example, (PRC Company Law) and (Mandatory Provision of the Securities Law of the PRC)) and the Articles of Association;
- “Buy-back Alternative Declaring Period” means the period to be determined and announced by the Company in which CEA Dissenting Shareholder may declare their election of the Buy-back Alternative;

DEFINITIONS

“Buy-back Alternative Exercise Day” means the day to be determined and announced by the Company on which the Buy-back Alternative Provider shall pay, and the CEA Dissenting Shareholder shall receive, cash in exchange for the Shares held by the CEA Dissenting Shareholders pursuant to the Absorption Proposal;

“Buy-back Alternative Provider” means:

(i) in respect of any CEA Dissenting Shareholders who holds A Shares, State Development & Investment Corp. () or wholly owned subsidiaries incorporated in the PRC; and

(ii) in respect of any CEA Dissenting Shareholders who holds H Shares, State Development & Investment Corp. () or wholly owned subsidiaries incorporated outside the PRC,

each being an independent third party of the Company, which shall, at the Buy-back Alternative Exercise Day, pay the CEA Dissenting Shareholders in cash in exchange for the whole or part of A Shares or H Shares held by the CEA Dissenting Shareholders pursuant to the Absorption Proposal;

“Cash Alternative” means the right of the SA Dissenting Shareholder to elect to receive cash from the Cash Alternative Provider pursuant to the Absorption Proposal as required by the applicable PRC laws and regulations (for example, 收購管理辦 (Administrative Measures in relation to the Acquisition of the Listed Companies));

“Cash Alternative Declaring Period” means the period to be determined and announced by the Company and Shanghai Airlines in which the SA Dissenting Shareholder may declare its election of the Cash Alternative;

“Cash Alternative Exercise Day” means the day to be determined and announced by the Company and Shanghai Airlines on which the Cash Alternative Provider shall pay, and the SA Dissenting Shareholder shall receive, such cash in exchange for the SA Shares held by the SA Dissenting Shareholders pursuant to the Absorption Proposal;

DEFINITIONS

“Cash Alternative Provider” means State Development & Investment Corp. () or its wholly owned subsidiary incorporated in the PRC, an independent third party of the Company, which shall, on the Cash Alternative Exercise Day, pay the SA Dissenting Shareholder in cash in exchange for the whole or part of the SA Shares held by such SA Dissenting Shareholders pursuant to the Absorption Proposal;

“CEA Dissenting Shareholder” means the Shareholder who:

- (i) has made Effective Dissenting Votes at the shareholders’ meetings of the Company convened for the purpose of approving the Absorption Proposal;
- (ii) continuously holds the Shares representing the Effective Dissenting Votes until the Buy-back Alternative Exercise Day; and
- (iii) has, within the Buy-back Alternative Declaring Period, duly declared all the Effective Dissenting Votes that enable it to exercise the Buy-back Alternative;

and excluding the following Shareholders:

- (i) any Shareholder who is a director, supervisor and senior management person of the Company and whose Shares are subject to lock-up requirements;
- (ii) any Shareholder whose Shares are subject to any pledge, third party rights or are frozen as a result of judicial proceedings;
- (iii) any Shareholder who has committed to the Company that it will not elect to receive the Buy-back Alternative; or
- (iv) any Shareholder who is not permitted to elect the Buy-back Alternative pursuant to applicable laws and regulations;

“CCASS” the Central Clearing and Settlement System;

“CEA Holding” means “ ” (China Eastern Air Holding Company), a wholly PRC state-owned enterprise and the controlling shareholder of the Company holding approximately 56.08% of its issued share capital as at the Latest Practicable Date;

DEFINITIONS

- “CES Global” means the company incorporated under the laws of Hong Kong, and an indirectly wholly owned subsidiary of CEA Holding and a substantial shareholder of the Company holding approximately 18.57% of its issued share capital as at the Latest Practicable Date;
- “Company” means the 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;
- “controlling shareholder” has the meaning ascribed thereto under the Listing Rules;
- “CSRC” means the China Securities Regulatory Commission;
- “Directors” means the directors of the Company;
- “Effective Dissenting Votes” means any dissenting votes in relation to the Absorption Proposal effectively made by a shareholder through one of the two means: vote at the shareholders’ meeting or vote through internet, and if the same share has been voted by both means, or if the same share has been voted for several times through internet, then “Effective Dissenting Vote” shall refer to the first vote;
- “EGM” means the extraordinary general meeting of the Company to be convened on Friday, 9 October 2009, or any adjournment thereof, to consider, and if thought fit, approve the Absorption Proposal;
- “Enlarged Group” means the Group after the completion of the proposed absorption of Shanghai Airlines;
- “Exchange Ratio” means the ratio at which 1.3 A Shares will be issued by the Company in exchange for every SA Share under the Absorption Proposal;
- “Group” means the Company and its subsidiaries;
- “H Shareholders’ Class Meeting” means the shareholders’ meeting to be convened for the holders of H Shares on Friday, 9 October 2009, or any adjournment thereof, to consider, and if thought fit, approve the absorption;

DEFINITIONS

- “H Shares” means the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, which are subscribed for and paid up in a currency other than RMB and are listed on the Stock Exchange;
- “HK\$” means Hong Kong dollars, the lawful currency of Hong Kong;
- “Hong Kong” means the Hong Kong Special Administrative Region of China;
- “IFRS” means the International Financial Reporting Standards;
- “Latest Practicable Date” means 20 August 2009, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
- “Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- “PRC” or “China” means the People’s Republic of China;
- “Price Fixing Period” means the 20 trading days ending on and including 5 June 2009;
- “PwC” means PricewaterhouseCoopers;
- “RMB” means Renminbi, the lawful currency of the PRC;
- “SA Dissenting Shareholder” means any SA Shareholder who:
- (i) has made the Effective Dissenting Votes at the shareholders’ meeting of Shanghai Airlines convened for the purpose of approving the Absorption Proposal;
 - (ii) continuously holds the SA Shares representing the Effective Dissenting Votes until the Cash Alternative Exercise Day; and
 - (iii) has, within the Cash Alternative Declaring Period, duly declared all the Effective Dissenting Votes that enable it to exercise the Cash Alternative;
- and excluding the following SA Shareholders:
- (i) any SA Shareholder who is a director, supervisor and senior management person of Shanghai Airlines and whose SA Shares are subject to lock-up requirements;
 - (ii) any SA Shareholder whose SA Shares are subject to any pledge, third party rights or are frozen as a result of judicial

proceedings;

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DEFINITIONS

(iii)	any SA Shareholder who has committed to Shanghai Airlines that it will not elect to receive the Cash Alternative; or
(iv)	any SA Shareholder who is not permitted to elect the Cash Alternative pursuant to applicable laws and regulations;
“SA Shareholders”	means the shareholders of Shanghai Airlines;
“SA Shares”	means the A shares of Shanghai Airlines issued and listed on Shanghai Stock Exchange;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shanghai Airlines”	means 33322 ; 31354 ; 32929 ; 20221 ; 26377 ; 38480 ; (Shanghai Airlines Co., Ltd), a PRC airlines company with its entire shares listed on the Shanghai Stock Exchange;
“Shareholders”	means the shareholders of the Company;
“Shares”	means A Shares and H Shares;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Target Group”	means Shanghai Airlines and its subsidiaries;
“trading day”	with respect to A shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities; and with respect to H shares, means a day on which the Stock Exchange is open for dealing or trading in securities; and
“%”	per cent.

In this circular: (i) all figures have been rounded to the nearest two decimal places; (ii) for illustration purpose, an exchange rate of HK\$1.00 to RMB0.88 has been applied; and (iii) for the avoidance of doubt, references to “not less than” a figure and “not more than” a figure shall include the figure mentioned.

LETTER FROM THE BOARD

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

Directors:

Liu Shaoyong (Chairman)
Li Jun (Vice Chairman)
Ma Xulun (Director, President)
Luo Chaogeng (Director)
Luo Zhuping (Director, Company Secretary)

Legal address:

66 Airport Street
International Airport
Pudong New District
Shanghai
PRC

Independent non-executive Directors:

Hu Honggao
Wu Baiwang
Zhou Ruijin
Xie Rong
Sandy Ke-Yaw Liu

Head office:

2550 Hongqiao Road
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 Wanchai Queen's Road East
Hong Kong

25 August 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ABSORPTION OF SHANGHAI AIRLINES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 10 July 2009 (the "Announcement") in relation to, among other things, the proposed absorption of Shanghai Airlines.

LETTER FROM THE BOARD

On 10 July 2009, the Company entered into the Absorption Agreement with Shanghai Airlines in relation to the Absorption Proposal. The Absorption Proposal, 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.

The purposes of this circular are, among other things:

- (1) to provide you with further information in relation to the proposed absorption; and
- (2) to give you notices of the EGM and the H Shareholders Class Meeting to consider and, if thought fit, to approve resolutions in relation to, among other things, the Absorption Proposal.

2. THE ABSORPTION PROPOSAL

The Exchange Ratio

The Company will exchange in aggregate a maximum of 1,303,722,200 SA Shares in the issued share capital of Shanghai Airlines by an issue of a maximum of 1,694,838,860 A Shares, meaning that for every SA Share, 1.3 A Shares will be issued. The Exchange Ratio has been determined on the following basis:

- (1) the price per SA Share was determined at RMB5.50 based on the average trading price of SA Shares 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 SA Shares on the Shanghai Stock Exchange pending release of an announcement of the Company in relation to the proposed negotiation on the terms of the Absorption Proposal;
- (2) the price per A Share was determined at RMB5.28 based on the average trading price per A Share 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 pending release of an announcement of the Company in relation to the proposed negotiation on the terms of the Absorption Proposal; and
- (3) based on a risk premium of approximately 25%, for every SA Share, 1.3 A Shares will be issued, and for the avoidance of doubt, such risk premium is only available to those SA Shareholders who elect to exchange their SA Shares for A Shares.

In determining the level of the risk premium and the Exchange Ratio, the Company has taken into consideration factors including: (i) uncertainty in the fluctuation of the share prices of the Company that the SA Shareholders will have to face; (ii) the financial situation of Shanghai Airlines; (iii) the synergy effect that will be brought to bear on the business of the Company such as the ability to establish economies of scale, the increase in the market share of the Company in the air transportation market in Shanghai and the integrating of the flight route network and marketing network of the Company and Shanghai Airlines.

LETTER FROM THE BOARD

Rights of the Dissenting Shareholders

Subject to the Absorption Proposal becoming unconditional, the SA Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB5.50 per SA Share. Such rate is determined based on the average trading price of SA Shares during the Price Fixing Period. The Cash Alternative will be provided by the Cash Alternative Provider. The SA Dissenting Shareholder who opts for the Cash Alternative should, within the Cash Alternative Declaring Period, declare altogether the Effective Dissenting Votes such SA Dissenting Shareholder owns.

Subject to the Absorption Proposal becoming unconditional, the CEA Dissenting Shareholders may elect to exercise the Buy-back Alternative to receive cash at the rates of RMB5.28 per A Share and HK\$1.56 per H Share. Such rates are determined by reference to the average trading prices of A Shares and average trading prices of H Shares respectively during the Price Fixing Period. The Buy-back Alternative will be provided by the Buy-back Alternative Provider. The CEA Dissenting Shareholder who opts for the Buy-back Alternative should, within the Buy-back Alternative Declaring Period, declare altogether the Effective Dissenting Votes such CEA Dissenting Shareholder owns.

The cash to be received by a CEA Dissenting Shareholder who opts for the Buy-back Alternative is determined at a rate by reference to the average trading prices of A Shares and the average trading prices of H Shares respectively during the Price Fixing Period. The Board considers the Buy-back Alternative fair and reasonable and in the interest of the Shareholders as a whole.

Please also refer to paragraph 14 “Investors whose H Shares held by nominee or trustee and holders of ADRs dissenting the Absorption Proposal” of Appendix V “General Information” of this circular for more information relating to the Buy-back Alternative.

Absorption of Assets and Assumption of Liabilities

Upon full implementation of the Absorption Proposal, all the assets, business, staff and rights of Shanghai Airlines will be absorbed into and all the liabilities of Shanghai Airlines will be assumed by the Company or a wholly owned subsidiary of the Company to be used to absorb all the assets and assume all the liabilities of Shanghai Airlines pursuant to the Absorption Proposal.

To facilitate the obtaining of consents to the proposed absorption by the creditors of Shanghai Airlines and subject to the Absorption Proposal becomes unconditional, the Company may, if so required by the creditors of Shanghai Airlines, provide guarantees to those creditors of Shanghai Airlines in relation to all the relevant liabilities and contingent liabilities of Shanghai Airlines arising out of its provision of guarantees to other companies, which will be assumed by the Company or its wholly owned subsidiary to be used to absorb all the assets and assume all the liabilities of Shanghai Airlines. As of 30 June 2009, the total liabilities of Shanghai Airlines (prepared in accordance with PRC accounting regulations) amounts to approximately RMB13.35 billion and the amount of guarantees provided by Shanghai Airlines to other companies amounts to approximately RMB126.50 million (details of which please refer to Appendix I of this circular). The total amount of guarantee that the Company is to provide is expected to be not more than RMB13,481,053,813.65. Further announcement(s) will be made by the Company if required by the Listing Rules when the details of such guarantee(s) become available.

LETTER FROM THE BOARD

Shanghai Airlines shall deliver all its assets and, with the assistance of the Company, handle all the relevant registration and filing procedures within 4 months after the coming into effect of the Absorption Agreement, including but not limited to the registration and filing procedures in relation to the title to real property, intellectual property, shares and aircraft.

3. THE ABSORPTION AGREEMENT

On 10 July 2009, the Company entered into the Absorption Agreement with Shanghai Airlines in relation to the Absorption Proposal. In addition to the terms set out in section 2 above, the major terms and conditions of the Absorption Agreement include:

Parties	The Company and Shanghai Airlines.
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Consideration	The Company will exchange in aggregate a maximum of 1,303,722,200 SA Shares in the issued share capital of Shanghai Airlines by an issue of a maximum of 1,694,838,860 A Shares, meaning that for every SA Share, 1.3 A Shares will be issued.
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Subject to the Absorption Proposal becoming unconditional, the SA Dissenting Shareholders may elect to exercise the Cash Alternative to receive cash at the rate of RMB5.50 per SA Share, such rate is determined based on the average trading price of SA Shares during the Price Fixing Period. The Cash Alternative will be provided by the Cash Alternative Provider.

Conditions Precedents	The Absorption Agreement and the transactions contemplated thereunder shall become effective upon satisfaction of the following conditions:
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- (1) obtaining the approvals from (i) the Shareholders at the shareholders' meeting and the respective class meetings of the Company convened for such purpose; and (ii) the SA Shareholders at the shareholders' meeting of Shanghai Airlines convened for such purpose;
- (2) obtaining the requisite consents and approvals from the State-owned Assets Administration Commission, the relevant governing authorities of the civil aviation industry, the Ministry of Commerce and CSRC; and
- (3) obtaining the waiver from CSRC in relation to the requirement of a general offer by CEA Holding (if applicable).

LETTER FROM THE BOARD

Re-negotiation of the exchange ratio In the event that a notice for convening the shareholders' meetings of the Company for purpose of approving the Absorption Proposal cannot be despatched to the Shareholders within 6 months after 10 July 2009, the Company and Shanghai Airlines shall hold other meetings of their respective board of directors to further discuss and determine the absorption proposal.

Termination The Company and Shanghai Airlines shall use their best endeavors to procure the conditions precedents to be satisfied upon the later of: (i) 12 months after the shareholders' meetings of both the Company and Shanghai Airlines have approved the Absorption Agreement and the transactions contemplated thereunder; or (ii) otherwise agreed in writing by the parties (the "Prescribed Period").

If the conditions precedents cannot be fully satisfied or otherwise waived by the parties and the parties cannot reach an agreement on the extension of the Prescribed Period within 90 days after the expiration of the Prescribed Period, the Absorption Agreement shall be terminated automatically.

As at the Latest Practicable Date, except the approval from the State-owned Assets Administration Commission in relation to Absorption Proposal has been obtained, none of the other conditions precedents have been satisfied.

4. EFFECTS OF THE ABSORPTION PROPOSAL

The Absorption Proposal will involve the issue of A Shares at the Exchange Ratio by the Company to the SA Shareholders in exchange for SA Shares held by them. Subject to the approval of the CSRC and the Shanghai Stock Exchange, the A Shares to be issued for the purpose of the Absorption Proposal will be listed on the Shanghai Stock Exchange.

If the Absorption Proposal is implemented, a maximum total of 1,694,838,860 A Shares will be issued in exchange for SA Shares. Upon full implementation of the Absorption Proposal (assuming no other shares of the Company are to be issued between the Latest Practicable Date and implementation of the Absorption Proposal), the maximum total issued share capital of the Company will be 9,436,538,860 shares, comprising 3,004,325,000 H Shares and maximum 6,432,213,860 A Shares, representing approximately 31.84% and 68.16%, respectively, of the total issued share capital of the Company as enlarged by the issue of A Shares pursuant to the Absorption Proposal.

The A Shares issued to the SA Shareholders pursuant to the Absorption Proposal will be freely tradable and subject to certain lock-up arrangements applicable to certain substantial shareholders among the existing SA Shareholders. Details of such lock-up arrangements are currently not known. They are yet to be determined in due course through consultation with relevant PRC regulatory authorities. Further announcement(s) will be made by the Company when details of the lock-up arrangements have been determined.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE ABSORPTION PROPOSAL

The reasons for and benefits of the Absorption Proposal are:

The Company aims to optimize its airlines network, improve the operating efficiency of its resources, effectively reduce its operating costs, enhance its profitability and better serve the World Exposition to be held in Shanghai through the absorption of Shanghai Airlines. The absorption will expand the operations of the Company, improve its profitability, with a view to enhancing the interests of the Shareholders as a whole. Specifically, the absorption aims to achieve the following purposes:

(1) Strengthening the competitiveness of the Company

China has become one of the largest air transportation markets in the world. However, comparing to the leading international airlines in the world, the air transportation industry of China is still lacking in competitiveness due to its inability to establish economies of scale. The absorption will enable the Company to expand its market share in the air transportation market in Shanghai which is a transportation hub, increase the number of joint flights, expand its market coverage and facilitate the realization of the Company's strategic objective of positioning itself as an hub-networking air transportation company.

(2) Attaining synergy through integration of the resources

The Company and Shanghai Airlines are both airline carriers with Shanghai as their bases. There has been for a long time overlapping in the resources input into route operations and flights and aircraft services as the two companies run independently. With the absorption, the two companies can attain synergy in their use of aircraft fuel, purchases of aircraft, aircraft repair and maintenance, flight equipment, etc. In addition, they can realize the optimization of the route plans and flight schedules, enhancement of route network structure and improvement of transport efficiency. Accordingly, the operating costs and management fees can be reduced and the profitability can be improved.

(3) Promoting the evolution of Shanghai international air transportation centre

The implementation of the strategy of the Shanghai airport hub is vital for Shanghai to become an essential integral part of the international air transportation centre. The absorption will enable the Company to enhance its route network and number of aircraft. Meanwhile, a stronger based airline company can expedite the emergence of the Shanghai airport hub, which in turn will promote the evolution of Shanghai as an international air transportation centre.

Clearly, the above benefits more than outweigh the impact from the recent loss-making financial position of Shanghai Airlines. The Board believes that the terms of the Absorption Proposal are fair and reasonable and are in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

6. FINANCIAL IMPACT OF THE ABSORPTION

According to the Company's audited financial statements as at and for the year ended 31 December 2008 prepared in accordance with IFRS, the consolidated total assets of the Company amounted to RMB73.05 billion as at 31 December 2008, with a liabilities-to-assets ratio of 117.26%. According to the interim results announcement of the Company dated 10 August 2009, the unaudited consolidated total assets of the Company as at 30 June 2009 amounted to RMB72.84 billion, with a liabilities-to-assets ratio of 106.27%. Assuming the absorption of Shanghai Airlines were completed on 30 June 2009, the unaudited consolidated total assets of the Company on a pro forma basis would have increased to RMB97.63 billion, and the liabilities-to-assets ratio would have decreased to 95.46%. Upon completion of the absorption, the Company will become more financially secured and better shielded against risks, and its sustainable development in the future will be safeguarded.

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
		(Unit: RMB'000)				
Revenue	Shanghai Airlines	9,842,049	12,044,857	13,154,092	6,560,579	5,328,020
	the Company	37,556,852	42,533,893	41,072,557	20,267,185	17,130,451
Profit/(loss) for the year/period attributable to the equity holders	Shanghai Airlines	8,430	(531,971)	(1,199,420)	33,571	(270,547)
	the Company	(3,035,157)	378,568	(15,268,532)	(175,318)	984,654

Note: The financial data of Shanghai Airlines and the Company for the six months ended 30 June 2008 and the financial data of the Company for the six months ended 30 June 2009 are unaudited. Loss for the year ended 31 December 2006 attributable to the equity holders of the Company is restated according to the latest accounting policies adopted by the Company as further explained on page 104 of this circular. Other than the above, the remainders set out above represent audited data.

Upon completion of the absorption when all of the assets, liabilities, business operations and human resources of Shanghai Airlines will be consolidated to the Company, the scale of revenue of the Company will increase. In recent years, factors including the change in the overall economic landscape, the substantial fluctuation in international oil prices and the occurrence of natural disasters and unexpected circumstances in the PRC have contributed to a large fluctuation in the operating results of PRC domestic airlines including Shanghai Airlines and the Company. Upon completion of the absorption, the synergy in terms of sales and marketing, operating settlement, cost control and information infrastructure will provide positive impact to the future operating results of the Company.

7. IMPLICATIONS OF THE LISTING RULES

To the best knowledge, information and belief of the Directors having made all reasonable enquiry, Shanghai Airlines and its beneficial owners (Shanghai Alliance Investment Limited, Bank of China Group Investment Limited and Jin Jiang International) are parties independent of the Company and independent of the connected persons of the

Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiry, the ultimate beneficial owners of Shanghai Alliance Investment Limited, Bank of China Group Investment Limited and Jin Jiang International are not connected persons of the Company. The transactions contemplated under the Absorption Proposal do not constitute connected transactions of the Company.

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LETTER FROM THE BOARD

The highest “size tests” percentage ratio applicable to the relevant share exchange through the Absorption Proposal is more than 25% but less than 100%. As a result, the Absorption Proposal will constitute a major transaction of the Company under Rule 14.06(3) of the Listing Rules. Further, the issue of A Shares pursuant to the Absorption Proposal will constitute a variation of class rights of the holders of A Shares and the holders of H Shares under the Articles of Association.

Pursuant to Rule 14.06(3), Rule 19A.38 of the Listing Rules and the Articles of Association, the Absorption Proposal is required to be approved by the Shareholders at a general meeting and separate class meetings. No Shareholder will be required to abstain from voting at any shareholders’ meeting to approve the Absorption Proposal.

8. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of Latest Practicable Date, the shareholding structure of the Company is as follows:

Note: The percentages shown are rounded to the nearest 2 decimal places.

LETTER FROM THE BOARD

Immediately after the full implementation of the Absorption Proposal (assuming that no other Shares has been issued after the Latest Practicable Date until the full implementation of the Absorption Proposal), it is anticipated that the shareholding structure of the Company will be as follows:

Note: The percentages shown are rounded to the nearest 2 decimal places.

The percentages shown are based on the assumption that none of the SA Shareholders or the Shareholders opts for the Cash Alternative or the Buy-back Alternative (as the case may be) pursuant to the Absorption Proposal.

As such, full implementation of the Absorption Proposal will not result in change of control of the Company.

9. RANKING OF NEW A SHARES TO BE ISSUED

The new A Shares to be issued pursuant to the Absorption Proposal will rank, upon issue, pari passu in all respects with the A Shares in issue at the time of issue and allotment of such new A Shares.

10. INFORMATION ABOUT THE PARTIES

The Company is an international airline company incorporated in the PRC whose H Shares, A Shares and ADRs are listed on the Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange, Inc., respectively. The existing registered share capital of the Company is RMB7,741,700,000, which has been fully paid up.

LETTER FROM THE BOARD

Shanghai Airlines is a joint stock limited company established in the PRC, with its A shares listed on the Shanghai Stock Exchange. The shareholding structure of Shanghai Airlines as at 10 August 2009 is as follows:

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. The listing status of Shanghai Airlines will not be maintained after the completion of the Absorption Proposal.

Based on the audited financial information of Shanghai Airlines prepared in accordance with PRC accounting regulations, the net asset value attributable to equity holders of Shanghai Airlines as at 31 December 2007 and 31 December 2008 and the net profit before tax and net profit after tax attributable to equity holders of Shanghai Airlines for the 2 financial years ended 31 December 2007 and 31 December 2008 respectively as stated in Shanghai Airlines' published annual reports are as follows:

	As at 31 December 2007 (RMB in million)	As at 31 December 2008 (RMB in million)
Net asset value attributable to equity holders of Shanghai Airlines	1,585.89	331.58
	For the year ended 31 December 2007 (RMB in million)	For the year ended 31 December 2008 (RMB in million)
Net profit before tax	(479.42)	(1,346.93)
Net profit after tax attributable to equity holders of Shanghai Airlines	(435.12)	(1,249.25)

LETTER FROM THE BOARD

11. EGM AND CLASS MEETINGS

The Company will convene the EGM and class meetings for the Shareholders to consider and, if thought fit, to approve, among other things, the proposed absorption. Details of the EGM and the H Shareholders Class Meeting and resolutions to be considered in these meetings are set out in the ‘‘Notice of EGM’’ and ‘‘Notice of H Shareholders Class Meeting’’ of this circular.

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 will be entitled to attend the EGM and the H Shareholders Class Meeting upon completion of the necessary registration procedures.

Book closure

Holders of H Shares whose names appear on the register of members of the Company at the close of business on Tuesday, 8 September 2009 will be entitled to attend the EGM and the H Shareholders Class Meeting upon completion of the necessary registration procedures. The H Shares register of members will be closed from Wednesday, 9 September 2009 to Friday, 9 October 2009, both days inclusive, during which period no transfer of H Shares will be effected. Where applicable, holders of the H Shares intending to attend the EGM and 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 at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:00 p.m. on Tuesday, 8 September 2009.

Proxy forms and attendance slips

Whether or not you intend to attend the EGM or the class meetings, you are requested to complete and return the relevant proxy form(s) in accordance with the instructions thereon. The proxy form should be returned as soon as possible and in any event not later than 24 hours before the time appointed for holding such meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the relevant meetings should you so wish.

If you are eligible and intend to attend the respective meetings, you are required to complete and return the relevant attendance slip(s) to in accordance with the instructions thereon. The attendance slip should be returned as soon as possible and in any event not later than 20 days before the date appointed for holding such meeting or any adjournment thereof.

12. RECOMMENDATION OF THE BOARD

The Directors believe that the terms of the Absorption Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM and the relevant class meetings in relation to the Absorption.

LETTER FROM THE BOARD

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board
中 東方航空股份有限
CHINA EASTERN AIRLINES CORPORATION LIMITED
Luo Zhuping
Director and Company Secretary

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APPENDIX I

FINANCIAL INFORMATION OF SHANGHAI AIRLINES

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong for the purpose of incorporation into this circular.

The Directors
China Eastern Airlines Corporation Limited

Dear Sirs

We set out below our report on the financial information (the "Financial Information") of Shanghai Airlines Co., Ltd. (the "Target Company") and its subsidiaries (together, the "Target Group") set out in Sections I to III below, for inclusion in the circular of China Eastern Airlines Corporation Limited (the "Company") dated 25 August 2009 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company (the "Proposed Acquisition"). The Financial Information comprises the consolidated balance sheets of the Target Group as at 31 December 2006, 2007 and 2008 and 30 June 2009, the balance sheets of the Target Company as at 31 December 2006, 2007 and 2008 and 30 June 2009, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Target Company for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes.

The Target Company was established in the People's Republic of China (the "PRC") as a limited liability company on 25 October 2000. As at the date of this report, the Target Company has direct and indirect interests in subsidiaries, associated companies and joint controlled entities as set out in Notes 20, 21 and 22 of Section II below. All of these companies are private companies. The consolidated financial statements of the Target Company prepared in accordance with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises in the PRC for the year ended 31 December 2006 and the consolidated financial statements of the Target Company prepared in accordance with the Accounting Standards for Business Enterprises (2006) of the PRC for the each of the years ended 31 December 2007 and 2008 and six months ended 30 June 2009 were audited by Shulun Pan Certified Public Accountants Co., Ltd..

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Target Company for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. We have audited the Underlying Financial Statements for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009 in accordance with International Standards on Auditing. The Financial Information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY

The directors of the Target Company during the Relevant Periods are responsible for the preparation and the true and fair presentation of the consolidated financial statements of the Target Company in accordance with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises in the PRC or the Accounting Standards for Business Enterprises (2006) of the PRC as appropriate. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements of the Target Company that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the Financial Information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the Financial Information for the six months ended 30 June 2008, the directors of the Company are responsible for the preparation and the presentation of the Financial Information in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRS.

REPORTING ACCOUNTANT'S RESPONSIBILITY

For the Financial Information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, our responsibility is to express an opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

For the Financial Information for the six months ended 30 June 2008, our responsibility is to express a conclusion on the Financial Information based on our review and to report our conclusion to you. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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FINANCIAL INFORMATION OF SHANGHAI
AIRLINES

OPINION AND REVIEW CONCLUSION

In our opinion, the Financial Information for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and of the Target Group's results and cash flows for the respective years and period then ended.

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the Financial Information for the six months ended 30 June 2008, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below which are in conformity with IFRS.

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FINANCIAL INFORMATION OF SHANGHAI
AIRLINES

I. FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the Financial Information of the Target Company and the Target Group as at 31 December 2006, 2007 and 2008 and 30 June 2009 and for each of the years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2008 and 2009.

(a) Consolidated Statements of Comprehensive Income

	Note	Year ended 31 December			Six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Revenues	5	9,842,049	12,044,857	13,154,092	6,560,579	5,328,020
Other income	6	3,968	45,377	81,637	42,407	314,875
Other gains/(losses)	6	20,223	(120,780)	14,877	123	(1,294)
Operating expenses						
Aircraft fuel		(2,770,045)	(3,703,668)	(4,957,548)	(2,205,349)	(1,400,255)
(Loss)/gain on fair value movements of fuel option contracts	8	—	—	(181,119)	—	51,693
Take-off and landing charges		(855,101)	(1,045,877)	(1,127,735)	(527,224)	(587,617)
Depreciation and amortization		(654,342)	(746,914)	(726,271)	(357,496)	(414,516)
Wages, salaries and benefits	9	(901,986)	(1,192,078)	(1,412,436)	(654,572)	(778,364)
Aircraft maintenance		(493,061)	(726,249)	(963,405)	(509,242)	(385,503)
Food and beverages		(119,409)	(118,207)	(132,993)	(66,115)	(73,264)
Aircraft operating lease rentals		(798,194)	(1,103,385)	(1,194,585)	(581,744)	(590,425)
Transportation, accommodation and meals		(1,033,771)	(1,222,629)	(1,244,097)	(690,046)	(457,577)
Cost of inventories		(832,324)	(963,734)	(681,483)	(337,131)	(258,001)
Other operating lease rentals		(67,889)	(83,867)	(171,013)	(77,536)	(71,220)
Selling and marketing expenses		(437,328)	(511,972)	(561,096)	(266,769)	(288,645)
Civil aviation infrastructure levies		(183,320)	(220,252)	(235,739)	(114,881)	(130,468)
		(576,759)	(804,783)	(861,009)	(373,634)	(340,341)

Office, administrative and other expenses						
Total operating expenses		(9,723,529)	(12,443,615)	(14,450,529)	(6,761,739)	(5,724,503)
Operating profit/(loss)	10	142,711	(474,161)	(1,199,923)	(158,630)	(82,902)
Finance income	11	143,102	283,481	296,975	298,064	11,851
Finance costs	12	(273,895)	(374,964)	(396,834)	(204,578)	(181,783)
Share of results of associates	21	5,831	6,265	8,087	5,007	4,447
Share of results of jointly controlled entities	22	(1,629)	3,799	1,245	440	2,943
Profit/(loss) before income tax		16,120	(555,580)	(1,290,450)	(59,697)	(245,444)
Income tax	13	(22,873)	(18,148)	(15,403)	(8,787)	(20,811)
Loss for the year/period		(6,753)	(573,728)	(1,305,853)	(68,484)	(266,255)
Other comprehensive income/(expense) for the year/period		5,079	3,169	(4,575)	(4,976)	2,449
Fair value movements of available-for-sale financial assets, net of tax		3,253	1,440	(4,566)	(4,486)	2,626
Other income/(expense) recognised directly in equity		1,826	1,729	(9)	(490)	(177)
Total comprehensive loss for the year/period		(1,674)	(570,559)	(1,310,428)	(73,460)	(263,806)

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	Note	Year ended 31 December			Six months ended 30 June	
		2006 RMB'000	2007 RMB'000	2008 RMB'000	2008 RMB'000 (Unaudited)	2009 RMB'000
Profit/(loss) attributable to:	15					
— Equity holders of the Target Company		8,430	(531,971)	(1,199,420)	33,571	(270,547)
— Minority interests		(15,183)	(41,757)	(106,433)	(102,055)	4,292
		(6,753)	(573,728)	(1,305,853)	(68,484)	(266,255)
Total comprehensive income/(loss) attributable to:						
— Equity holders of the Target Company		13,509	(528,802)	(1,203,995)	28,595	(268,098)
— Minority interests		(15,183)	(41,757)	(106,433)	(102,055)	4,292
		(1,674)	(570,559)	(1,310,428)	(73,460)	(263,806)
Earnings/(loss) per share attributable to the equity holders of the Target Company during the year/period						
— Basic and diluted (RMB)	16	0.01	(0.49)	(1.11)	0.03	(0.25)

