

China Eastern back in profit

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China Eastern Airlines, one of the country's big three carriers, returned to profit in the first half because of fuel-hedging gains, in spite of a fall of almost 16 per cent in revenue.

The carrier, which last month announced its plan to acquire rival Shanghai Airlines for just under Rmb9bn (\$1.3bn), said strong economic growth in China would boost the aviation market this year and that it would benefit from the World Expo to be held in Shanghai next year.

"China's economy would become the key pivot for the stability and recovery of the world's economy. The aviation market demand will be boosted by the economic transformation of the PRC, expansion in investment and [increased] consumption of China," said Liu Shaoyong, chairman.

In the first half, China Eastern reported a net profit of Rmb984.7m, compared with a loss of Rmb175.3m in the same period last year. Revenues fell 15.6 per cent to Rmb16.17bn.

Like many of its peers, China Eastern benefited from a Rmb2.79bn profit from fuel option contracts in the first six months of this year after a rise in oil price. Last week, Hong Kong's Cathay Pacific reported a paper profit for the first half thanks to similar gains.

Wrong-way bets on oil prices saw China Eastern lose Rmb15.3bn last year and led to the airline receiving Rmb7bn in government aid .

Domestic traffic, encouraged by the government's stimulus packages, rose 27 per cent from the same period last year, offsetting sharp falls in demand. But total revenue still fell sharply because intensified competition had put pressure on fares.

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