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**中國東方航空股份有限公司**  
**CHINA EASTERN AIRLINES CORPORATION LIMITED**

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

**(Stock code: 00670)**

## **CONTINUING CONNECTED TRANSACTION ADJUSTMENT TO THE 2022 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE EXCLUSIVE OPERATION AGREEMENT**

### **ADJUSTMENT TO THE 2022 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE EXCLUSIVE OPERATION AGREEMENT**

On 29 September 2020, the Company entered into the Exclusive Operation Agreement with a term from 1 January 2020 to 31 December 2032 with China Cargo Airlines. The Exclusive Operation Agreement and the transactions contemplated thereunder as well as the annual caps for the period from 1 January 2020 to 31 December 2022 were approved at the extraordinary general meeting of the Company convened on 18 November 2020. On 23 June 2021, the 12th ordinary meeting of the ninth session of the Board considered and approved the resolution regarding the adjustment to the annual caps for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the two years ending 31 December 2022, and agreed to adjust the annual caps to RMB9 billion and RMB8 billion, respectively. Such revised annual caps were approved at the extraordinary general meeting of the Company held on 27 August 2021.

On 12 October 2022, the 20th ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution regarding the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022, and agreed to adjust the annual cap from RMB8 billion to RMB9 billion.

The adjustment to the annual cap only increases the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022. There is no change in the other aspects of the continuing connected transactions contemplated under the Exclusive Operation Agreement between both parties (including but not limited to the principal content of the transactions and the basis of pricing).

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

China Cargo Airlines is the non wholly-owned subsidiary of Eastern Logistics, which in turn is a non wholly-owned subsidiary of CEA Holding (the controlling shareholder of the Company). China Cargo Airlines is therefore a connected person of the Company within the meanings of the Hong Kong Listing Rules. The proposed transactions contemplated under the Exclusive Operation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the Proposed Revised Annual Cap exceeds 5%, the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022 is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

A circular will be issued by the Company and despatched to its shareholders no later than 26 October 2022 as additional time is required to prepare and finalise the information to be included in the circular in accordance with Rule 19A.39A of the Hong Kong Listing Rules.

### **A. BACKGROUND**

On 29 September 2020, the Company entered into the Exclusive Operation Agreement with a term from 1 January 2020 to 31 December 2032 with China Cargo Airlines. The Exclusive Operation Agreement and the transactions contemplated thereunder as well as the annual caps for the period from 1 January 2020 to 31 December 2022 were approved at the extraordinary general meeting of the Company convened on 18 November 2020. For details, please refer to the Company's circular to the Shareholders dated 30 October 2020.

On 23 June 2021, the 12th ordinary meeting of the ninth session of the Board considered and approved the resolution regarding the adjustment to the annual caps for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the two years ending 31 December 2022, and agreed to adjust the annual caps to RMB9 billion and RMB8 billion, respectively. For details, please refer to the Company's circular to the Shareholders dated 23 July 2021. Such revised annual caps were approved at the extraordinary general meeting of the Company held on 27 August 2021.

On 12 October 2022, the 20th ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution regarding the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022, and agreed to adjust the annual cap from RMB8 billion to RMB9 billion.

## B. THE EXCLUSIVE OPERATION AGREEMENT

The adjustment to the annual cap only increases the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022. There is no change in the other aspects of the continuing connected transactions contemplated under the Exclusive Operation Agreement between both parties (including but not limited to the principal content of the transactions and the basis of pricing). The principal terms of the Exclusive Operation Agreement were set out in the Company's announcement dated 26 September 2022 in relation to, among other matters, the proposed annual caps for the transactions contemplated under the Exclusive Operation Agreement for the three years ending 31 December 2025 and are set out again as follows for illustration purpose:

<b>Date:</b>	29 September 2020
<b>Parties:</b>	the Company (as owner); and China Cargo Airlines (as contractor)
<b>Exclusive operation term:</b>	from 1 January 2020 to 31 December 2032.

Once the exclusive operation term expires, both parties may negotiate continuing the transactions and enter into a new agreement. If both parties cannot reach a new agreement by such time, unless the Exclusive Operation Agreement is terminated by the consent of both parties, as long as the Company and Eastern Logistics are both listed companies on a stock exchange within or outside the PRC, and CEA Holding is the de facto controller of Eastern Logistics and China Cargo Airlines, subject to further applicable requirements under Chapter 14A of the Hong Kong Listing Rules, both parties shall continue to implement the terms set out in the Exclusive Operation Agreement. The Company will take all reasonable steps to comply with the requirements under Chapter 14A of the Hong Kong Listing Rules in this regard.

As the exclusive operation term is more than three years, according to Rule 14A.52 of the Hong Kong Listing Rules, the Company engaged an independent financial adviser to review the Exclusive Operation Agreement. For details of the independent financial adviser's opinions, please refer to the circular of the Company to the Shareholders dated 30 October 2020.

**Scope and responsibilities relating to exclusive operation of cargo business:**

During the exclusive operation term, China Cargo Airlines will exclusively operate the Company's Passenger Aircraft Cargo Business, including but not limited to the following:

- (i) China Cargo Airlines shall exclusively purchase the Company's passenger aircraft cargo services, and independently engage in the operation of Passenger Aircraft Cargo Business under its own name;
- (ii) China Cargo Airlines shall enter into cargo agreements with external parties as the contracting carrier, and the Company accepts China Cargo Airlines' entrustment to be responsible for completing air transportation service as the actual carrier;
- (iii) China Cargo Airlines shall exclusively enjoy the Company's Passenger Aircraft Cargo Business space-sale right, pricing right and engage in businesses such as settlement, and the Company shall not operate on its own, entrust or authorize any third party other than China Cargo Airlines to operate, or by any means enable any other third party to have any right to the Passenger Aircraft Cargo Business; and
- (iv) China Cargo Airlines shall undertake the overall responsibilities for transporting cargo as the carrier to the consignors with respect to the cargo which are transported by the Company's passenger aircraft. During the period of exclusive operation, China Cargo Airlines shall, with respect to the Company's Passenger Aircraft Cargo Business, conduct independent financial accounting, pay tax in compliance with applicable laws, and independently operate and bear the results of operations.

Both parties agree that while China Cargo Airlines exclusively operates the Company's Passenger Aircraft Cargo Business in accordance with the provisions of the preceding paragraph, the Company shall nonetheless undertake to provide air transportation from the departure port to the destination port and necessary airport ground support for the cargo delivered by China Cargo Airlines (for the avoidance of doubt, unless otherwise agreed by both parties, such support shall include but are not limited to security checks, loading and unloading machines, airport apron connection, airport cargo operations and other necessary airport ground support), and bear the corresponding safety responsibilities.

**Basis of pricing:**

The Company collects a transportation service fee from China Cargo Airlines for the exclusive operation of the Company's Passenger Aircraft Cargo Business. Such transportation service fee shall be determined based on China Cargo Airlines' actual operating revenue of exclusively operating the Company's Passenger Aircraft Cargo Business while deducting certain business fee rates.

The specific formulas are as follows:

**Transportation service fee = actual income from Passenger Aircraft Cargo Business × (1 – business fee rates)**

Passenger Aircraft Cargo Business refers to the passenger aircraft cargo business of the Company and its principal operating subsidiaries, which is the provision of cargo services by utilization of passenger aircraft and a series of relevant business operation activities (including but not limited to sales, pricing and settlement of aircraft cargo space) comprising:

- (1) ***conventional business***: the provision of cargo services in Bellyhold Space under conventional circumstances; and
- (2) ***unconventional business***: the provision of cargo services by passenger aircraft such as temporary Passenger-to-Cargo Conversion in general other than carrying cargoes in the Bellyhold Space under unconventional circumstances. Passenger-to-Cargo Conversion means the enhancement of the cargo capacity in passenger aircraft under unconventional circumstances, which means using the passenger traffic rights of passenger aircraft to provide cargo transportation services, including the temporary conversion of existing passenger aircraft to cargo aircraft and cargo-only passenger aircraft.

Different calculation basis for the transportation service fees to be received by the Company from China Cargo Airlines shall be applied to conventional business and unconventional business respectively.

### **Conventional Business**

Under conventional circumstances, when China Cargo Airlines exclusively operates the Passenger Aircraft Bellyhold Space Cargo Business, the actual income from Passenger Aircraft Cargo Business in the abovementioned transportation service fee formula equals the actual cargo income generated by China Cargo Airlines' exclusive operation of the Company's passenger aircraft Bellyhold Space. The definitive formula for determining the transportation service fees and business fee rate and the valuation standard of each parameter are as follows:

**Transportation service fee = actual income from Passenger Aircraft Bellyhold Space Cargo Business × (1 – conventional business fee rate)**

**Conventional business fee rate = operating cost rate + (revenue growth rate of Passenger Aircraft Bellyhold Space Cargo Business of the current year – average revenue growth rate of the Three Major Airlines' passenger aircraft Bellyhold Space cargo business of the current year) × 50%**

Of which:

- (1) Operating cost rate refers to the actual amount of operating cost incurred in the Passenger Aircraft Cargo Business for each of the recent three years agreed upon by the accountants engaged by both parties, divided by the arithmetic average amount of audited actual income from Passenger Aircraft Cargo Business in those years, and calculated and adjusted once a year during the exclusive operation term; the operating cost of which refers to the personnel, assets, marketing and other costs related to passenger aircraft cargo sales incurred by China Cargo Airlines for the exclusive operation of the Company's Passenger Aircraft Cargo Business in each of the past three years.

- (2) Revenue growth rate of Passenger Aircraft Bellyhold Space Cargo Business of the current year refers to the percentage of increase (or decrease) in actual income from cargo generated by China Cargo Airlines' exclusive operation of the Company's passenger aircraft Bellyhold Space in the current year compared with the actual income generated by China Cargo Airlines in the previous year, and the actual income generated by China Cargo Airlines from the passenger aircraft Bellyhold Space cargo in the previous year.
- (3) Average revenue growth rate of passenger aircraft Bellyhold Space cargo business of the Three Major Airlines refers to the arithmetic average of the growth rate of revenue from cargo generated by the passenger aircraft Bellyhold Space of the Three Major Airlines in the current year and the revenue from cargo generated by the passenger aircraft Bellyhold Space of the Three Major Airlines in the previous year.

The gross profit margin for the Passenger Aircraft Cargo Business under conventional circumstances to be retained by China Cargo Airlines is calculated using the following formula:

Gross profit margin for the Passenger Aircraft Cargo Business under conventional circumstances to be retained by China Cargo Airlines = (actual income from Passenger Aircraft Bellyhold Space Cargo Business – transportation service fee) ÷ actual income from Passenger Aircraft Bellyhold Space Cargo Business

In case the revenue growth rate of Passenger Aircraft Bellyhold Space Cargo Business of the current year is the same as the average revenue growth rate of the Three Major Airlines' passenger aircraft Bellyhold Space cargo business of the current year, the gross profit margin for the Passenger Aircraft Cargo Business under conventional circumstances to be retained by China Cargo Airlines equals to operating cost rate. The Company records revenue by collecting a transportation service fee from China Cargo Airlines for the exclusive operation of the Company's Passenger Aircraft Cargo Business. Such transportation service fee under conventional business shall be determined based on actual income from Passenger Aircraft Bellyhold Space Cargo Business while deducting certain conventional business fee rates.

The Board considers that the pricing basis for the transportation service fee under the conventional circumstances is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole on the following basis:

- (1) Under the conventional circumstances, China Cargo Airlines will pay to the Company the transportation service fee as the procurement cost which is determined based on actual income from Passenger Aircraft Bellyhold Space Cargo Business while deducting certain conventional business fee rate. The conventional business fee rate is determined based on the operating cost rate, in accordance with independent market principle, taking into account the average revenue growth rate of cargo business in the same industry, which provides a reasonable basis.
- (2) Pursuant to the above definitive formula, there is an implied incentive mechanism to provide motivation for China Cargo Airlines to enhance its Passenger Aircraft Bellyhold Space Cargo Business performance and cargo transport business operating efficiency by taking income growth rate as a performance indicator. Such pricing basis is able to encourage China Cargo Airlines to optimize resources allocation and boost up their business performance.

### **Unconventional Business**

Under unconventional circumstances, upon agreement of both parties after negotiation, contingent measures other than Bellyhold Space such as “Passenger-to-Cargo Conversion” can be adopted to enhance cargo transport capacity of passenger aircraft. In such event, with respect to the formula for calculating the transportation service fee, the actual revenue of passenger aircraft cargo transport should be the actual incurred revenue of cargo transport in the Company’s unconventional Passenger Aircraft Cargo Business such as “Passenger-to-Cargo Conversion” exclusively operated by China Cargo Airlines, and the definitive formula for transportation service fee and business fee rate and the valuation standard of each parameter are as follows:

**Transportation service fee = the actual revenue of unconventional cargo transport of passenger aircraft × (1 – unconventional business fee rate)**



**Unconventional business fee rate = operating cost rate × (1 + reasonable profit margin)**

Of which:

- (1) Operating cost rate is the same as the operating cost rate under the conventional circumstances, which refers to the actual amount of operating cost incurred in the Passenger Aircraft Cargo Business for each of the recent three years agreed upon by the accountants engaged by both parties, divided by the arithmetic average amount of audited actual income from passenger aircraft cargo business in those years, and calculated and adjusted once a year during the exclusive operation term; the operating cost of which refers to the personnel, assets, marketing and other costs related to passenger aircraft cargo sales incurred by China Cargo Airlines for the exclusive operation of the Company's Passenger Aircraft Cargo Business in each of the past three years.
- (2) Reasonable profit margin is the arithmetic average of the averaged profit margin of the Three Major Airlines for the latest three prior accounting years.

Both parties shall jointly designate an accounting firm with business qualifications at the end of each accounting year to conduct specific auditing and issue an official audit report on the actual incurred revenue of the Company's Passenger Aircraft Cargo Business exclusively operated by China Cargo Airlines for the previous year, and implement agreed procedures for the operation fees of each of the previous three years, and to issue an agreed report (to determine next year's operating cost rate). Both parties shall sign a confirmation in writing for the operating cost rate and business fee rate arrived at by the agreed calculation according to this term.

The gross profit margin for the Passenger Aircraft Cargo Business under unconventional circumstances to be retained by China Cargo Airlines is calculated using the following formula:

Gross profit margin for the Passenger Aircraft Cargo Business under unconventional circumstances to be retained by China Cargo Airlines = (actual revenue of unconventional cargo transport of passenger aircraft – transportation service fee) ÷ actual revenue of unconventional cargo transport of passenger aircraft = operating cost rate × (1 + reasonable profit margin)

The Company records revenue by collecting a transportation service fee from China Cargo Airlines for the exclusive operation of the Company's Passenger Aircraft Cargo Business. Such transportation service fee under unconventional business shall be determined based on the actual revenue of unconventional cargo transport of passenger aircraft while deducting certain unconventional business fee rates.

The Board considers that the pricing basis for the transportation service fee under the unconventional circumstances is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole on the following basis:

- (1) Under the unconventional circumstances, China Cargo Airlines will pay to the Company the transportation service fee as the procurement cost which is determined based on actual revenue of unconventional cargo transport of passenger aircraft while deducting certain unconventional business fee rate. The unconventional business fee rate is determined based on the operating cost rate, taking into account the reasonable profit margin of cargo business in the same industry, which provides a reasonable basis.
- (2) Since the unconventional business represents a special economic slump environment, resulting in (i) a decrease in passenger and (ii) the Passenger-to-Cargo Conversion approach that helps utilize the empty spaces by converting passenger aircrafts into cargo aircrafts, the above-mentioned situation is a temporary measure due to force majeure clauses, and therefore, there is no relevant historical data available to be taken as a reference for calculation of revenue growth rate. In view of the fact that financial data such as revenue growth rate of China Cargo Airlines and the Three Major Airlines' actual income from Passenger-To-Cargo Conversion are unobtainable, basing average net profit ratio of the Three Major Airlines on the transportation service fee represents that the industry prospect, implied by net profit margin of the Three Major Airlines, would become a motivating factor for China Cargo Airlines to operate their Passenger Aircraft Cargo Business.

<b>Payment arrangement:</b>	<p>China Cargo Airlines shall pay the transportation service fee on a monthly basis, and the amount payable monthly shall be calculated with the actual revenue of cargo transport generated by China Cargo Airlines in the month minus operating costs, which shall be settled and paid by China Cargo Airlines in the following month.</p> <p>Within three months after the end of each accounting year, both parties shall calculate the annual total transportation service fees of that year as agreed in the Exclusive Operation Agreement and conduct year-end settlement, which is to either refund the surplus or to pay the shortfall if there is any difference between the annual total of transportation service fees and the sum of transportation service fees actually paid on a monthly basis by China Cargo Airlines in that year.</p>
<b>Alignment with the Original Passenger Aircraft Bellyhold Space Contractual Operation Transactions:</b>	<p>Both parties agreed that the original passenger aircraft Bellyhold Space contractual operation agreement shall be terminated immediately after the Exclusive Operation Agreement has taken effect. For the Passenger Aircraft Cargo Business already performed by both parties according to the original passenger aircraft Bellyhold Space contractual operation agreement in 2020, both parties agreed that corresponding adjustments shall be conducted according to agreed implementation principles in the Exclusive Operation Agreement, which was deemed to have become effective on 1 January 2020.</p>
<b>Conditions precedent:</b>	<p>The Exclusive Operation Agreement will become effective after execution by the legal representative or authorized representative of each party, the affixing of official seal of each party as well as the approval in shareholders meetings of the Company and China Cargo Airlines.</p>
<b>Non-competition undertaking:</b>	<p>As a condition of agreeing to the exclusive operation of all of the Company's Passenger Aircraft Cargo Business by China Cargo Airlines, the Company undertook that, effective from the date of the Exclusive Operation Agreement until the expiration of the exclusive operation term or the date of termination of the Exclusive Operation Agreement, except for performing the relevant obligations involved in the Exclusive Operation Agreement, the Company and its controlled enterprises shall</p>

not, in any place within or outside the PRC or in any way, carry out Business Competition, including but not limited to operating through sole proprietorship, directly or indirectly holding/controlling the enterprise(s) which carry(ies) out Business Competition or other circumstances which constitute Business Competition according to relevant laws and regulations. For the avoidance of doubt, the above restrictions do not apply if the Company and its controlled enterprise(s) have not become the controlling shareholder(s), de facto controller(s) or the single largest shareholder of such enterprise(s) which carry(ies) out Business Competition.

As part of the original passenger aircraft Bellyhold Space contractual operation agreement, the non-competition undertaking was negotiated and entered into on an arm's length basis and on normal commercial terms, which constituted a part of the transaction as a whole. Please refer to the circular of the Company to the Shareholders dated 13 March 2018. As part of the continuing connected transactions contemplated under the Exclusive Operation Agreement, the non-competition undertaking was negotiated and entered into on an arm's length basis, and no adjustment has been made.

## C. HISTORICAL AMOUNTS AND PROPOSED REVISED ANNUAL CAP

### (1) Existing Annual Caps and Historical amounts

Existing Annual Caps and execution status of the exclusive operation transaction of the Passenger Aircraft Cargo Business are set out below. Such annual caps have been approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 27 August 2021.

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The Company confirms that the actual transaction amounts for the continuing connected transactions contemplated under the Exclusive Operation Agreement from 1 January 2022 up to the date of this announcement did not exceed the Existing Annual Caps, and the Company expects that the actual transaction amounts of such transactions will not exceed the Existing Annual Caps from 1 January 2022 up to the date of the EGM for the approval of the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022.

## **(2) Proposed Revised Annual Cap and the basis thereof**

The Company entrusts China Cargo Airlines to exclusively operate the Passenger Aircraft Cargo Business. China Cargo Airlines reasonably adjusts the capacity input and the air freight rate levels according to the changes in the demand and supply of the market, and strives to improve the operating efficiency.

Due to the stronger demand for international air cargo since 2021, for the six months ended 30 June 2022, the actual amount of the exclusive operation transportation service fees in relation to the Passenger Aircraft Cargo Business payable by China Cargo Airlines to the Company under the Exclusive Operation Agreement was RMB3.91 billion, the Company expects that the amount of the continuing connected transactions contemplated under the Exclusive Operation Agreement may exceed the Existing Annual Caps for the year ending 31 December 2022.

In view of the above reasons, the Company proposed to adjust the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022 to:

*(Unit: RMB million)*

<b>Transaction Event</b>	<b>Proposed annual cap for the year ended 31 December 2022</b>
The exclusive operation transportation service fees in relation to the Passenger Aircraft Cargo Business payable by China Cargo Airlines to the Company under the Exclusive Operation Agreement	9,000

The Proposed Revised Annual Cap for the transportation service fees payable by China Cargo Airlines to the Company under the Exclusive Operation Agreement is determined with reference to the following primary factors:

- (1) with reference to the historical amounts for the six months ended 30 June 2022 for the exclusive operation transportation service fees in relation to the Passenger Aircraft Cargo Business payable by China Cargo Airlines to the Company under the Exclusive Operation Agreement; and
- (2) after taking into account the demand for aviation cargo business in 2022 may continue to grow.

#### **D. REASONS FOR AND BENEFITS OF ADJUSTMENT TO THE ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2022**

Taking into account of the factors, including but not limited to the future prospects of the global freight market, the capacity input of the Company's Passenger Aircraft Cargo Business (such as the passenger aircraft Bellyhold Space and the Passenger-to-Cargo Conversion) and freight rates, the Company makes timely adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022, which is in line with the needs of the Company's Passenger Aircraft Cargo Business development and will help the Company to increase the revenue of Passenger Aircraft Cargo Business.

The Directors (excluding the independent non-executive Directors, whose opinion will be set forth in the circular by reference to the advice from the Independent Financial Adviser in this regard) are of the view that (i) the continuing connected transactions contemplated under the Exclusive Operation Agreement between the Company and China Cargo Airlines are entered into upon arm's length negotiations between the parties, are on normal commercial terms or better, are entered into in the ordinary and usual course of business of the Company, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; (ii) the Proposed Revised Annual Cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement between the Company and China Cargo Airlines are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **E. IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

China Cargo Airlines is the non wholly-owned subsidiary of Eastern Logistics, which in turn is a non wholly-owned subsidiary of CEA Holding (the controlling shareholder of the Company). China Cargo Airlines is therefore a connected person of the Company within the meanings of the Hong Kong Listing Rules. The proposed transactions contemplated under the Exclusive Operation Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the Proposed Revised Annual Cap exceeds 5%, the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022 is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

Certain Directors, namely Mr. Li Yangmin, Mr. Tang Bing, Mr. Lin Wanli and Mr. Jiang Jiang, are members of board of directors of CEA Holding, which may be regarded as having a material interest in the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022 and therefore they have abstained from voting at the meeting of the Board convened for the purpose of approving the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022. Save as disclosed above, none of the Directors has a material interest in the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022.

## **F. GENERAL INFORMATION AND EGM**

The Group is principally engaged in the operation of civil aviation passenger transport and related businesses.

CEA Holding is principally engaged in the management of all the state-owned assets and equity interests formed and invested by the state in CEA Holding and its invested entities.

China Cargo Airlines is principally engaged in international (regional) and domestic air cargo and mail transport services.

An EGM will be convened in order to consider, and if thought fit, approve the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022, by ordinary resolutions of the Independent Shareholders.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022. The Independent Financial Adviser has also been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022.

Pursuant to Rule 19A.39A of the Hong Kong Listing Rules, as additional time is required to prepare and determine the information to be contained in the circular, the circular will be despatched to the Shareholders of the Company no later than 26 October 2022. The circular will contain, among other matters, further information regarding the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022, the letter of recommendation from the Independent Board Committee to the Independent Shareholders as well as the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions.

## **G. DEFINITIONS**

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

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bellyhold Space”	means the vacant space in the bellyhold of passenger aircraft after priority has been given to load the passengers’ registered luggage
“Board”	means the board of directors of the Company
“Business Competition”	means the business including international and domestic air cargo and mail delivery and cargo forwarding, warehousing and logistics, cargo terminal operations of the Company and all its subsidiaries that compete with the current business operations of China Cargo Airlines and Eastern Logistics and their subsidiaries



“CEA Holding”	<p>means 中國東方航空集團有限公司 (China Eastern Air Holding Company), the controlling Shareholder of the Company. CEA Holding is directly held as to: (i) 68.42% by the State owned Assets Supervision and Administration Commission of the State Council (“SASAC”); (ii) 11.21% by China Life Investment Insurance Asset Management Company Limited ( 國壽投資保險資產管理有限公司 ), which is directly wholly-owned by China Life Insurance (Group) Company ( 中國人壽保險 (集團) 公司 ) and is ultimately wholly-owned by the State Council; (iii) 10.19% by Shanghai Jiushi (Group) Co., Ltd. ( 上海久事 (集團) 有限公司 ), which is directly wholly-owned by SASAC of Shanghai Municipal Government; (iv) 5.09% by China Reform Asset Management Co., Ltd. ( 中國國新資產管理有限公司 ), which is directly wholly-owned by China Reform Holdings Corporation Ltd. ( 中國國新控股有限責任公司 ) and is ultimately wholly-owned by the State Council; and (v) 5.09% by China Tourism Group Co., Ltd. ( 中國旅遊集團有限公司 ), which is directly and wholly-owned by SASAC, respectively</p>
“China Cargo Airlines”	<p>means 中國貨運航空有限公司 (China Cargo Airlines Co., Limited), which is directly held as to (i) 83% by Eastern Logistics; and (ii) 17% by 中遠海運物流有限公司 (COSCO SHIPPING Logistics Co., Ltd.), which is directly wholly-owned by China COSCO SHIPPING Corporation Limited and is ultimately wholly-owned by the State Council</p>
“Company”	<p>means 中國東方航空股份有限公司 (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</p>
“connected person(s)”	<p>has the meaning ascribed to it under the Hong Kong Listing Rules</p>
“Directors”	<p>means the directors of the Company</p>
“Eastern Logistics”	<p>means 東方航空物流股份有限公司 (Eastern Airline Logistics Co., Limited), which is a subsidiary directly owned as to 40.50% equity interests by 東方航空產業投資有限公司 (Eastern Airlines Industry Investment Company Limited) (a wholly-owned subsidiary of CEA Holding) and its A shares are listed on the Shanghai Stock Exchange (stock code: 601156), and thus is a non wholly-owned subsidiary of CEA Holding</p>

“EGM”	means the extraordinary general meeting of the Company to be convened, to consider, and if thought fit, approve, among others, the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022
“Exclusive Operation Agreement”	means the agreement dated 29 September 2020 entered into between the Company and China Cargo Airlines in relation to the agreement for China Cargo Airlines to exclusively operate the Company’s Passenger Aircraft Cargo Business, pursuant to which the Company receives transportation service fees from China Cargo Airlines for exclusively operating the Company’s Passenger Aircraft Cargo Business, details of which are set out in the Company’s announcement dated 29 September 2020 and the Company’s circular dated 30 October 2020
“Existing Annual Caps”	means the annual caps for the transactions contemplated under the Exclusive Operation Agreement for the three years ending 31 December 2022, which are RMB4.9 billion, RMB9 billion and RMB8 billion, respectively
“Group”	means the Company and its subsidiaries
“Hong Kong”	means Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Board Committee”	means the board committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022
“Independent Financial Adviser”	means Opus 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, and is engaged by the Company as the independent financial adviser to advise on the adjustment to the annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022

“Independent Shareholders”	means the Shareholders, other than CEA Holding and its associates
“Passenger Aircraft Bellyhold Space Cargo Business”	means the passenger aircraft Bellyhold Space cargo business of the Company and all its principal operating subsidiaries
“Passenger Aircraft Cargo Business”	means the passenger aircraft cargo business of the Company and its principal operating subsidiaries, which is the provision of cargo services by utilization of passenger aircraft and a series of relevant business operation activities (under the conventional and unconventional circumstances), including but not limited to sales, pricing and settlement of aircraft cargo space; the provision of cargo services in Bellyhold Space under conventional circumstances and the provision of cargo services by passenger aircraft such as temporary Passenger-to-Cargo Conversion in general other than carrying cargoes in the Bellyhold Space under unconventional circumstances
“Passenger-to-Cargo Conversion”	means the enhancement of the cargo capacity in passenger aircraft under unconventional circumstances, which means using the passenger traffic rights of passenger aircraft to provide cargo transportation services, including the temporary conversion of existing passenger aircraft to cargo aircraft and cargo-only passenger aircraft
“PRC”	means the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, China
“Proposed Revised Annual Cap”	means the proposed annual cap for the continuing connected transactions contemplated under the Exclusive Operation Agreement for the year ending 31 December 2022, which is RMB9 billion
“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited

“Three Major Airlines” means the three major state-owned airlines, namely the Company, Air China Corporation Limited and China Southern Airlines Co., Ltd.

“%” means per cent

By order of the Board  
**CHINA EASTERN AIRLINES CORPORATION LIMITED**  
**Wang Jian**  
*Company Secretary*  
Shanghai, the People’s Republic of China  
12 October 2022

*As at the date of this announcement, the Directors of the Company include Li Yangmin (Vice Chairman, President), Tang Bing (Director), Lin Wanli (Director), Cai Hongping (Independent non-executive Director), Dong Xuebo (Independent non-executive Director), Sun Zheng (Independent non-executive Director), Lu Xiongwen (Independent non-executive Director) and Jiang Jiang (Employee Representative Director).*