



中國東方航空  
CHINA EASTERN



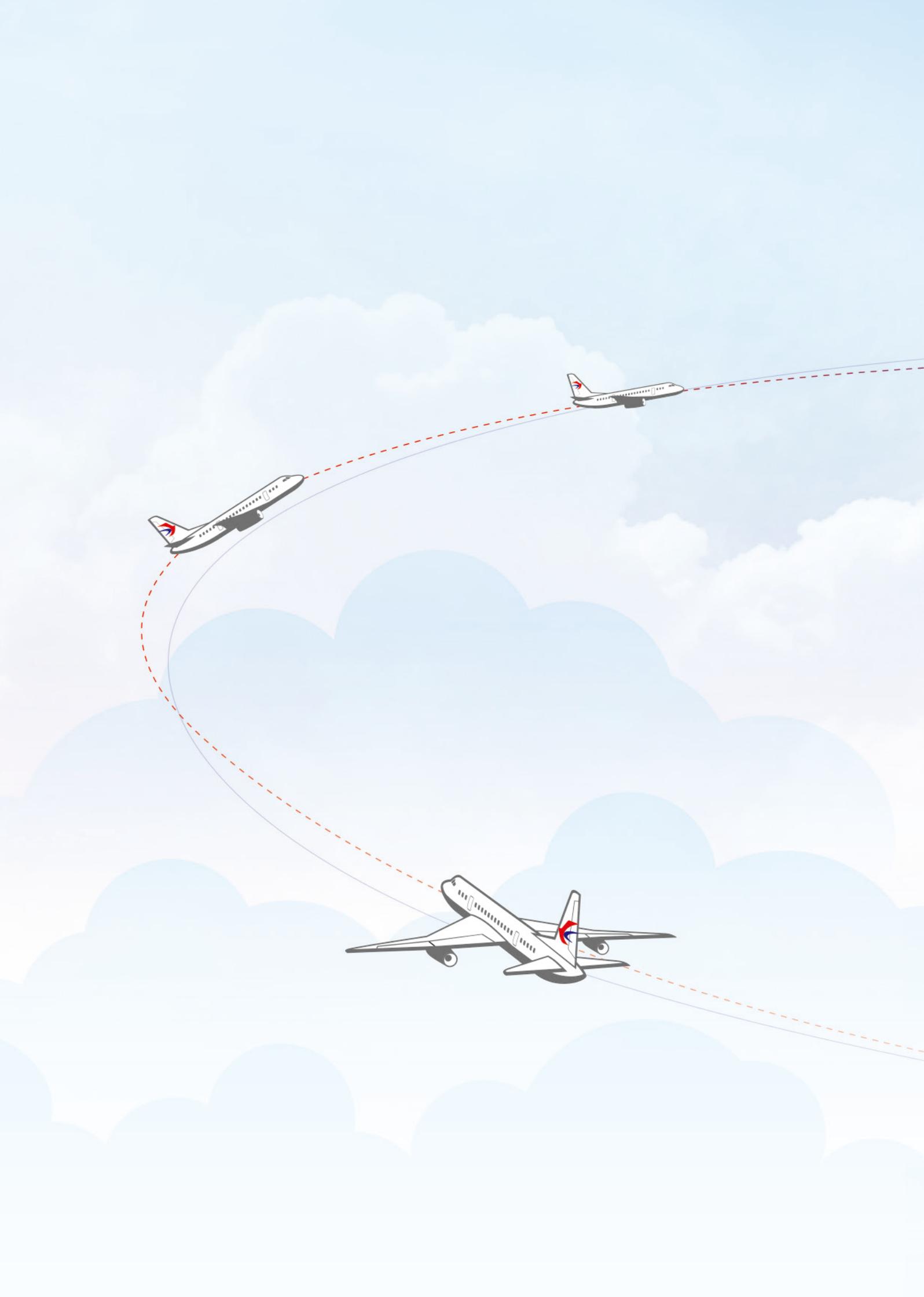
世界品位 东方魅力



# 2022

## ANNUAL REPORT

A joint stock limited company incorporated in the People's Republic of China with limited liability  
Stock Code : A Share : 600115 | H Share : 00670



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# Definitions

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

AFK	means Air France-KLM. Official website: <a href="https://www.airfranceklm.com/">https://www.airfranceklm.com/</a>
Articles	means the current prevailing articles of association of the Company
Available freight tonne-kilometres (AFTK)	means the sum of the maximum tonnes of capacity available for the carriage of cargo and mail multiplied by the distance flown for every route
Available seat-kilometres (ASK)	means the sum of the maximum number of seats made available for sale multiplied by the distance flown for every route
Available tonne-kilometres (ATK)	means the sum of capacity available for the carriage multiplied by the distance flown for every route
Board	means the board of directors of the Company
CAAC	means the Civil Aviation Administration of China. Official website: <a href="http://www.caac.gov.cn/">http://www.caac.gov.cn/</a>
CEA Holding	means 中國東方航空集團有限公司 (China Eastern Air Holding Company Limited*), the controlling shareholder and a connected person of the Company
CES Finance	means 東航金控有限責任公司 (CES Finance Holding Co., Limited), a wholly-owned subsidiary of CEA Holding and a shareholder and connected person of the Company
CES Global	means 東航國際控股(香港)有限公司 (CES Global Holdings (Hong Kong) Limited), a wholly-owned subsidiary of CES Finance and a shareholder and connected person of the Company
CES Leasing	means 東航國際融資租賃有限公司 (China Eastern Airlines International Financial Leasing Co., Limited*), a controlled subsidiary of CEA Holding and a connected person of the Company
China Cargo Airlines	means 中國貨運航空有限公司 (China Cargo Airlines Co., Limited), a controlled subsidiary of Eastern Logistics and a connected person of the Company
China Eastern Airlines, CEA, or the Company	means 中國東方航空股份有限公司 (China Eastern Airlines Corporation Limited)
China United Airlines	means 中國聯合航空有限公司 (China United Airlines Co., Limited), a wholly-owned subsidiary of the Company
CSRC	means the China Securities Regulatory Commission. Official website: <a href="http://www.csrc.gov.cn/">http://www.csrc.gov.cn/</a>
Delta	means Delta Air Lines Inc (IATA Code: DL), a shareholder of the Company. Official website: <a href="https://www.delta.com/">https://www.delta.com/</a>
Eastern Air Catering	means 東方航空食品投資有限公司 (China Eastern Air Catering Investment Co., Ltd.*), a controlled subsidiary of CEA Holding and a connected person of the Company
Eastern Air Jiangsu	means 中國東方航空江蘇有限公司 (China Eastern Airlines Jiangsu Co., Limited*), a controlled subsidiary of the Company



## Definitions

Eastern Air Overseas	means 東航海外（香港）有限公司 (Eastern Air Overseas (Hong Kong) Corporation Limited), a wholly-owned subsidiary of the Company
Eastern Air Wuhan	means 中國東方航空武漢有限責任公司 (China Eastern Airlines Wuhan Limited*), a controlled subsidiary of the Company
Eastern Air Yunnan	means 東方航空雲南有限公司 (China Eastern Airlines Yunnan Co., Limited*), a controlled subsidiary of the Company
Eastern Airlines Industry Investment	means 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 a connected person of the Company
Eastern Investment	means 上海東方航空投資有限公司 (Shanghai Eastern Airlines Investment Co., Ltd.*), a wholly-owned subsidiary of CEA Holding and a connected person of the Company
Eastern Logistics	means 東方航空物流股份有限公司 (Eastern Airline Logistics Co., Limited*), a controlled subsidiary of Eastern Airlines Industry Investment and a connected person of the Company
Eastern Miles	means 東方萬里行, an award scheme for global frequent flyer designed by the Company
Eastern Technology	means 東方航空技術有限公司 (China Eastern Airlines Technology Co., Limited), a wholly-owned subsidiary of the Company
End of the Reporting Period	means 31 December 2022
Freight load factor	means the ratio of freight traffic volume to AFTK
Freight tonne-kilometres yield	means the ratio of the sum of freight transportation and related revenue to freight traffic volume
Group	means the Company and its subsidiaries
HKSCC	means Hong Kong Securities Clearing Company Ltd., which operates the Central Clearing and Settlement System (CCASS) of Hong Kong. HKSCC is a wholly-owned subsidiary of the Hong Kong Stock Exchange, in which the shares of H shares investors are deposited
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited. Official website: <a href="http://www.hkex.com.hk/">http://www.hkex.com.hk/</a>
IATA	means the International Air Transport Association, a major international organization formed by airlines of different countries worldwide, which coordinates and communicates government policies through aviation transportation enterprises and deals with actual operations issues. Official website: <a href="http://www.iata.org/">http://www.iata.org/</a>
Japan Airlines	means Japan Airlines Co., Ltd (IATA Code: JL). Official website: <a href="http://www.jal.com/">http://www.jal.com/</a>
Juneyao Airlines	means 上海吉祥航空股份有限公司 (Juneyao Airlines Co., Ltd) (IATA Code: HO). Official website: <a href="http://www.juneyaoair.com/">http://www.juneyaoair.com/</a>
Juneyao Group	means 上海均瑤（集團）有限公司 (Shanghai Juneyao (Group) Co., Ltd.), the controlling shareholder of Juneyao Airlines

## Definitions

Juneyao Hong Kong	means 上海吉祥航空香港有限公司 (Shanghai Juneyao Airline Hong Kong Limited), a wholly-owned subsidiary of Juneyao Airlines
Listing Rules	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
OTT Airlines	means 一二三航空有限公司 (One Two Three Airlines Co., Ltd.), a wholly-owned subsidiary of the Company
Overall load factor	means the ratio of total traffic volume to ATK
Passenger load factor	means the ratio of passenger traffic volume to ASK
Passenger-kilometres yield	means the ratio of the sum of passenger traffic and related revenue to passenger traffic volume
PRC	means the People's Republic of China
Qantas	means Qantas Airways Ltd (IATA Code: QF). Official website: <a href="https://www.qantas.com/">https://www.qantas.com/</a>
Reporting Period	means 1 January to 31 December 2022
Revenue freight tonne-kilometres (RFTK)	means the freight traffic volume, the sum of cargo and mail load in tonnes multiplied by the distance flown for every route
Revenue passenger-kilometres (RPK)	means the passenger traffic volume, the sum of the number of passengers carried multiplied by the distance flown for every route
Revenue tonne-kilometres (RTK)	means the total traffic volume, the sum of load (passenger and cargo) in tonnes multiplied by the distance flown for every route
Revenue tonne-kilometres yield	means the ratio of the sum of transportation and related revenue to total traffic volume
SASAC	means the State-owned Assets Supervision and Administration Commission of the State Council. Official website: <a href="http://www.sasac.gov.cn/">http://www.sasac.gov.cn/</a>
SFO	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Airlines	means 上海航空有限公司 (Shanghai Airlines Co., Limited*), a wholly-owned subsidiary of the Company
Shanghai Flight Training	means 上海東方飛行培訓有限公司 (Shanghai Eastern Flight Training Co., Limited), a wholly-owned subsidiary of the Company
Shanghai Jidaohang	means Shanghai Jidaohang Enterprise Management Company Limited (上海吉道航企業管理有限公司), a wholly-owned subsidiary of Juneyao Airlines
Shanghai Stock Exchange	means the Shanghai Stock Exchange. Official website: <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a>



## Definitions

SkyTeam Airline Alliance	means the SkyTeam Alliance, one of the three major international airline alliances in the world. Official website: <a href="http://www.skyteam.com/">http://www.skyteam.com/</a>
Supervisors	means the supervisors of the Company
Supervisory Committee	means the Supervisory Committee of the Company
TravelSky	means 中國民航信息網絡股份有限公司 (TravelSky Technology Limited)
USA	means the United States of America
Weight of freight carried	means the actual weight of freight carried

# Company Introduction

Headquartered in Shanghai, the Company is one of China's three major state-owned airlines. It originated from the first squadron established by former Civil Aviation Administration of Shanghai in January 1957.

As at the end of 2022, the Group operated a modernised fleet comprised of 778 passenger aircraft, including three business aircraft, with an average fleet age of 8.1 years for the major models. Frequent flyer Members of “Eastern Miles” (東方萬里行) can enjoy members' benefits and use any one of the 750 VIP airport lounges of all of the 19 SkyTeam Airline Alliance member airlines across the world.

The Group has been striving to build a world-class excellent modern integrated aviation services provider that is “Cherished by Staff, Preferred by Customers, Satisfied by Shareholders and Trusted by Society”. With the concept of “World-Class Hospitality with Eastern Charm”, the Group will create splendid travel experiences for global customers with “Accurate, Exquisite and Refined” service quality.





# Company Profile

## Company Information

Chinese name of the Company	中國東方航空股份有限公司
English name of the Company	China Eastern Airlines Corporation Limited
Abbreviated English name of the Company	CEA
Legal representative of the Company	Liu Shaoyong

Note: On 12 August 2022, Mr. Liu Shaoyong, the chairman of the Company, resigned as the chairman and director of the Company. Mr. Li Yangmin, the vice chairman, acted as the chairman and legal representative until the date of election and appointment of the new chairman of the Company.

## Basic Profile

Registered address of the Company	66 Airport Street, Pudong New District, Pudong International Airport, Shanghai
Postal code of Registered address of the Company	201202
Place of business of the Company	36 Hongxiang 3rd Road, Minhang District, Shanghai
Postal code of Place of business of the Company	201100
The Company's website	www.ceair.com
Mobile application (APP)	東方航空
Mobile website	m.ceair.com
Email address	ir@ceair.com
Service hotline	+86 95530
Sina Weibo	http://weibo.com/ceair
Weixin/WeChat mini program	中國東方航空
Weixin/WeChat public subscription ID	東方航空訂閱號
Weixin/WeChat ID	donghang_gw
Weixin/WeChat QR code	

## Shares of the Company

A shares listing venue: The Shanghai Stock Exchange	Abbreviation: CEA	Code: 600115
H shares listing venue: The Hong Kong Stock Exchange	Abbreviation: China East Air	Code: 00670

Note: On 9 June 2021, the Chinese abbreviation of the A shares of China Eastern Airlines Corporation Limited has changed from “東方航空” to “中國東航”.

On 13 January 2023, the Company has notified the New York Stock Exchange of its proposed application for voluntary delisting of its American depositary shares (ADR) from the New York Stock Exchange.

## Contact person and contact information

Board Secretary	Wang Jian
Representative of securities affairs	Yang Hui
Address	Board office, China Eastern Airlines Corporation Limited, 36 Hongxiang 3rd Road, Minhang District, Shanghai
Telephone	021-22330935
Fax	021-62686116
Email	ir@ceair.com

## Other Relevant Information

### Domestic auditor engaged by the Company

**Name** PricewaterhouseCoopers Zhong Tian LLP  
**Office address** 42/F, New Bund Center, 588 Dongyu Road, Pudong New District, Shanghai

### International auditor engaged by the Company

**Signatory accountant Name** 楊旭東 · 劉玉玉  
**Office address** PricewaterhouseCoopers  
22nd Floor, Prince's Building, Central, Hong Kong  
**Signatory accountant Name** Mang, Kwong Fung Frederick  
**Office address** Guotai Junan Securities Co., Ltd.

### Sponsor performing continuous supervision duties during the Reporting Period

**Office address** 768 West Nanjing Road, Jingan District, Shanghai  
**Signatory sponsor representatives** 馬玉蘋 · 楊鵬宇  
**Period of continuous supervision** 9 November 2021 to 14 August 2022

### Sponsor performing continuous supervision duties during the Reporting Period

**Name** China International Capital Corporation Limited  
**Office address** 27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing  
**Signatory sponsor representatives** 徐志駿 · 夏雨揚  
**Period of continuous supervision** 15 August 2022 to 31 December 2024

## DIRECTORS

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)  
Jiang Jiang (Employee Representative Director)

## SUPERVISORS

Guo Lijun (Chairman of the Supervisory Committee)  
Fang Zhaoya (方照亞) (Supervisor)  
(Former name: Fang Zhaoya as 方召亞)  
Zhou Huaxin (Employee Representative Supervisor)

## SENIOR MANAGEMENT

Li Yangmin (Vice Chairman, President)  
Xi Sheng (Vice President) (Former name: Xi Xingwang)  
Zhou Qimin (Vice President, Chief Financial Officer)  
Feng Dehua (Vice President)  
Cheng Guowei (Vice President)  
Liu Tiexiang (Vice President)  
Wang Jian (Board Secretary, Company Secretary)

Note: Xi Sheng, a vice president of the Company, resigned from the position of vice president of the Company on 21 April 2023.

## COMPANY SECRETARY

Wang Jian

## AUTHORISED REPRESENTATIVES

Li Yangmin  
Wang Jian

## LEGAL ADVISERS

Hong Kong, China: Baker & McKenzie  
Mainland China: Beijing Commerce & Finance Law Office  
USA: Baker & McKenzie

## PRINCIPAL BANKS

Industrial and Commercial Bank of China, Shanghai Branch  
China Construction Bank, Shanghai Branch  
The Bank of China, Shanghai Branch  
Agricultural Bank of China, Shanghai Branch

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17th Floor, Hopewell Centre  
183 Queen's Road East, Hong Kong

China Securities Depository and Clearing Corporation Limited,  
Shanghai Branch  
188 South Yanggao Road, Pudong New District, Shanghai

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room D, 19/F, United Centre, 95 Queensway, Hong Kong

## BUSINESS LICENCE RELATED INFORMATION

The unified social credit code of business licence of the Company is 913100007416029816



# Financial Highlights

(Prepared in accordance with International Financial Reporting Standards)

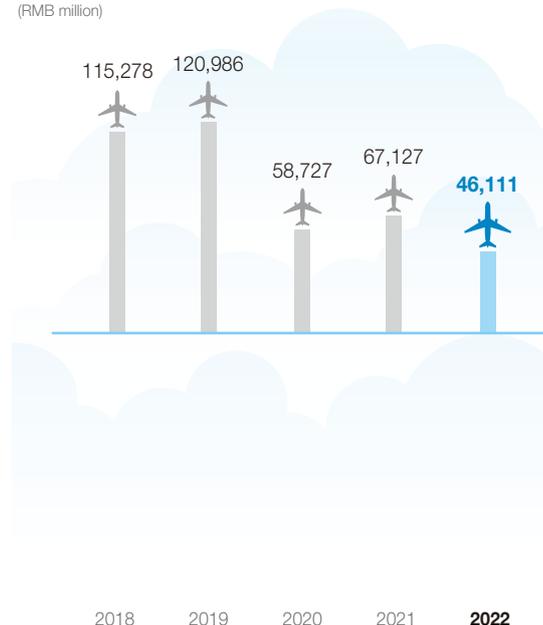
Expressed in RMB Million

	2018	2019	2020	2021	2022
<b>Year ended 31 December</b>					
Revenues	115,278	120,986	58,727	67,127	<b>46,111</b>
Other operating income and gains	6,592	7,202	5,698	6,079	<b>3,613</b>
Gain/(loss) on fair value changes of derivative financial instruments	311	—	—	—	<b>—</b>
Operating expenses	(112,872)	(118,107)	(78,265)	(86,724)	<b>(81,359)</b>
Operating profit/(loss)	9,309	10,081	(13,840)	(13,518)	<b>(31,635)</b>
Financial income/(costs), net	(5,657)	(6,064)	(2,553)	(3,854)	<b>(8,322)</b>
Profit/(loss) before income tax	3,856	4,299	(16,488)	(17,513)	<b>(40,154)</b>
Net profit/(loss) for the year attributable to the equity holders of the Company	2,698	3,192	(11,836)	(12,214)	<b>(37,386)</b>
Earnings/(loss) per share attributable to the equity holders of the Company (RMB)(1)	0.19	0.21	(0.72)	(0.73)	<b>(1.98)</b>
<b>As at 31 December</b>					
Cash and cash equivalents	646	1,350	7,651	12,950	<b>17,541</b>
Net current liabilities	(57,132)	(58,620)	(77,310)	(57,981)	<b>(79,033)</b>
Non-current assets	223,085	265,442	262,152	260,880	<b>260,571</b>
Non-current borrowings, including current portion	(32,506)	(31,137)	(39,429)	(58,177)	<b>(72,718)</b>
Obligations under finance leases, including current portion	(77,427)	—	—	—	<b>—</b>
Lease liabilities, including current portion	—	(110,275)	(96,251)	(98,476)	<b>(97,001)</b>
Equity attributable to the equity holders of the Company	58,008	69,008	56,249	53,615	<b>31,322</b>

- (1) The calculation of earnings per share for 2018 is based on the net profit attributable to the equity holders of the Company divided by the weighted average number of 14,467,585,682 ordinary share in issue. The calculation of earnings per share for 2019 is based on the net profit attributable to the equity holders of the Company divided by the weighted average number of 15,104,893,522 ordinary share in issue. The calculation of loss per share for 2020 is based on the net loss attributable to the equity holders of the Company divided by the weighted average number of 16,379,509,203 ordinary share in issue. The calculation of loss per share for 2021 is based on the net loss attributable to the equity holders of the Company divided by the weighted average number of 16,795,331,016 ordinary share in issue. The calculation of loss per share for 2022 is based on the net loss attributable to the equity holders of the Company divided by the weighted average number of 18,875,999,286 ordinary share in issue.

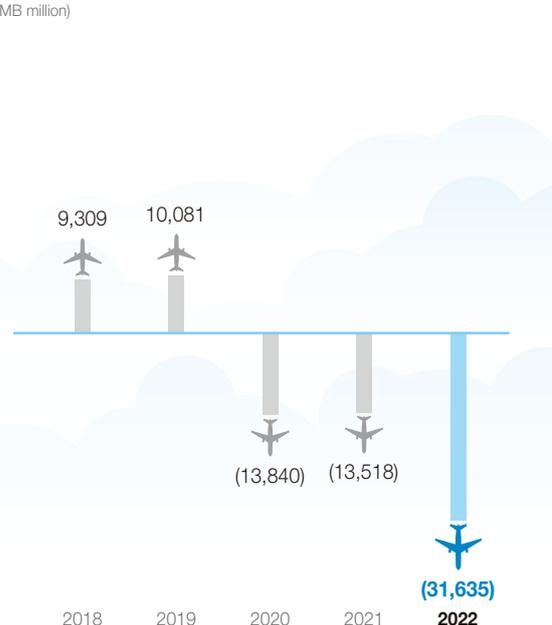
## Revenues

(RMB million)



## Operating Profit

(RMB million)



# Summary of Accounting and Business Data

(Prepared in accordance with PRC Accounting Standards)

## Loss for the year ended 31 December 2022

(RMB Million)

	2022
Net loss	<b>(39,900)</b>
Loss from main operations, net	<b>(29,446)</b>
Income from other operations, net	958
Loss from investments	<b>(190)</b>
Non-operating income, net	<b>(10)</b>

## Major Accounting Data & Financial Indicators

(RMB Million)

	2021	2022
1. Operation revenue	67,127	<b>46,111</b>
2. Net profit/(loss) attributable to the equity holders of the Company	(12,214)	<b>(37,386)</b>
3. Total assets	286,548	<b>285,742</b>
4. Shareholders' equity	54,910	<b>30,101</b>
5. Earnings/(loss) per share (RMB)	(0.73)	<b>(1.98)</b>
6. Equity attributable to the equity holders of the Company per share (RMB)	2.72	<b>1.30</b>

Note:

Calculation of major financial indicators:

Loss per share = Net loss attributable to the equity holders of the Company ÷ weighted average number of ordinary shares outstanding in issue during the year

Equity attributable to the equity holders of the Company per share = equity attributable to the equity holders of the Company at the end of the year ÷ number of ordinary shares outstanding at the end of the year





# Summary of Major Operating Data

	For the twelve months ended 31 December		
	2022	2021	Change
<b>Passenger transportation data</b>			
<b>ASK (available seat – kilometres) (millions)</b>	<b>96,210.85</b>	160,690.39	-40.13%
– Domestic routes	<b>92,204.39</b>	156,017.64	-40.90%
– International routes	<b>3,577.88</b>	3,941.92	-9.24%
– Regional routes	<b>428.58</b>	730.83	-41.36%
<b>RPK (revenue passenger – kilometres) (millions)</b>	<b>61,287.67</b>	108,803.69	-43.67%
– Domestic routes	<b>59,030.04</b>	106,605.49	-44.63%
– International routes	<b>2,019.22</b>	1,788.51	12.90%
– Regional routes	<b>238.41</b>	409.69	-41.81%
<b>Number of passengers carried (thousands)</b>	<b>42,510.46</b>	79,099.06	-46.26%
– Domestic routes	<b>42,027.14</b>	78,557.34	-46.50%
– International routes	<b>322.69</b>	267.21	20.76%
– Regional routes	<b>160.63</b>	274.50	-41.48%
<b>Passenger load factor (%)</b>	<b>63.70</b>	67.71	-4.01pts
– Domestic routes	<b>64.02</b>	68.33	-4.31pts
– International routes	<b>56.44</b>	45.37	11.07pts
– Regional routes	<b>55.63</b>	56.06	-0.43pts
<b>Passenger – kilometres yield (RMB)<sup>Note</sup></b>	<b>0.602</b>	0.531	13.37%
– Domestic routes	<b>0.549</b>	0.509	7.86%
– International routes	<b>2.100</b>	1.788	17.45%
– Regional routes	<b>1.040</b>	0.744	39.78%

## Summary of Major Operating Data

	For the twelve months ended 31 December		
	2022	2021	Change
<b>Freight transportation data</b>			
<b>AFTK (available freight tonne – kilometres) (millions)</b>	<b>6,349.11</b>	9,077.33	-30.06%
– Domestic routes	<b>1,356.56</b>	3,093.45	-56.15%
– International routes	<b>4,948.43</b>	5,932.12	-16.58%
– Regional routes	<b>44.11</b>	51.76	-14.78%
<b>RFTK (revenue freight tonne – kilometres) (millions)</b>	<b>2,608.93</b>	3,393.40	-23.12%
– Domestic routes	<b>524.67</b>	865.28	-39.36%
– International routes	<b>2,074.95</b>	2,517.15	-17.57%
– Regional routes	<b>9.31</b>	10.96	-15.05%
<b>Weight of freight carried (million kg)</b>	<b>652.39</b>	920.04	-29.09%
– Domestic routes	<b>352.17</b>	594.18	-40.73%
– International routes	<b>290.88</b>	314.80	-7.60%
– Regional routes	<b>9.34</b>	11.06	-15.55%
<b>Freight load factor (%)</b>	<b>41.09</b>	37.38	3.71pts
– Domestic routes	<b>38.68</b>	27.97	10.71pts
– International routes	<b>41.93</b>	42.43	-0.50pts
– Regional routes	<b>21.10</b>	21.18	-0.08pts
<b>Freight tonne – kilometres yield (RMB)<sup>Note</sup></b>	<b>2.978</b>	2.449	21.60%
– Domestic routes	<b>1.031</b>	0.935	10.27%
– International routes	<b>3.414</b>	2.922	16.84%
– Regional routes	<b>15.682</b>	13.230	18.53%



## Summary of Major Operating Data

	For the twelve months ended 31 December		
	2022	2021	Change
<b>Consolidated data</b>			
<b>ATK (available tonne – kilometres) (millions)</b>	<b>15,008.09</b>	23,539.47	-36.24%
– Domestic routes	<b>9,654.96</b>	17,135.04	-43.65%
– International routes	<b>5,270.44</b>	6,286.89	-16.17%
– Regional routes	<b>82.69</b>	117.54	-29.65%
<b>RTK (revenue tonne – kilometres) (millions)</b>	<b>8,025.31</b>	13,046.71	-38.49%
– Domestic routes	<b>5,743.18</b>	10,323.79	-44.37%
– International routes	<b>2,251.73</b>	2,675.86	-15.85%
– Regional routes	<b>30.39</b>	47.06	-35.42%
<b>Overall load factor (%)</b>	<b>53.47</b>	55.42	-1.95pts
– Domestic routes	<b>59.48</b>	60.25	-0.77pts
– International routes	<b>42.72</b>	42.56	0.16pts
– Regional routes	<b>36.75</b>	40.04	-3.29pts
<b>Revenue tonne – kilometres yield (RMB)<sup>Note</sup></b>	<b>5.567</b>	5.067	9.87%
– Domestic routes	<b>5.739</b>	5.338	7.51%
– International routes	<b>5.029</b>	3.944	27.51%
– Regional routes	<b>12.965</b>	9.562	35.59%

Note: In calculating unit revenue index, the relevant revenue includes incomes generated from co-operation routes and fuel surcharge.

# Fleet Structure

The Group has continued to carry out its vision of green development and has been optimising its fleet structure in recent years. In 2022, the Group strengthened its negotiations with suppliers and optimised the pace of aircraft introduction according to changes in market conditions, introduced a total of 34 aircraft of major models and retired a total of 11 aircraft. With the introduction of new aircraft models such as A350-900 and A320NEO, the Group's fleet age structure continues to remain young.

As at 31 December 2022, the Group operated a fleet of 778 aircraft, which included 775 passenger aircraft and 3 business aircraft.

## Fleet structure as at 31 December 2022

(Units)

No.	Model	Net increase in 2022	Sub-total	Self-owned	Under finance lease	Under operating lease	Average fleet age (Years)
1	B777-300ER	0	20	10	10	0	6.9
2	B787-9	0	10	3	7	0	3.9
3	A350-900	4	15	1	14	0	2.3
4	A330 series	0	56	30	21	5	9.1
<b>Total number of wide-body passenger aircraft</b>		<b>4</b>	<b>101</b>	<b>44</b>	<b>52</b>	<b>5</b>	<b>7.1</b>
5	A320 series	14	372	122	139	111	8.6
6	B737 series	-6	284	102	72	110	8.4
7	C919	1	1	0	1	0	0.1
<b>Total number of narrow-body passenger aircraft</b>		<b>9</b>	<b>657</b>	<b>224</b>	<b>212</b>	<b>221</b>	<b>8.5</b>
8	ARJ21	10	17	2	15	0	0.8
<b>Total number of regional passenger aircraft</b>		<b>10</b>	<b>17</b>	<b>2</b>	<b>15</b>	<b>0</b>	<b>0.8</b>
<b>Total number of passenger aircraft</b>		<b>23</b>	<b>775</b>	<b>270</b>	<b>279</b>	<b>226</b>	<b>8.1</b>
<b>Total number of business aircraft</b>			<b>3</b>				
<b>Total number of aircraft</b>			<b>778</b>				

Notes:

- A330 series aircraft include A330-200 and A330-300 aircraft;
- A320 series aircraft include A319, A320, A320NEO and A321 aircraft;
- B737 series aircraft include B737-700, B737-800 and B737 MAX 8 aircraft.



## Major Operations

Model	Passenger traffic volume (10 thousand)	Passenger load factor (%)	Overall load factor (%)	Daily utilization (hours)
B777-300ER	36.36	59.40	46.63	6.66
B787-9	37.89	58.99	40.02	4.68
A350-900	19.89	56.83	39.50	4.30
A330 series	186.04	60.40	38.45	3.88
A320 series	2,260.02	66.65	62.66	3.97
B737 series	1,691.40	60.83	61.33	3.92
ARJ21	19.44	59.37	60.51	2.44

## Fleet Plan

### Introduction and Retirement Plan of Aircraft for 2023 to 2025

Units

Model	2023		2024		2025	
	Introduction	Retirement	Introduction	Retirement	Introduction	Retirement
B787 Series	—	—	7	—	4	—
A350-900	5	—	—	—	—	—
A330 Series	—	—	—	—	—	—
A320 Series	16	6	28	14	31	23
B737 Series	2	8	6	9	—	14
ARJ21	9	—	9	—	—	—
C919	4	—	—	—	—	—
Total	36	14	50	23	35	37

Notes:

1. According to confirmed orders, the Company plans to introduce 48 aircraft and retire 26 aircraft in 2026;
2. The Group has optimised and adjusted the introduction of certain aircraft, and does not preclude the possibility of timely adjustment of plans for the introduction and retirement of aircraft based on the changes in external environment and market conditions, and flight capacity allocation of the Group.

# 2022 Milestones

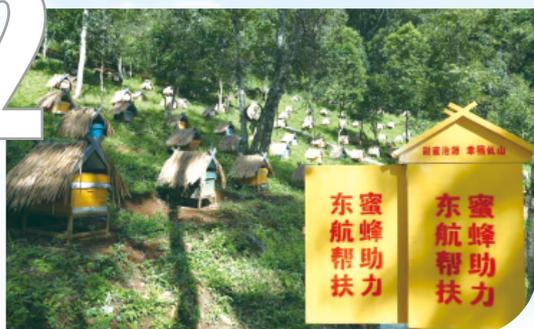
# 1



## Cooperation with Shanghai Lingang Special Area

On 29 June 2022, CEA and Shanghai Lingang Special Area entered into a "6+1" major cooperation agreement, actively promoting the overall deployment of the aviation industry chain in Lingang Special Area.

# 2



## Supporting rural revitalization

On 18 August 2022, the 7th National Apiculture Development Conference and Rural Revitalization High-quality Development Forum undertaken by CEA was opened in Cangyuan. CEA actively supported the establishment of local apiculture industry to leverage on their advantages and fully promote rural revitalization. In December 2022, outstanding cases of rural revitalization by CEA was selected into the Blue Paper of Central Enterprises' Social Responsibility (2022).

# 3



## Nationwide coverage for "air-rail combined transportation" products

On 22 September 2022, the "air-rail combined transportation" products created by CEA and China Railway were launched on various domestic hubs such as Shenyang, Hefei and Tianjin and its network basically covered the whole country, providing smoother and more convenient services to travelling passengers.

# 4



## First flight with sustainable aviation fuel

On 12 October 2022, the A320neo series aircraft received by CEA conducted the first flight using 5% of sustainable aviation fuel from Tianjin to Xi'an. It marked the in-depth research on industry sustainable development by CEA and a new practice of promoting "energy saving, carbon reduction and green flights" with industry partners.



5



### Ensuring the successful organization of 5<sup>th</sup> CIIE with our services

In November 2022, CEA participated in the CIIE again as the “core supporting enterprise”, “designated air carrier”, “purchaser”, and “service provider” to serve and ensure the successful organization of the CIIE. Leveraging on the sizable platform and opportunities from the CIIE, our brand services were widely recognized.

6



### Successfully hosted the 2022 North Bund International Aviation Forum

On 22 November 2022, the 2022 North Bund International Aviation Forum was hosted successfully. Focusing on the theme of “Sharing Opportunities of Digital Economy and Co-building a Green and Intelligent Civil Aviation” of the forum, CEA released the two major achievements of “Intelligent Carrier” and “Intelligent Aviation”, providing strong support for the development of China’s strong transportation network, strong civil aviation network and the development of Shanghai as an international air transportation center.

7



### The delivery of the World’s first C919 to CEA

On 9 December 2022, the first domestically manufactured large aircraft C919 was officially delivered to CEA and completed its first flight. On 26 December, C919 aircraft of CEA conducted 100 hours of test flights, thereby consolidating the foundation for entering into commercial operations subsequently.

8



### Completion of the “Teng Fei Yi Hao (騰飛一號)” non-public issuance project

In 2022, CEA commenced the “Teng Fei Yi Hao (騰飛一號)” non-public issuance of A Shares project and raised RMB15,000 million, among which, CEA Holding contributed RMB5,000 million and proceeds from market-oriented financing amounted to RMB10,000 million. It is so far the largest scale market-oriented financing for the aviation industry of the PRC.

9



### Winning multiple awards for information disclosure and annual report

In 2022, the performance of information disclosure by CEA was awarded A Grade for ninth consecutive year, which is the highest grading for companies listed on the main board of the Shanghai Stock Exchange. CEA was also awarded LACP Global Aviation Industry Annual Report Gold Award (LACP 全球航空業年報金獎) and ARC Airline Traditional Annual Report — Bronze Award (ARC 航空公司傳統年報銅獎) for its 2021 Annual Report.







# Management's Discussion and Analysis

Vice Chairman, President  
**Li Yangmin**



## Business Review

In 2022, the global economic growth rate slowed down significantly. The International Monetary Fund predicted that the global economic growth rate drop from 6.2% in 2021 to 3.4% in 2022. Facing the triple pressure of demand contraction, supply shocks and weakening expectations, the foundation of economic recovery of China is not yet steady. Under the influence of multiple unexpected adverse factors such as continued market downturn, international geopolitical conflicts, RMB depreciation and high oil prices, China's aviation industry faced unprecedented difficulties in 2022 and the production and operation of the Group faced severe challenges.

Facing the complex and severe external environment, the management of the Company maintained a high sense of responsibility, analyzed the situation, made scientific study and judgment, took a calm stance, coordinated the implementation of various works such as production and operation, safe operation and reform and development and achieved new progress in stable operation, refined management, brand service and social responsibly. Affected by the external environment, the indicators of the Group, such as production volume and revenue, have decreased significantly year-on-year in 2022. The Group completed a total transport turnover of 8,025 million tonne-kilometres, a passenger traffic volume of 42,510.5 thousand passengers, and recorded an operating income of RMB46,111 million, representing a decrease of 38.49%, 46.26% and 31.31% respectively compared with 2021. The net loss attributable to shareholders of the Company in 2022 was RMB37,386 million.



1 Three Basics: Focus on the front line grass-roots staff, lay the foundation and train basic skills.

## Review of Operations

### Safe operation

The Group is deeply aware of the spirit of the important instructions, namely “to ensure the absolute safety of aviation operations and to ensure the absolute safety of people’s lives”, and insisted on applying the concept of safe development to all aspects and all processes of the production and operation of the Group.

The Group conscientiously implemented the security work deployment from higher-level authority and took effective measures to facilitate the consolidation and steady rebound of its security situation. Through adhering to the system concept, strengthening the bottom-line thinking and implementing the “Fifteen Measures for Safe Production” from higher-level regulatory authorities one by one, the safety responsibilities are solidly implemented at all levels. The Group adhered to the practice of sound system, system enhancement, work style correction and cultural guidance while continuously facilitating the construction of the “four systems”, namely safety management, production and operation, flight training, and aircraft maintenance.

The Group strengthened safety governance and hidden danger investigation while focusing on preventing and defusing safe operation risks. A large-scale investigation on safety hazards is comprehensively launched to solidly promote the consolidation and enhancement of the three-year special action for rectification towards safe production. Safety supervision and research are conducted on key units to promote normalization and institutionalization of safety supervision, continuously building a defense line for safe operation. Affected by factors including the reduction in flight duration, the Group proactively responded to the risk of the decline in the pilot’s manipulative capacities by strengthening the on-site training and skill recovery training of the pilots. A daily risk reminder and weekly safety information analysis mechanism is established to strengthen the safety awareness of front-line personnel.

The Group continued to facilitate the construction of the Three Basics<sup>1</sup> while continuously consolidating the foundation of safe operation. The Group strictly implemented the guidelines and requirements for the construction of a long-term mechanism for the work style of civil aviation safety practitioners and utilized big data to establish eight monitoring indicators for the development

## Management's Discussion and Analysis

of professional work style. Work style building is incorporated into management manual to solidly promote the building of work style for safety practitioners. The Group strengthened the construction of culture of security to enhance the safety responsibility awareness of all employees. Through strictly organizing production and operation and strictly monitoring crew dispatch, weather and airworthiness, operations beyond capacity are strictly prevented and volume of flight operations are orderly resumed. During the reporting period, the Group completed 1,077.4 thousand hours of flight and 445.8 thousand takeoffs and landings.

### Stable operation

The Group adhered to the general principle of seeking progress while insisting on strengthening measures to stabilize growth, and striving to reduce and control losses.

The Group closely tracked market changes to dynamically adjust production and organization as well as transportation capacity deployment. In response to market changes, the Group actively formulated special plans for Spring Festival, summer holiday and National Day, seizing opportunities at various stages of market. The Group formulated plans for optimizing and shifting capacity targeted at areas including Shanghai, Chengdu and Guangzhou, according to the market demand, in order to reduce adverse impact. As passengers' travel sentiment demonstrated a significant trend of recovery, the Group rapidly increased its capacity supply. In response to changes in market environment, the Group proactively improved freight rate management, refined revenue management and control, and improved the level of business decision-making. The Group made an all-out effort in seizing opportunities in the cargo market through increasing the number of high-yield cargo routes and actively promoting passenger-to-freighter converted aircraft and bellyhold space business. The Group achieved revenue from freight transportation of RMB7,770 million during the Year.

Focusing on its long-term strategic deployment, the Group coordinated and promoted the building of hub and route network. The Group optimized the five-year route network planning of "four beams and eight columns" while continuously developing the express and sub-express system of China Eastern Airlines. Through actively striving for time slot resources, the new time slots in summer and autumn, winter and spring in 2022 increased by 3.24% and 1.50% year-on-year respectively. The route networks are continuously optimized through launching "Domestic Express"<sup>2</sup> route product and improving the quality of the route network of "four beams and eight columns". The Group steadily promoted the building of important commercial market bases and successfully completed the operation and transfer of Chengdu Tianfu Airport and Qingdao Jiaodong Airport while implementing the "Linking Trunk routes and regional routes" route network in the southwest region for the Chengdu market, and developing the cooperation in transit and combined transport among the airlines.

The Group strengthened the building of self-owned sales channels, and actively expanded the cooperation with agency channels. The total number of users of the "Referral Scheme"<sup>3</sup> has exceeded 220,000, and the cumulative sales of "MileagePlus"<sup>4</sup> has reached 55,000 sets. The Group optimized the agency fee mechanism and diverted all channels to improve sales quality. Through actively promoting the cooperation with NDC<sup>5</sup> channel, the Group launched air ticket sales on various platforms such as medical and health, government affairs, reimbursement control of enterprise expenses, information and communication and e-commerce.

The Group attached great importance to the safety of funds, and took multiple measures to ensure the safety of its capital chain and financial stability. Through firmly establishing the awareness of "cost reduction", and strengthening the rigid constraint of budget, various cost expenditures are strictly

- 2 Domestic Express: The Company launched the "Domestic Express" product on 30 December 2022. The first batch of product took Kunming, Chengdu Tianfu, and Wuhan as transit airports, and was focused on China Eastern Airlines + China Eastern Airlines, China Eastern Airlines + Sichuan Airlines transit flights. 19 routes and 27 flight combination are involved.
- 3 Referral Scheme: All members of the "Eastern Miles (東方萬里行)" who have passed real-name authentication can be "referrers" and can make use of the social channels of the internet to invite friends to go to designated ticket purchase channels to buy tickets and get certain incentive discount during activity period. After completing the designated task, the referrer can get incentive points.
- 4 MileagePlus (前程萬里): The Company launched an air travel product that is directly sold and used in accordance with route distance. After purchase of such product, passengers can use it to make advance booking of all domestic flights (excluding Hong Kong, Macau and Taiwan) operated by CEA and Shanghai Airlines for all classes and all routes at all seasons within the effective date.
- 5 NDC: New Distribution Capability. The distribution system based on the NDC model can realise the seamless connection of the retail business of various aviation products between aviation companies and corporate customers, TMC (Travel Management Companies) and travel agencies.



## Management's Discussion and Analysis

controlled. The Group strictly controlled its debt scale and actively expanded financing channels while supplementing cash flow through measures such as rolling issuance of various middle-term and short-term bonds and entrusted loans from controlling shareholders. Various bailout policies and supports are fully utilized to ensure that the bailout funds are properly used. The capital project of non-public issuance of A shares was successfully completed and RMB15,000 million was raised, thereby facilitating the enhancement in capital strength and anti-risk capabilities of the Group and consolidating the foundation for sustainable development of the Group; CEA Holding subscribed for RMB5,000 million, which reflected the controlling shareholder's support for the core aviation business and its confidence in the future development of the Group.

### Refined management

The Group continued to strengthen refined management while further improving efficiency and reducing operating costs in production and operation, passenger services and business-finance integration.

The Group focused on the capacity of air passenger transportation and revenue management and control to enhance market resilience and refine the enhancement in revenue management. The Group paid close attention to flight capacity, products and cabin structure, accelerated digital transformation and the construction of "Intelligent Aviation" operations, and strengthened the full-cycle management and control capabilities of flights. Through refining revenue management and control, hierarchical and classified management of routes are implemented. The Group refined the large-scale adjustment process of flights while paying close attention to market demand to adjust and optimize flights in a timely manner.

The Group continued to optimize passenger services and refined the enhancement in service experience. In response to the surge in demand for ticket refunds due to the external environment, the Group realized the self-service operation for the whole process of ticket refunds, which enhanced customer satisfaction. In the face of special situations such as adjustment of entry points and flight cancellations for international flights, a new channel for the release of information was quickly established, and multiple measures were taken to increase the connection rate of the 95530-hotline service. The volume of intelligent services increased by 11.21% year-on-year. The Group launched the "Healthy Travel" project with online automatic verification of

international health certificates to reduce the queuing time of international passengers. Combining preferences of the passengers and features of the seasons, the Group increased its effort in releasing new festive menu for festivals and holidays, and launched the "year of tiger" themed menu during the New Year's Day and the Chinese New Year Holidays.

The Group established a normalized mechanism for business-finance integration and promoted 270 quality-enhancing and efficiency-enhancing projects, so as to refine the efficiency enhancement. The Group continued to explore old aircraft dismantling projects to increase the revenue level of residual value and realize the end-of-life value of old aircraft. The Group carried out refined management and control on aircraft load while re-evaluating the weight of catering and on-board supplies and optimizing dynamic configuration. The implementation of heavy aircraft altitude optimization and aircraft speed management and control has effectively improved the performance of the aircraft. According to simulation calculations, the annual fuel saving was approximately 54,000 tons. The Group optimized the management and control model of catering and on-board supplies while fully utilizing the professional advantages of Eastern Air Catering to reduce the procurement cost of catering and realize the refined management of the turnover and storage of on-board supplies.

### Brand service

The Group optimized the service process to provide passengers with warmer and sincere services while developing a standardized, consistent, more distinctive and influential service brand.

The Group explored the service product innovation, which effectively increased customer loyalty. The number of frequent flyer members of "Eastern Miles" has exceeded 50 million and the "At One Go"<sup>6</sup> has covered 20 domestic sites. The air-rail combined transportation covered 42 hub cities while air-bus combined transportation has opened more than 100 inter-provincial transportation routes and the Air Express has

6 At One Go: The Company launched the service on pilot routes since December 2021. Direct sales channels support the function of seat selection and check-in during the purchase process. Seat selection is made before payment during the ticket purchase process. The system would automatically assign seats for passengers from distribution channel after the issuance of ticket (for those who choose not to check-in). Passengers can change their seats and check-in again through direct sales channels.

## Management's Discussion and Analysis

opened 33 routes. The Group launched the "Easy to Enjoy" product series that covered service rights such as easy boarding, easy transfer, parking privileges and VIP room privileges and a total of approximately 410,000 passengers was carried throughout the Year. The Aerial Internet service of all wide-body aircraft was realized, which ranked first in China and leading in Asia in terms of fleet size, the number of flights, and the number of users.

The Group actively improved the service process and optimized the passenger service experience. A benchmarking talent team for flight attendants namely "Lingyan" was built to standardize service quality. Brand characteristic was shown through promoting air catering such as "That" series<sup>8</sup>, "Cloud" series<sup>9</sup>. The Group promoted the construction of "Intelligent Aviation" services, allowing passengers to handle online check-in easily. Customs clearance is completed without any burden throughout the whole process, allowing passengers to wait for the plane in a relaxing mood. Through exquisite service presentation, refine service management, and accurate customer group classification, the Group led and promoted the improvement of ground service quality to ensure orderly and smooth ground operations.

The Group continuously promoted the construction of service brand and steadily improved brand image. The Group received the world's first C919 aircraft and successfully completed important transportation guarantee tasks such as the Fifth China International Import Expo and successfully hosted the 2022 North Bund International Aviation Forum. The "Super Carrier"<sup>10</sup> and "Intelligent Aviation" were released.

### Social responsibly

With a high sense of social responsibility, the Group practiced the ecological development concept of "green flight, technological environmental protection" with practical actions while assisting the rural revitalization with heart and soul and continuously enhancing the happiness of employees.

The Group actively promoted green development and carried out works related to environmentally sustainable development. The Group prepared the "14th Five-Year" special plan for green development and the action plan for carbon peaking, established a leading group to promote the overall deployment of sustainable aviation fuel (SAF), and cooperated with other airlines, supply chain enterprises and research institutes to actively follow up on the research and development, policy research and application of SAF. In order to implement the relevant requirements of market-based carbon emission reduction mechanisms in European Union, China, local pilots and industry, a subsidiary of CEA Holding, the Company's controlling shareholder, participated in the establishment of the Hainan International Carbon Emissions Trading Center to support China's green and low-carbon development strategies.

The Group consolidated and expanded the achievements of poverty alleviation while supporting rural revitalization. In collaboration with Tsinghua University, the Group carried out remote teaching for industry leaders and farmers in the new era in Cangyuan and Shuangjiang counties of Lincang, Yunnan, while actively promoting related industrial projects. The Group's targeted poverty alleviation awarded the "Public Welfare Product Project with Best Experience" at the 2022 World NGO Innovation and Development Summit.

The Group solidly promotes the build-up of a "happy CEA" to enhance the sense of belonging of employees. The Group focuses on the creation of an equal, diverse and inclusive workplace culture, with an aim to provide an equal and friendly working environment and development opportunities for all employees. In active response to the 25% initiative of IATA 2025, the proportion of female employees in the Group has reached 36.75%. The Group listens carefully to the voices of employees and realizes the all-in-one website for point award and usage for meals provided to employees, implements the construction project for affordable rental housing for employees and expands the coverage of the mutual fund project for special and serious illness.

- 7 Lingyan: The "Lingyan" flight attendant demonstration team of the Company was established in May 1989. Currently, it has become a well-known excellent air service brand that won the "Shanghai Brand" certification in 2019.
- 8 "That" series: The Company launched a series of products such as "MU Noodles" and "MU Tea".
- 9 "Cloud" series: The Company launched a series of products such as "Food on the Cloud" and "Drink on the Cloud" in the cabin.
- 10 Super Carrier: Refers to a first-class air transportation company with excellent global service capabilities, innovation capabilities and influence. Such transportation service company actively develops the civil aviation ecosystem, fully participates in global cooperation, and has five dimensional features including first-class operational capabilities, service capabilities, management capabilities, innovation capabilities and influence.



### OUTLOOK FOR 2023

The Group would like to bring to the attention of readers of this report that this report contains certain forward-looking statements, including forward-looking statements of international and domestic economies and the aviation industry, and descriptions of the Group's future operating plans for 2023 and beyond. Such forward-looking statements are subject to many uncertainties and risks. The actual events that occur may be different from forward-looking statements of the Group which, therefore, do not constitute any commitment by the Group to future operating results.

The recovery of the global economy is facing various challenges. According to reports released by the World Bank and the International Monetary Fund, affected by factors such as high inflation, rising interest rates, disinvestment, and the Ukraine crisis, the global economic growth rate will show a downward trend in 2023.

Despite facing multiple risks such as slowing global economic growth and geopolitical conflicts, the strong recovery trend of the global aviation industry continues, it is expected that China's air passenger market will usher in a significant recovery.

In 2023, the Group will adhere to the general tone of seeking progress while maintaining stability. Forging ahead with confidence and solidarity, the Group will strive to maintain safety, stable operations and strong management while focusing on reform, promoting innovation, preventing risks, focusing on service and brand building, as well as showing responsibility.

#### Safe operation

The Group will always adhere to the concept of safe development. Through strengthening the construction of safety system and focusing on the enhancement and management of production and operation, training, maintenance and safety performance, the Group constantly consolidates the foundation of safety. The Group will strengthen supervision on safety and enhance the performance in the control and management of safety hazards such as flights, aviation security and cabin while strengthening the work style building of employees, enhancing safety awareness and risk prevention awareness, and promoting the implementation of safety responsibilities. The Group will coordinate comprehensive safety production, strengthen safety process management, and implement whole-process control.

#### Maximizing efficiency

The Group will seize the opportunity of market recovery and actively improve efficiency. Through strengthening the matching between market and models as well as supply and demand and optimizing flight time slots, the Group strengthens its control in the core markets. The Group continuously strengthens the construction of the aviation network to enhance the market competitiveness of the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing Economic Zone. The Group focuses on the recovery of the international market through improving and strengthening the strategic synergy with key partners, which provide support for the restart and efficiency improvement of international routes. The Group continues its product innovation and optimizes various auxiliary products while optimizing its customers' products, steadily improving the quality of revenue. It actively promotes cooperation with overseas distribution platforms to enhance international distribution capabilities.

#### Refined management

The Group will build synergy in production and operation, passenger services and business-finance integration. Through continuously improving the value of the entire life cycle of the fleet and the level of operational management, asset returns and operational benefits are maximized. The Group explores the establishment of business-finance communication channels and assessment mechanisms while continuously promoting the construction of business-finance integration platforms. Through consolidating existing measures, realizing the institutionalized management of aircraft weight reduction and fuel saving projects, which reduces fuel consumption by control at the source. A full-process service management and control platform is established, with an aim to achieve accurate prediction of service problems, refined coordination of service resources, and precise control of service process.

#### Brand service

The Group will strengthen service brand promotion by focusing on the service concept of "refine, precise, exquisite and wonderful", and unifying the brand specifications in marketing and service process. The Group will focus on digital innovation and promote the systematization of innovative products while upgrading and iterating existing products, and building a member ecosystem, with an aim to improve passenger service experience and brand loyalty. Through ensuring good performance in

## Management's Discussion and Analysis

services for important events such as the Hangzhou Asian Games, the China International Import Expo and the North Bund International Aviation Forum, as well as continuously promoting advantageous brands such as the "That" series, "Cloud" series, and "SuiXin" series, we aim to enhance our brand building comprehensively. The Group strengthens the coordination and communication mechanism of service operation, and improves the efficiency of service operation, so as to improve the service guarantee and operational resilience of abnormal flights.

### Social responsibly

The Group will actively fulfill its social responsibilities and demonstrate its responsibilities and commitments to all walks of life. The Group continuously promotes rural revitalization tasks while promoting agricultural technology training and rural tourism in targeted regions. It actively launches researches related to climate change and other related issues while facilitating the construction of environmental and energy management systems as well as pollution prevention and control, following up the implementation of policy requirements in domestic and foreign carbon market, and increasing the application and promotion of sustainable aviation fuel. The Group continuously creates an inclusive and diverse workplace environment while continuously optimizing the employee welfare system, enhancing assistance precisely targeted for needy employees, and establishing a comprehensive talent training mechanism with multi levels and multi forms to meet the career development needs of employees.

### Major Businesses and Operation Model

The scope of principal business of the Company includes: domestic and approved international and regional business for air transportation of passengers, cargo, mail, luggage and extended services. In addition, the Company is permitted to carry out the following business operations: general aviation business; maintenance of aviation equipment and machinery; manufacture and maintenance of aviation equipment; agency business for

domestic and overseas airlines and other business related to air transportation; insurance-by-business agency services; e-commerce; in-flight supermarket; wholesale and retail of goods.

The Group built up a streamlined and efficient modernised fleet, operating 778 passenger aircraft, including 3 business aircraft, with an average fleet age of 8.1 years. Surrounding Shanghai and Beijing core hubs and Xi'an and Kunming regional hubs, we provided high-quality and convenient air transport and extended services to worldwide travellers and customers.

### Current Development of the Aviation Industry

In 2022, under the pressure of the global economic downturn, rising international oil prices and geopolitical conflicts, global aviation industry was seeking for the path of recovery. Facing the intertwining and superimposing of various factors such as impacts from external environment and operating losses, the transportation production of China's civil aviation industry continued to be low. According to report issued by the CAAC, China's civil aviation industry recorded a total transport turnover of 59.93 billion tonne-kilometres and a passenger traffic volume of 250 million passengers in 2022, representing a significant decrease compared with same period in 2021 and was accounted for 46.3% and 38.1% of 2019 respectively.

China's civil aviation industry adhered to the principle of seeking progress while maintaining stability, formulated a work plan for the recovery of the air transport market in a safe and orderly manner, systematically optimized the allocation of time slot resources and route deployment, coordinated and accelerated the implementation of fiscal, taxation and financial relief policies for the development of the civil aviation industry, so as to consolidate the base for development of the industry.



### Landscape and Trend of the Industry

Amid complicated and severe international situation, high global inflation, weak momentum in the growth of global economy and trade and the uncertainty of the external environment, Chinese economy achieved a steady growth and had huge potential and development momentum. However, there is still a need to consolidate the foundation of economic recovery, and insufficient demand is still an important issue.

In 2023, China's civil aviation transportation market is expected to usher in a significant recovery, and the market demand of passenger transportation may show a trend of "low and then surged, slow and then fast". National Civil Aviation Work Conference pointed out that, China's civil aviation industry will continue to increase the construction of civil aviation infrastructure, accelerate the construction of intelligent civil aviation, strengthen the construction of civil aviation under the rule of law and international cooperation in civil aviation. Through coordinating domestic and international markets and grasping the pace of the recovery and development of the industry, China's civil aviation industry strive to achieve a recovery of about 75% of 2019 in 2023.

### Development Strategy

The Group takes "building a world-class and happy CEA" as its strategic goal while taking "providing customers with safe, fast and comfortable high-quality air travel services" as its development mission, striving to become a world-class intelligent air travel integrated service provider that focus on sustained safety, innovative development, high quality and efficiency, environmental protection, synergetic development, employee passion, customer preference, shareholder satisfaction and social trust.

The Group continuously strengthens the construction of safety management system and safety management mechanism, with an aim to continuously improve the efficiency of safety management. The Group will continue to deepen the construction of dual core hubs of Beijing and Shanghai and the dual regional hubs of Xi'an and Kunming, so as to steadily enhance the control on domestic and international core markets and build a new market territory. The Group will continue to deepen value-added services and optimise customer experience on air tickets, travel

and life while continuing to promote digital transformation to realise "Digital CEA and Intelligent CEA". The Group will continue to deepen reforms through optimising its organizational structure, improving the quality of its talent team, and strengthening its modern corporate governance capabilities, refined management capabilities, business-finance integration capabilities, and risk prevention capabilities, so as to achieve a significant improvement in the quality and efficiency of the Group. The Group will adhere to green development through actively planning and promoting the path to achieve carbon peaking and carbon neutrality, and will explore a fuel-saving and emission-reducing management method that combines information-based and market-based means to practice a sustainable and high-quality development path.

### Core Competitiveness Analysis

#### 1. Advantages of Located in Prosperously Developed Shanghai and the Yangtze River Delta Area

The Group enjoys relatively strong location advantages. Being one of the three major state-owned aviation companies, the headquarters and main operation bases of the Group are located in the super-sized international city — Shanghai. As China's key economic centre and international shipping centre, Shanghai has always had very close economic and trade connection with the Asia-Pacific region, Europe and America. The time it takes to fly from Shanghai to major Asian cities is about 2 to 5 hours, and to Europe and the west coast of North America is about 10 to 12 hours. The Yangtze River Delta directly served by Shanghai is one of the most economically vibrant regions in China with the highest degree of openness and the strongest innovative capacity as well as the key intersection of the "Belt and Road" and "Yangtze River Economic Belt".

The Group has the biggest market share in Shanghai Hongqiao International Airport and Shanghai Pudong International Airport, demonstrating the significant location advantage of its main operation bases: The Eastern Air Jiangsu and Zhejiang Branch under the Company has base operational advantages and relatively strong brand influence in Jiangsu and Zhejiang provinces, respectively. The development of the Group will be benefited by the implementation of the "Yangtze River Delta Integration" strategy of China, the promotion of the construction of

## Management's Discussion and Analysis

five centres in Shanghai, namely "Economic, Financial, Shipping, Trading, Technology Innovation", and the overall plan for the construction of the Hongqiao International Open Hub. Meanwhile, the Group will benefit from the further deepening of cooperation between CEA Holding and Shanghai. The Shanghai Municipal Government will support the Group in accelerating its development into a Super Carrier of air transport with global competitiveness. The Group has actively established the Shanghai core hub, and optimised the structure of flight network. As the "Terminal T1 + Satellite Terminal S1" hub in Pudong Airport commenced operation, the Group's transit efficiency and service capabilities at Pudong Airport has been improved and its influence in the air transportation market in Shanghai and the Yangtze River Delta region has been enhanced.

### 2. Flight Hub and Network Layout with Unique Advantages

The Group has actively seized the opportunities of the coordinated development of Beijing-Tianjin-Hebei, the Yangtze River Delta Integration strategy and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area to strengthen its route network layout. The Group chose Shanghai and Beijing, places with highly developed economy and keen demand on outbound travelling, as its core hubs, while Kunming (the gateway of Southeast Asia) and Xi'an (the gateway of Northwest China under the "Belt and Road" initiative) as regional hubs. The Group has constructed key route networks in Guangzhou, Shenzhen, Chengdu, Nanjing, Hangzhou, Qingdao, Wuhan, Xiamen and other cities. Through the cooperation with the members of the SkyTeam Airline Alliance, the Group established and improved the flight transportation network that covers the whole country and reaches 1,088 destinations in 184 countries around the world.

For domestic routes, the Group has set up subsidiaries in provinces and cities including Shanghai, Beijing, Yunnan, Shaanxi, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Hubei, Shanxi, Gansu, Sichuan, Hebei, Guangdong and Fujian. The Group's route network covers all provincial capital cities and key cities in China. For international routes, the Group's route network covers major well-known cities and tourist destinations in Hong Kong, Macau, Taiwan, Japan, South Korea and Southeast Asia, and major international cities in Europe, America and Oceania.

### 3. Streamlined and Efficient Fleet Structure

The Group has always strived on practicing the concept of green development as well as updating and optimizing the fleet structure. As at the end of 2022, the Group's average fleet age was 8.1 years, being among the youngest in the world. The Group has integrated factors such as route network planning, aircraft performance and market demand to continuously enhance the match between fleet models and routes, transportation capacity and market situation.

### 4. A Brand with Strong Oriental Characteristics and High-quality Services

The Group focused intensively on the strategic goal of becoming a "World Class", airline by continuously improving the quality of services and promoting the development of service brand. The Group has continuously created "precise, exquisite and refined" cabin services through continuously optimising service processes and innovating service products, thereby bringing a wonderful travel experience to passengers.

The Company has been selected as one of the top 100 most valuable Chinese brands by WPP, a global brand communication group, for 11 consecutive years, and has won many international and domestic awards in the fields of operational quality, service experience, and social responsibility.

### 5. High Quality Customer Cluster and Outstanding Partners

The Group has always maintained a good safety record and service standards, and the loyalty of its passengers has continued to rise. The number of frequent flyer members of the "Eastern Miles" (東方萬里行) of the Group reached 51 million.

In the industry, amid well-known international aviation companies, the Company has established a more stable and close comprehensive strategic cooperation relationship with Delta and AFK through capital and business collaboration, building a golden triangle of air transportation connecting Asia, North America and Europe. The Company has launched cooperative marketing with Japan Airlines. Its cooperation with Qantas in joint service on routes and market coordination has also become more extensive and in-depth. In the domestic aviation industry, Juneyao Airlines is a representative of outstanding private airlines,



and is also based in Shanghai. Through carrying out strategic cooperation using the “equity + business” model with Juneyao Airlines, the service capability of the Group's Shanghai main base has been further enhanced.

In the upstream and downstream of the aviation industry chain, the Group has actively explored brand cooperation with world-renowned companies to create mutual benefits. The Group established the “Airline + Internet” cooperation model with Ctrip to strengthen cooperation in product and route promotion. It cooperated with China National Railway Group Co., Ltd. to realise one-stop booking of “air ticket + train ticket”. Through connecting with the system of Shanghai Airport Bus Company (上海空港巴士公司), the “air + bus” combined transportation products were launched. The cooperation with large hotel groups and car platforms have been expanded to make travelling more convenient for passengers. The cooperation between Eastern Airlines Wallet and China UnionPay is strengthened to enrich the functions of Eastern Airlines Wallet, and further enhance the user experience of Eastern Airlines Wallet.

#### **6. High-quality fulfillment of social responsibility**

With a strong sense of social responsibility, the Group implements the ESG principles and continuously expands its investment in aspects like aviation safety, passenger services, caring for employees, community development and green flight. Setting “building a world-class and happy CEA” as its goal, the Group strives to become a world-class intelligent air travel integrated service provider that focuses on sustained safety, innovative development, high quality and efficiency, and environmental protection.

The Group actively participates in establishing ESG information disclosure rules, ESG performance ratings and ESG investment guidelines with Chinese characteristics, and attaches great importance to the participation of the Board in ESG management. The Company has published annual social responsibility reports to the public since 2009 and was rated “A” in MSCI ESG rating for 2 consecutive years.

## **RISK ANALYSIS**

### **1. Risk related to Economic and Trade Environment, Geopolitical Situation and Public Health Affairs**

The air transportation industry is closely connected to the economic and trade environment. The civil aviation transportation industry is more sensitive to macro-economic climate, which directly affects the development of economic activities, disposable income of residents and changes in the amount of import and export activities. These factors will in turn affect the demand for air transportation. Meanwhile, international economic and trade relations, geopolitical conflict or war will bring a relatively significant impact on the demand of aviation market in such location and its surrounding areas. In addition, above-mentioned risks may drive large fluctuations in the prices of energy and other large commodities, thereby affecting the global economic activities and causing greater impacts on the Company's operating results and financial condition. Public health emergencies may have a great impact on the demand of air travel and normal operation of the Company.

The Group pays close attention to the impacts caused by changes in the domestic and overseas macro-economic situation, international economic and trade relations, the geopolitical situation, public health emergencies and related policies and flexibly adjusts its transportation capacity deployment and market sales, so as to actively respond to such impacts.

### **2. Policy and Regulation Risk**

Airlines have business operations around the world. Hence, the aviation industry is largely affected by domestic and overseas economic policies and laws and regulations. The adjustments of and changes in relevant domestic and foreign laws and regulations, industrial policies, and regulatory policies may bring certain uncertainties to the future business development and operating results of the Group. At the same time, as the Group is a public company listed in several places around the world, the changes in the securities regulatory laws and regulations of the places of listing may have a relatively great impact and bring uncertainties on the shareholder structure, liquidity, price and continuity of the shares of the Company.

## Management's Discussion and Analysis

With respect to industrial policies and regulations, the Group has played an active role in various discussions concerning their formulation and revision, and promptly analysed and considered their latest changes and impact on the Group, so as to seize the development opportunities arising from such updates and prudently respond to the risks, challenges and uncertainties arising from the changes in policies and regulations.

### 3. Operational Safety Risk

Flight safety is the pre-condition and foundation for aviation companies to maintain normal operations and good reputation. Bad weather, mechanical failure, human errors, aircraft irregularities, national and international terrorism and other force majeure events may have an adverse impact on the flight safety, aviation security and operational safety of the Group.

The Group solidly promoted the construction of safe work practices, strictly executed rules, regulations and operating standards, implemented the accountability system for safe operation, strengthened the investigation and management of security risks, enhanced its safety and risk prevention and control system, and strengthened safety management and control capabilities, so as to actively respond to operational safety risk.

### 4. Core Resources Risk

The rapid growth of the industry has provoked competition among airlines for core human resources (such as management personnel in key positions and professional technical staff), air traffic rights and time slots. If the Group's reserve of core resources fails to adequately support the rapid growth in operational scale of the Company, the business and operations of the Company may be adversely affected.

The Group has promoted the building of corporate culture of "Love at CEA", further improved its incentive scheme for core technical staff, and proactively developed a core backup workforce through providing training programs to a pool of multi-tier backup management personnel and launching a core technical staff recruitment scheme. Meanwhile, the Group has coordinated with industry

regulators with respect to air traffic rights and time slots, and proactively participated in the marketised competition for time slot resources.

### 5. Competition Risk

Along with the opening-up of the domestic aviation market, development of low-cost airlines and increased investment in the Chinese market by international airlines, future competition in the domestic air transportation industry may intensify, which may bring uncertainties to the Group's air traffic rights and time slot resources, ticket price level and market share, and therefore have an impact on the Group's operating results. In addition, there is a certain level of overlap between railway, highway and ship transportation and air transportation in certain markets. Certain routes of the Group may experience higher competitive pressure.

The Group has actively responded to industry competition, proactively strived for new air traffic rights and time slots in hub markets and core markets, continuously refined its route network, steadily improved and consolidated its market share in the hubs and core markets. Through improving service quality and enhancing flight punctuality rate, the passenger experience was enhanced, which further strengthened the Group's competitiveness.

### 6. Risk Associated with the Fluctuation of Jet Fuel Prices

Jet fuel costs is one of the major expenses of the Company. Significant fluctuations of international oil price level will significantly impact jet fuel price level and revenue from fuel surcharge of the Group, and accordingly the Group's operating results.

As affected by external environment, there remains great uncertainty on the number of flights operated by and the fuel consumption of the Group in past few years, and hence, there also remains great uncertainty on the expected jet fuel costs. Without considering adjustment in fuel surcharge and other factors and on the basis of the fuel consumption of flights operated in 2022, if the average jet fuel price increases or decreases by 5%, jet fuel costs of the Group will increase or decrease by approximately RMB1,112 million.



The Group has optimised its transportation capacity allocation, strengthened marketing and strove to increase passenger load factor and unit yield level, so as to respond to the pressure of rising jet fuel prices. The Group will proactively analyse the trend of oil prices, and, as authorised by the Board, prudently conduct jet fuel hedging activities.

**7. Exchange Rate Fluctuation Risk**

The Group has sizeable currency liabilities. As the Group's foreign currency liabilities are mainly USD-denominated, if the exchange rate of USD against RMB fluctuates significantly, USD-denominated liabilities will generate a large amount of foreign exchange loss/gain, which will directly affect the Group's profit for that period and result in a relatively great impact on the Group's operating results.

As at 31 December 2022, if USD had strengthened or weakened by 1% against RMB with all other variables held constant, the effect on the Group's net profit and other comprehensive income would have been as follows:

*Unit: RMB million*

	Effect on net profit		Effect on other comprehensive income	
	Appreciation	Depreciation	Appreciation	Depreciation
USD exchange rates	-242	242	-	-

In 2022, the Group expanded its financing channels by means of issuing super short-term debentures and corporate bonds and acquiring RMB borrowings to bring in RMB financing, and proactively optimised the mix of currency denomination of the Company's debts. In the future, the Group will further reinforce its research and judgement on the foreign exchange market, expand the variety of its financing instruments such as RMB instruments and continuously improve the Company's debts and currency structure in order to minimise the adverse impact arising from exchange rate fluctuations on the Company's operations.

**8. Interest Rate Fluctuation Risk**

The majority of the Group's liabilities are attributable to USD-denominated liabilities and RMB-denominated liabilities generated from introduction of aircraft, engines and aviation equipment. The adjustment in interest rates of USD and RMB may cause changes in the borrowing costs of the Group's existing loans that carry floating interest rates, as well as future finance costs, which in turn may affect the Group's finance costs.

As at 31 December 2022, assuming all other variables remain constant, if the interest rate had increased or decreased by 25 basis points, the effect on the Group's net profit and other comprehensive income would have been as follows:

*Unit: RMB million*

	Effect on net profit		Effect on other comprehensive income	
	Increase	Decrease	Increase	Decrease
Floating rate instruments	-165	165	4	-4

The Group intends to launch transactions in derivatives to further optimise the proportion of floating-rate debts to the USD-denominated debts in the future. At the same time, the Group will actively seize the opportunity to issue super short-term debentures and corporate bonds to minimise RMB finance costs.

**9. Digital and Information Security Risk**

The development of various businesses during the Group's operation is closely related to the information network system. If there is any design defect, operational failure in the network information system of the Group or inadequate training and education on compliance and lack of security awareness on the part of internal staff, or if the system experiences external network attacks, the Group's business and operations may be affected, and customer data and information of the Company may be leaked. The occurrence of any of the foregoing may have an adverse impact on the operating results and brand image of the Group.

## Management's Discussion and Analysis

The Group has continuously promoted the construction of information and network security projects, iteratively modified rules and regulations such as the "Network Security Management Manual", established a sound information and network security-related technical protection and security management mechanism, and strengthened information network security management capabilities. The Group has appointed a "data protection officer" and established a customer data system based on identification information such as ID cards, so as to improve data and information security protection capabilities.

### 10. Development and Transformation Risk

During the process of expansion into new international markets, external investments, mergers and acquisitions and restructuring existing businesses and assets, the Group may face risks associated with decision-making, management, legal, regulation and interference of competitors, which may affect the results of the development strategies of the Group. There remain certain risks associated with the failure of achieving expected goals of transformation projects or business adjustments in the future.

The Group has made continuous improvements to the monitoring and management of the whole process of external investment, and will enhance the research of projects, strictly monitor various investment activities and refine its risk management mechanism through due diligence and asset valuation during expansion into new international markets, commencement of external investments, mergers and acquisitions and restructuring existing businesses and assets.

### 11. Suppliers Risk

Air transportation enterprises require essential facilities and equipment including aircraft, engines and aviation equipment and flight, maintenance and operation systems that are suitable for operation and core technologies for their normal operations, and the suppliers available for providing the relevant essential facilities and equipment and core technologies are relatively limited. If there is any abnormality in the operation of the Group's suppliers for essential facilities and equipment and core technologies, or under special circumstances, the suppliers are unable to provide essential facilities and equipment and core technological services support required for the Group's

operations normally, the Group's normal operations may be adversely or materially adversely affected.

The Group regularly assesses the contractual performance capacity of suppliers of essential facilities and equipment and core technological services that are closely related to its business and operations. The Group has also continuously paid close attention to the changes in the market price and the policies and regulations for the introduction of essential facilities and equipment and core technological services, and proactively responds to the risks related to the suppliers of essential facilities and equipment and core technological services support.

### 12. Securities Market Fluctuations Risks

The share price of a listed company is not only dependent on the Company's current results and projection for future operations, but also on factors including laws and requirements of the place of listing, policy environment, macro-economics, flow of market capital and investor structure and sentiment, etc. The Group's share price may be subject to significant changes due to the aforementioned factors, which may directly or indirectly result in loss to the investors.

The Group has continuously enhanced its corporate governance standards, earnestly fulfilled its obligations of information disclosure, constantly improved its operational management capability and strove for outstanding operating results. In the meantime, the Group has strengthened the communication between capital markets and various investors, paid close attention to the Group's share price performance and media coverage, gave timely response to the market and strove to avoid abnormal fluctuations in the Group's share price.

### 13. Risk Associated with the Changes in Environmental Policy

The increasing importance of environmental policies including carbon emissions and noise control in the world and changes in consumption behavior caused by passengers' low carbon travel may impose restrictions on airline operations. In order to meet the changes in regulatory requirements of environmental policies, airlines may increase its investment in issues related to saving energy and reducing emissions and noise control, which in turn increases operating costs.



The Group adheres to the basic concept of sustainable development while strictly abiding by relevant policies and regulations on environmental protection. It implements refined management and control of aircraft fuel saving through the introduction of advance fuel-saving and noise-reducing models and promotes the use of ground facilities and equipment to replace auxiliary power units and the "diesel-to-electric" transformation plan of ground vehicles while actively conducting works related to saving energy and reducing emissions as well as noise control through continuously promoting energy-saving and environmental protection technologies. The Group abides by international and domestic carbon emission regulatory requirements by participating in EU carbon emission trading and Shanghai local pilot carbon trading mechanism, with an aim to fulfill carbon emission obligations through market-oriented mechanisms, and explore ways to improve carbon emission management capabilities. In addition, the Group continues to study the application of sustainable aviation fuel and explores the carbon emission reduction model of the aviation industry, with an aim to continuously improve the level of ecological environment governance and green and low-carbon development.

#### 14. Other Force Majeure and Unforeseeable Risks

The aviation transportation industry is highly sensitive to external factors. Apart from above-mentioned risks, natural disasters, and the navigational or personnel restrictions imposed by countries may affect market demand and the normal operation of airlines. Flight suspension, decrease in passenger volume and income, as well as increase in safety and insurance costs may adversely affect the business and operations of the Group.

The Group strengthened risk management and control and actively responded to unexpected risks to minimise related losses and protect the interests of the Group's shareholders.

### Operating Revenues

In 2022, the Group's passenger revenue amounted to RMB35,004 million, representing a decrease of 35.30% from last year, and accounted for 81.83% of the Group's traffic revenue. The passenger traffic volume was 61,287.67 million passenger-kilometres, representing a decrease of 43.67% from last year.

The passenger revenue of domestic routes amounted to RMB30,571 million, representing a decrease of 39.60% from last year, and accounted for 87.33% of the passenger revenue. The passenger traffic volume was 59,030.04 million passenger-kilometres, representing a decrease of 44.63% from last year.

The passenger revenue of international routes amounted to RMB4,185 million, representing an increase of 30.86% from last year, and accounted for 11.96% of the passenger revenue. The passenger traffic volume was 2,019.22 million passenger-kilometres, representing an increase of 12.90% from last year.

The passenger revenue of regional routes amounted to RMB248 million, representing a decrease of 16.22% from last year, and accounted for 0.71% of the passenger revenue. The passenger traffic volume was 238.41 million passenger-kilometres, representing a decrease of 41.81% from last year.

In 2022, the Group's cargo and mail traffic revenue amounted to RMB7,770 million, representing a decrease of 6.49% from last year, and accounted for 18.17% of the Group's traffic revenue. The cargo and mail traffic volume was 2,608.93 million tonne-kilometres, representing a decrease of 23.12% from last year.

In 2022, the Group's other revenue amounted to RMB3,337 million, representing a decrease of 29.20% from last year.

### Operating Expenses

In 2022, the Group's total operating expenses was RMB81,359 million, representing a decrease of 6.19% from last year. In response to the impact of the external environment, the Group reduced flight capacity according to market demand. Except for aircraft fuel costs, other costs were reduced accordingly. Analysis of the changes in the Group's operating cost items is set out as follows:

Aircraft fuel costs accounted for one of the most substantial parts of the Group's operating expenses. In 2022, the Group's aircraft fuel cost was RMB22,230 million, representing an increase of 7.95% from last year, and was mainly due to decrease in the number of flights of the Group. The volume of refuelling decreased by 37.29% from the same period last year, leading to a decrease in aircraft fuel costs by RMB7,896 million. As crude oil prices rose, the average price of aircraft fuel increased by 67.42%

## Management's Discussion and Analysis

from the same period last year, leading to an increase in aircraft fuel cost by RMB8,952 million. In 2022, the Group did not carry out aircraft fuel hedging transaction while the Group reduced aircraft fuel costs by RMB580 million in the same period in 2021 through aircraft fuel hedging transaction.

In 2022, the Group's take-off and landing fees amounted to RMB6,253 million, representing a decrease of 39.00% from last year, and was primarily due to the significant decrease in the number of flight take-offs and landings, leading to a decrease in the airport take-offs and landing fees.

In 2022, the Group's depreciation and amortisation amounted to RMB21,799 million, representing a decrease of 4.05% from last year, and was primarily due to the decrease in the transportation volume and the decrease in the depreciation of components.

In 2022, the Group's wages, salaries and benefits amounted to RMB20,400 million, representing a decrease of 3.14% from last year, and was primarily due to the decrease in the number of flight, leading to the decrease in the flight hour fees of aircrew.

In 2022, the Group's aircraft maintenance expenses amounted to RMB3,356 million, representing a decrease of 11.29% from last year, and was primarily due to the decrease in traffic volume, leading to the decrease in aircraft and engine daily maintenance expenses.

In 2022, the Group's catering supply expenses amounted to RMB1,030 million, representing a decrease of 37.76% from last year, and was primarily due to the significant decrease in the number of passengers, leading to a decrease in meals and supplies.

In 2022, the Group's sales and marketing expenses amounted to RMB839 million, representing a decrease of 25.62% from last year, and was primarily due to the significant decrease in the number of passengers, leading to a decrease in the commission charges of the agency business.

In 2022, the Group's contribution to the civil aviation development fund of the CAAC amounted to RMB484 million, representing a decrease of 43.19% from last year, and was primarily due to the adjustment on the transportation capacity of flights by the Group, leading to a decrease in the expenses from the funds of civil aviation infrastructure.

### Other Operating Revenue

In 2022, the Group's other operating income and profit amounted to RMB3,613 million, representing a decrease of 40.57% from last year, and was primarily due to the reduction of the transportation capacity of flights by the Group, leading to a decrease in the income from co-operation routes.

### Finance Income/Costs

In 2022, the Group's finance income amounted to RMB494 million, representing a decrease of 74.77% from last year. Finance costs amounted to RMB8,816 million, representing an increase of 51.69% from last year, and was primarily due to exchange gain resulting from changes in exchange rates from the same period in 2021 amounted to RMB1,619 million being included in the finance income. The exchange loss resulting from changes in exchange rates in the current period amounted to RMB2,687 million being included in the finance costs.

### Net Loss during the Year

In 2022, net loss attributable to equity holders of the Company amounted to RMB37,386 million. In the same period in 2021, net loss attributable to equity holders of the Company amounted to RMB12,214 million. In 2022, the loss per share attributable to equity holders of the Company was RMB1.98. In 2021, the loss per share attributable to equity holders of the Company was RMB0.73.

### Liquidity and Capital Structure

As at 31 December 2022, the Group had total assets of RMB287,984 million, representing an increase of 0.28% from 31 December 2021. Its debt ratio was 88.77%, representing an increase of 8.56 percentage points from 31 December 2021. The ratio is calculated as total liabilities divided by total assets.

In particular, the Group's total current assets amounted to RMB27,413 million, which accounted for 9.51% of the total assets and represented a decrease of 1.78% from 31 December 2021. The Group's non-current assets amounted to RMB260,571 million, which accounted for 90.49% of the total assets and represented a decrease of 0.12% from 31 December 2021.



## Management's Discussion and Analysis

As at 31 December 2022, the Group had total liabilities of RMB255,641 million, comprising current liabilities of RMB106,446 million which accounted for 41.64% of total liabilities, and non-current liabilities of RMB149,195 million which accounted for 58.36% of total liabilities.

Among the current liabilities, interest-bearing liabilities (short-term borrowings, long-term borrowings due within one year, bonds payable due within one year and lease liabilities due within one year) amounted to RMB82,233 million, representing an increase of 36.34% from 31 December 2021. Among the non-current liabilities, interest-bearing liabilities (long-term borrowings, bonds payable and lease liabilities) amounted to RMB137,401 million, representing an increase of 2.96% from 31 December 2021. The increase in interest-bearing liabilities was mainly due to the adjustment of financing structure by the Group according to the financial market conditions. In 2022, in order to deal with exchange rate fluctuations, the Group actively optimised the currency structure of the Group's liabilities and reduced exchange rate risks. As at 31 December 2022, the breakdown of the Group's interest-bearing obligations by currencies is as follows:

Unit: RMB million

Currency	As at 31 December 2022		As at 31 December 2021		Movement (%)
	RMB equivalent		RMB equivalent		
	Amount	Proportion (%)	Amount	Proportion (%)	
RMB	182,428	83.06	156,930	80.99	16.25
USD	32,840	14.95	30,580	15.78	7.39
Others	4,366	1.99	6,255	3.23	-30.20
<b>Total</b>	<b>219,634</b>	<b>100.00</b>	<b>193,765</b>	<b>100.00</b>	<b>13.35</b>

As at 31 December 2022, the Group's interest-bearing liabilities included long-term and short-term borrowings and bonds payable equivalent to RMB121,231 million, representing an increase of 27.49% from RMB95,089 million as at 31 December 2021. The breakdown by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent		Movement (%)
	As at 31 December 2022	As at 31 December 2021	
	RMB	117,094	
SGD	2,582	2,349	9.92
EUR	1,555	1,956	-20.50
KRW	—	1,603	—
USD	—	13	—
<b>Total</b>	<b>121,231</b>	<b>95,089</b>	<b>27.49</b>

As at 31 December 2022, the lease liabilities in the Group's interest-bearing liabilities amounted to RMB98,403 million, representing a decrease of 0.28% from RMB98,676 million as at 31 December 2021. The breakdown by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent		Movement (%)
	As at 31 December 2022	As at 31 December 2021	
	RMB	65,334	
USD	32,840	30,567	7.44
HKD	172	230	-25.22
JPY	12	67	-82.09
SGD	6	6	—
Others	39	44	-11.36
<b>Total</b>	<b>98,403</b>	<b>98,676</b>	<b>-0.28</b>

### Interest Rate Fluctuation

The Group's total interest-bearing liabilities (including long-term and short-term borrowings, lease liabilities and bonds payable) as at 31 December 2022 and 31 December 2021 were equivalent to RMB219,634 million and RMB193,765 million, respectively, of which short-term interest-bearing liabilities accounted for 37.44% and 31.13%, respectively.

The Group's interest-bearing liabilities were primarily denominated in USD and RMB. As at 31 December 2022 and 31 December 2021, the Group's interest-bearing liabilities denominated in USD accounted for 14.95% and 15.78% of total interest-bearing liabilities, respectively, while interest-bearing liabilities denominated in RMB accounted for 83.06% and 80.99% of total interest-bearing liabilities, respectively. Fluctuations in the USD and RMB interest rates have and will continue to have significant impact on the Group's finance costs. The Group reduces the risk of floating interest rates in USD liabilities through interest rate swap contracts. As at 31 December 2022, the outstanding interest rate swap contracts held by the Group amounted to a notional amount of approximately USD327 million, which will expire between 2023 and 2025. As at 31 December 2021, such amount was USD495 million.

### Exchange Rate Fluctuation

As at 31 December 2022, the Group's total interest-bearing liabilities denominated in foreign currencies amounted to RMB37,206 million, of which interest-bearing liabilities denominated in USD accounted for 88.27% of the liabilities. Therefore, a significant fluctuation in exchange rates will subject the Group to significant foreign exchange gains or losses arising from the exchange of foreign currency denominated liabilities, which affects the profitability and development of the Group. The Group typically uses forward foreign currency contracts to reduce the foreign exchange risks for capital expenditures paid in foreign currencies. As at 31 December 2022, the Group had no outstanding forward foreign currency contracts.

### Pledges on Assets and Contingent Liabilities

As at 31 December 2022, the value of the Group's assets used to secure certain bank loans was RMB31,629 million, and as at 31 December 2021, the value of the Group's assets used to secure certain bank loans was RMB31,958 million, representing a year-on-year decrease of 1.03%.

As at 31 December 2022, the Group had no significant contingent liabilities.

## Capital Expenditure

### 1. Fund distribution for introduction of aircraft and related equipment during the Reporting Period

In 2022, the Group met the needs for the introduction of aircraft and related equipment through operating income, existing bank credit facilities, bank loans, leasing arrangements and other external financing methods. The Group introduced 23 aircraft through methods like self-purchase, finance lease and operating lease.

### 2. Capital expenditure plan of aircraft and related equipment for the coming three years

According to the agreements that have been entered into in relation to aircraft and engines, as at 31 December 2022, the Group expected its capital expenditures for the coming three years on aircraft and engines to be approximately RMB54,108 million in total, including the expected capital expenditure of approximately RMB12,741 million, RMB27,851 million and RMB13,516 million for each year from 2023 to 2025, respectively.

The above capital expenditure plan of the Group may vary due to factors such as entering into new purchase contracts for aircraft, engines and other flight equipment based on development strategy and market demand, variations to the original contracts and changes in price index.

## Material Asset Impairment

The Company has not recorded any material asset impairment during the year. The specific amount of asset impairment has been listed in note 9 to the audited consolidated financial statements.

## Overseas assets

As at 31 December 2022, the overseas assets<sup>1</sup> of the Company amounted to RMB140 million, representing 0.049% of the total assets.

<sup>1</sup> Overseas assets: Mainly representing the balance of deposit of the overseas branches of the Company



## Analysis on Investment

### 1. Significant equity investments

Unit: RMB million

Name of invested company	Main business	Whether the target is mainly engaged in investment business	Way of investemnt	Investment amount	Share holdings	Whether to consolidate	Accounting item	Source of capital	Progress as of balance sheet date	Whether involved in litigation	Disclosure date
東方航空食品投資有限公司 (China Eastern Air Catering Investment Co., Ltd.)	FoodNo business and other business	No	Capital increase	675	45%	No	Long-term equity investment	Daily operating capital	Capital increase completed	No	28 December 2022
<b>Total</b>	/	/	/	675	/	/	/	/	/	/	/

### 2. Financial assets measured at fair value

Unit: RMB'000

Type of assets	Amount at the beginning of the Reporting Period	Profit and loss from changes in fair value in the Reporting Period	Cumulative fair value changes included in equity	Impairment provision for the Reporting Period	Purchase during the Reporting Period	Sale/redemption during the Reporting Period	Other changes	Amount at the end of the Reporting Period
Interest rate swap contracts	-46,949	141,284	94,335	—	—	—	—	94,335
Financial assets held for trading	83,515	-12,238	—	—	—	—	482	71,759
Investment in other equity instruments	456,887	-5,299	316,459	—	—	—	—	451,588
<b>Total</b>	493,453	123,747	410,794	—	—	—	482	617,682

## Management's Discussion and Analysis

### Investment in securities

Unit: RMB'000

Type of securities	Stock code	Stock abbreviation	Initial investment cost	Source of capital	Carrying amount at the beginning of the Reporting Period	Profit and loss from changes in fair value in the Reporting Period	Cumulative fair value changes included in equity	Investment profit and loss for the Reporting Period	Carrying amount at the end of the Reporting Period	Accounting item
Share	00696	TravelSky	18,503	Equity acquisition	236,870	75,745	294,112	1,598	312,615	Other equity instruments
Share	600000	Pudong Development Bank	122,144	Equity replacement	83,515	-12,238	—	4,014	71,276	Financial assets held for trading
Share	600221	Hainan Airlines Holding	68	Debt-to equity swap	0	0	—	0	68	Financial assets held for trading
<b>Total</b>	/	/	140,715	/	320,385	63,507	294,112	5,612	383,959	/

### 3. Analysis on major subsidiaries and affiliates

Unit: RMB million

Name of company	Date of establishment	Registered capital (RMB 100 million)	Revenue	Net loss	Total assets	Net assets	Gearing ratio (%)
Eastern Air Jiangsu	1993	20.00	4,097	3,041	13,209	-1,990	115.06
Eastern Air Wuhan	2002	17.50	1,430	1,285	6,613	1,616	75.56
Eastern Air Yunnan	2010	36.62	4,621	2,417	16,808	4,132	75.42
Shanghai Airlines	2010	55.00	3,754	4,470	23,340	-1,867	108.00
China United Airlines	1984	13.20	2,082	1,960	10,852	283	97.39
OTT Airlines	2008	15.00	188	409	3,208	769	76.04
Eastern Technology	2014	38.88	7,179	1,586	6,213	939	84.89



**1. Eastern Air Jiangsu**

In 2022, Eastern Air Jiangsu recorded revenue of RMB4,097 million, representing a 20.55% decrease from last year. Its net loss amounted to RMB3,041 million, as compared to RMB1,635 million in the same period in 2021. Passenger traffic volume was 7,657.70 million passenger-kilometres, representing a 33.53% decrease from last year. Number of passengers carried was 5,146,500, representing a 37.77% decrease from last year. As of the end of 2022, Eastern Air Jiangsu operated a total of 72 A320 series aircraft.

**2. Eastern Air Wuhan**

In 2022, Eastern Air Wuhan recorded revenue of RMB1,430 million, representing a 49.16% decrease from last year. Its net loss amounted to RMB1,285 million, as compared to RMB318 million in the same period in 2021. Passenger traffic volume was 2,661.11 million passenger-kilometres, representing a 50.95% decrease from last year. Number of passengers carried was 2,418,000, representing a 51.28% decrease from last year. As of the end of 2022, Eastern Air Wuhan operated a total of 32 B737 series aircraft.

**3. Eastern Air Yunnan**

In 2022, Eastern Air Yunnan recorded revenue of RMB4,621 million, representing a 29.93% decrease from last year. Its net loss amounted to RMB2,417 million, as compared to RMB1,021 million in the same period in 2021. Passenger traffic volume was 7,219.56 million passenger-kilometres, representing a 41.70% decrease from last year. Number of passengers carried was 5,604,400, representing a 43.18% decrease from last year. As of the end of 2022, Eastern Air Yunnan operated 79 B737 series and B787 series aircraft in aggregate.

**4. Shanghai Airlines**

In 2022, Shanghai Airlines recorded revenue of RMB3,754 million, representing a 42.36% decrease from last year. Its net loss amounted to RMB4,470 million, as compared to RMB1,870 million in the same period in 2021. Passenger traffic volume was 5,665.76 million passenger-kilometres, representing a 50.71% decrease from last year. Number of passengers carried was 3,922,600, representing a 52.60% decrease from last year. As of the end of 2022, Shanghai Airlines operated 91 B737 series, B787 and A330 series aircraft in aggregate.

**5. China United Airlines**

In 2022, China United Airlines recorded revenue of RMB2,082 million, representing a 40.75% decrease from last year. Its net loss amounted to RMB1,960 million, as compared to RMB956 million in the same period in 2021. Passenger traffic volume was 4,267.57 million passenger-kilometres, representing a 50.90% decrease from last year. Number of passengers carried was 3,067,100, representing a 51.27% decrease from last year. As of the end of 2022, China United Airlines operated 57 B737 series aircraft in aggregate.

**6. OTT Airlines**

In 2022, OTT Airlines recorded revenue of RMB188 million, representing a 8.74% decrease from last year. Its net loss amounted to RMB409 million, as compared to RMB250 million in the same period in 2021. Passenger traffic volume was 181.89 million passenger-kilometres, representing a 19.89% increase from last year. Number of passengers carried was 194,400, representing a 19.34% increase from last year. As of the end of 2022, OTT Airlines operated 17 ARJ21 series aircraft in aggregate.

## Route Network

In 2022, the Group focused on the construction of express routes by increasing the frequency of the air routes between Shanghai-Chengdu, Kunming-Shenzhen and other markets within “four beams and eight columns”, and improved its core market influence and route income level by actively coordinating the time slot of main and auxiliary airports. Facing external changes in the second half of the year, the Group formulated a flight recovery plan to promote the rapid recovery of the overall flight volume.

The Group will continue to strengthen the construction of high-quality aviation network based on factors such as the aviation network strategy of the Group and changes in market demand, improve its control towards core markets such as the Shanghai market by promoting the Super Carrier project, optimize the route arrangements among the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Economic Zone, and the “four beams and eight columns” markets, enhance the transit capacity of the hub and the accessibility of the aviation network so as to continuously enhance the competitiveness of the hub routes.

## Human Resources

As at 31 December 2022, the Group had 80,193 employees, the majority of whom were located in the PRC. The wages of the Group's employees generally consisted of basic salaries and performance bonuses. The Group was not involved in any major labour disputes with its employees, nor did it experience any significant turnover of employees or encounter any significant difficulties in recruiting new employees.

Total number of staff	80,193
Number of staff of the parent company	43,817
Number of staff of major subsidiaries	36,376
Number of retired staff whose expenses are committed by the parent company	9,337

## Composition of professionals

Category of professionals	Number of professionals
Pilots	9,944
Flight attendants and other aircrew	20,466
Maintenance personnel	13,427
Ground services and others	25,722
Operation control	1,928
Information technology	1,206
Sales and marketing	3,645
Management	3,855
<b>Total</b>	<b>80,193</b>

## Education level

Category of education level	Number of staff
Master's degree and above	2,772
Bachelor's degree	40,091
Non-degree tertiary	25,975
Others	11,355
<b>Total</b>	<b>80,193</b>

The Company focuses on the creation of an equal, diverse and inclusive workplace culture, with an aim to provide an equal and friendly working environment and development opportunities for all employees. The proportion of female employees is planned to maintain at an appropriate level in the industry. As at 31 December 2022, the proportion of female employees in the Company has reached 36.75%.

## Remuneration policies

In order to cater for the demand for the Group's strategic development, the Group improved the structure of its remuneration distribution system, optimised the protection and motivation effect of remuneration, and reasonably protected the



## Management's Discussion and Analysis

legitimate rights of the employees and the Group. According to the Labour Contract Law of the PRC and the relevant laws and regulations, the Group has established the work position and remuneration system, namely the ground crew work position and remuneration system and aircrew work position and remuneration system. The remuneration of ground crew is composed of basic salary, wage for seniority, position-points salary, performance bonuses, allowances and benefits. The remuneration of aircrew is composed of basic salary, flight hour fees, flight benefits and other incentives. In order to stimulate the vitality and creativity of the management members of the Group's secondary institutions, the Group reformed the tenure system and contractual annual salary system for the management members of the secondary institutions. Salary mainly consists of three parts: basic annual salary, performance annual salary and tenure incentive.

### Training program

Focusing on strategic goals and strategic processes, the Group has formulated talent training plans based on the modern development needs of corporate governance system and governance capabilities, improved the multi-tier and multi-form talent training mechanism, and strived to build various platforms for the growth of employees and advocated and encouraged employees to grow on their work position to realise the improvement of work ability and self-worth. The Group actively adjusted its training programme, developed online training methods, and provided various types of trainings for employees at all levels.

#### ✈ Management personnel training

The Group has continued to provide special trainings for middle and senior management personnel and training for young management personnel. The courses cover safety management, compliance management, leadership training and innovative thinking training to enhance the comprehensive capabilities of management personnel.

#### ✈ Core technician training

The Group carried out a full range of trainings for flight, cabin, ground and maintenance personnel to ensure production and operational safety and improve service quality. The Group has improved the flight training system for ARJ21 aircraft and coped with the supplementary

operation certification of the domestic civil aircraft C919 aircraft and related work of the flight training team, so as to ensure the safe and efficient operation of the Group's domestic civil aircraft fleet.

The Group has continuously optimised and improved flight, marketing and machine maintenance related training, enhanced the pertinence of on-the-job training, and strengthened the effectiveness of training. The Group has also organised regular vocational skill competitions for pilots and maintenance personnel to further enhance the core job skills of employees.

#### ✈ Backup talents training

The Group paid great attention to the establishment of talent team. The Group has opened up the channels for talent growth, accomplishments and success, implemented market-based compensation, established and improved the reserve talent echelon training system with the "Swallow, Wing, Fly, Eagle" programme as the focus. The Group continued to expand the scientific research team and improve the incentive and restraint mechanism, with an aim to accelerate the introduction and training of high-end scientific research talents.

#### ✈ Enhancement of learning platform

The Group has continuously strengthened the construction of the online learning platform "CEA Easy Learning", and provided employees at different positions with trainings in respect of flight, crew, air support, ground services, safety management, marketing and leadership development. The Group continuously expanded the function of the online training system to further optimise and enrich curriculum resources, improve the quality of training, and ensure the effectiveness of teaching.

# Report of the Directors

The Board is pleased to present the audited financial report of the Group for the year ended 31 December 2022.

## Group Results

Further discussion and analysis on the business of the Group for the year ended 31 December 2022, including a fair review of the business of the Group, description of the principal risks and uncertainties facing the Group and highlight of the Group's business development in the future, are set out in Management's Discussion and Analysis from pages 20 to 41 of this annual report.

The results of the Group for the year ended 31 December 2022 and the financial position of the Company and the Group as at that date, prepared in accordance with IFRSs and PRC Accounting Standards, are set out in the financial statements.

The geographical analysis of the Group's revenue from its business is as follows:

## Revenue

	PRC Accounting Standards RMB million	IFRSs RMB million
Domestic	34,449	34,449
Regional (Hong Kong, Macau and Taiwan)	394	394
International	11,268	11,268
<b>Total</b>	<b>46,111</b>	<b>46,111</b>

## Critical Accounting Policies

Critical accounting policies are defined as those which reflect significant judgments and uncertainties and potentially result in materially different results under different assumptions and conditions.

The Group's audited consolidated financial statements have been prepared in accordance with IFRSs. The Group's principal accounting policies are set forth in note 2 to our audited consolidated financial statements. IFRSs require the Group to adopt the accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial position. However, different policies, estimates and assumptions in critical areas could lead to materially different results. The critical accounting estimates and judgments made in the preparation of these financial statements are identified and set forth in note 3 to our audited consolidated financial statements.

## Dividend

On 30 March 2023, the Board considered and approved the 2022 profit distribution proposal at the second regular meeting in 2023, and recommended the Company not to distribute profit for 2022.

The independent directors of the Company consider that the Company's 2022 profit distribution proposal is in line with the objective situation of the Company, that the consideration procedures are legal and valid, and that the proposal is in line with the Company Law, the Securities Law, relevant laws and regulations of the CSRC and the Shanghai Stock Exchange and the relevant provisions of the Articles. The proposal does not damage the interests of investors, especially the interests of small and medium shareholders. The independent non-executive directors of the Company agreed to submit the 2022 profit distribution proposal to the 2022 annual general meeting of the Company for consideration.

The aforesaid profit distribution proposal is subject to consideration and approval at the 2022 annual general meeting of the Company.

## Dividend Policy

The Company has formulated a comprehensive dividend policy and will implement it in accordance with the Articles and applicable laws and regulations.

Pursuant to the Articles, the Company may distribute dividends by way of cash, shares, a combination of cash and shares, or in other reasonable manner in compliance with laws and regulations. Following the end of each fiscal year, the Board shall review the profit distribution plan and submit it to the general meeting for voting. If the profit distribution plan is approved at the general meeting, the Board shall complete the distribution within two months after the general meeting. Unless otherwise decided by the general meeting, the general meeting shall authorise the Board to distribute interim dividends.

Proposal and implementation of cash dividends distribution by the Company shall be subject to the following conditions: (1) the Company records a profit for the year, and the auditor issues an unqualified audited report on the Company's financial statements for that particular year; (2) the distributable profit (i.e. the after-tax profit of the Company after making up for losses, allocation to the statutory common reserve fund and discretionary common reserve fund) realised by the Company for the year is positive in value; (3) the Company has sufficient cash flow, and distribution of cash dividends will not affect the Company's normal operation and sustainable development. Provided that the Company is in good operating condition and has sufficient cash flow to meet the needs for its normal operation and sustainable development, the Company will proactively distribute cash dividends in return to its shareholders, and the accumulated profit distribution made in cash by the Company in the latest three years shall not be less than 30% of the average annual distributable profit attributable to the owners of the parent company in the consolidated statements in the latest three years. In the event that the said payout ratio of cash dividends cannot be met due to special reasons, the Board may adjust the payout ratio of dividends according to actual circumstances and state the reasons therefor.

For further details of the Company's dividend policy, please refer to Chapter 16: Financial and Accounting Systems and Profit Distribution of the Articles.

## Share Capital

As at 31 December 2022, the share structure of the Company is set out as follows:

		Total number of shares	Approximate percentage in shareholding (%)
<b>I</b>	<b>A shares</b>	<b>17,114,518,793</b>	<b>76.78</b>
	1. Listed shares with trading moratorium	5,911,787,367	26.52
	2. Listed shares without trading moratorium	11,202,731,426	50.26
<b>II</b>	<b>H shares</b>	<b>5,176,777,777</b>	<b>23.22</b>
	1. Listed shares with trading moratorium	0	0.00
	2. Listed shares without trading moratorium	5,176,777,777	23.22
<b>III</b>	<b>Total number of shares</b>	<b>22,291,296,570</b>	<b>100.00</b>

Notes:

- In 2022, as approved by the Approval [2022] No. 2995 issued by the CSRC, the Company conducted the non-public issuance of A shares, under which, 3,416,856,492 A shares were issued to specific subscribers at the issue price of RMB4.39 per share, the total amount of funds raised was approximately RMB15,000 million. The proceeds were in place and verified on 29 December 2022. Upon completion of the issuance, the total number of shares of the Company increased from 18,874,440,078 to 22,291,296,570, and the total number of A shares increased from 13,697,662,301 to 17,114,518,793.
- As at 31 December 2022, the total number of A shares of the Company amounted to 17,114,518,793 shares, among which, listed shares with trading moratorium amounted to 5,911,787,367 shares, and listed shares without trading moratorium amounted to 11,202,731,426 shares. The total number of H shares of the Company amounted to 5,176,777,777 shares, among which, listed shares with trading moratorium amounted to 0 share, and listed shares without trading moratorium amounted to 5,176,777,777 shares. The total number of shares issued by the Company amounted to 22,291,296,570 shares.

## Number of Shareholders

As at 31 December 2022, the total number of registered shareholders of the Company was 156,468.

## Non-public Offering of A Shares

In 2022, the Company has non-publicly issued 3,416,856,492 A shares, with an issue price of RMB4.39 per share and the par value per share was RMB1.00, The total amount of funds raised was approximately RMB15,000 million. The net price to the Company of each security was RMB4.39, and the closing price of A shares as at the date on which the terms of offering were fixed (i.e., 10 May 2022) was RMB4.60. The target subscribers were 20 legal persons, natural persons or other legal investment organizations that meet the requirements of the CSRC and other conditions stipulated by relevant laws and regulations, including CEA Holding, the controlling shareholder of the Company. Apart from CEA Holding, other subscribers and their respective ultimate beneficial owners were and continued to be third parties independent of the Company and its connected persons after the completion of the non-public offering of A shares. The proceeds were in place and verified on 29 December 2022. On 12 January 2023, the procedures for registration, custody and lock-up of the new shares with the China Securities Depository and Clearing Corporation Limited, Shanghai Branch were completed. The shares under this non-public offering shall not be transferred within 6 months or 18 months from the closing date of the offering.

The proceeds raised from the non-public offering of A shares by the Company will be used for introduction of 38 aircraft and supplementary working capital. Upon the introduction of 38 aircraft using the proceeds from the non-public issuance of A shares, the Company will expand the size of its fleet and enhance its transportation capacity. At the same time, the Company will continue to optimize its fleet structure to adapt to the development plan and purchase plan of the fleet of the Company, which is in compliance with the development direction of the Company in constructing a streamlined and efficient modernized fleet, thereby enhancing the core competence of the Company further. Meanwhile, after supplementing working capital through the non-public issuance financing, the Company can improve its capital structure, reduce gearing ratio, supplement the working capital required for its daily operations and improve its financial stability.

The use of proceeds is in line with the planned use of the raised proceeds disclosed by the Company, and there is no material change.

As at 31 December 2022, the Company utilized proceeds of RMB4,500 million during the year. The accumulated amount of utilized proceeds was RMB4,500 million. The unused balance of proceeds is RMB10,467 million. The unused proceeds will be used for the introduction of 38 aircraft and is expected to be utilized by the end of 2025. The Company will pay for the aircraft according to the introduction pace in the future. After deducting the paid sponsorship fee of RMB2 million, the difference from the balance of the fundraising account as of 31 December 2022 is the unpaid issuance fee of RMB31 million. Please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 30 March 2023.

The use of the proceeds from the non-public offering of A shares by the Company is as follows:

No.	Project name	Intended amount of raised	
		Total investment amount RMB (hundred million)	proceeds to be invested RMB (hundred million)
1	Introduction of 38 aircraft	289.24	105
2	Supplementary working capital	45	45
<b>Total</b>		334.24	150

## Substantial Shareholders

So far as the Directors are aware, as at 31 December 2022, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the shares and/or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange:

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Percentage in the relevant class of issued shares	Percentage in total issued shares
CEA Holding	A shares	8,706,805,967(L) <sup>Note 2</sup>	Beneficial owner	50.87%(L)	39.06%(L)
		457,317,073(L) <sup>Note 2</sup>	Interests of controlled corporation	2.67%(L)	2.05%(L)
CES Global	H shares	2,626,240,000(L) <sup>Note 3</sup>	Interests of controlled corporation	50.73%(L)	11.78%(L)
		2,626,240,000(L) <sup>Note 3</sup>	Beneficial owner	50.73%(L)	11.78%(L)
Juneyao Group	A shares	199,557,059(L) <sup>Note 4</sup>	Beneficial owner	1.17%(L)	0.90%(L)
		808,441,233(L) <sup>Note 4</sup>	Interests of controlled corporation	4.72%(L)	3.63%(L)
Juneyao Airlines	H shares	558,769,777(L) <sup>Note 5</sup>	Interests of controlled corporation	10.79%(L)	2.51%(L)
		219,400,137(L) <sup>Note 4</sup>	Beneficial owner	1.28%(L)	0.98%(L)
Juneyao Airlines	A shares	589,041,096(L) <sup>Note 4</sup>	Interests of controlled corporation	3.44%(L)	2.64%(L)
		199,557,059(L) <sup>Note 4</sup>	Others	1.17%(L)	0.90%(L)
		12,000,000(L) <sup>Note 5</sup>	Beneficial owner	0.23%(L)	0.05%(L)
Juneyao Hong Kong	H shares	546,769,777(L) <sup>Note 5</sup>	Interests of controlled corporation	10.56%(L)	2.45%(L)
		546,769,777(L) <sup>Note 5</sup>	Beneficial owner	10.56%(L)	2.45%(L)
Shanghai Jidaohang	A shares	589,041,096(L) <sup>Note 4</sup>	Beneficial owner	3.44%(L)	2.64%(L)
Wang Junjin	A shares	1,007,998,292(L) <sup>Note 4</sup>	Interests of controlled corporation	5.89%(L)	4.52%(L)
		558,769,777(L) <sup>Note 5</sup>	Interests of controlled corporation	10.79%(L)	2.51%(L)
Wang Han	A shares	1,007,998,292(L) <sup>Note 4</sup>	Interests of controlled corporation	5.89%(L)	4.52%(L)
		558,769,777(L) <sup>Note 5</sup>	Interests of controlled corporation	10.79%(L)	2.51%(L)
Ye Jinqi	A shares	1,007,998,292(L) <sup>Note 4</sup>	Interests of spouse	5.89%(L)	4.52%(L)
		558,769,777(L) <sup>Note 5</sup>	Interests of spouse	10.79%(L)	2.51%(L)

### Notes:

- The letter (L) denotes a long position. The data disclosed above is mainly based on the information provided on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and by China Securities Depository and Clearing Corporation Limited.
- 8,706,805,967 A shares were held directly by CEA Holding; and 457,317,073 A shares were held directly by CES Finance, which in turn was entirely held by CEA Holding. Therefore, CEA Holding is deemed to be interested in the 457,317,073 A shares held directly by CES Finance.
- CES Global directly held 2,626,240,000 H shares in the capacity of beneficial owner through HKSCC, and CEA Holding indirectly owned the entire interests of CES Global through CES Finance. Therefore, CEA Holding is deemed to be interested in the 2,626,240,000 H shares held directly by CES Global.

As at 31 December 2022, CES Global had pledged 1,670,000,000 H shares. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 15 October 2021.

- Based on the information provided by China Securities Depository and Clearing Corporation Limited, 199,557,059 A shares were held directly by Juneyao Group; 219,400,137 A shares were held directly by Juneyao Airlines; and 589,041,096 A shares were held directly by Shanghai Jidaohang. Mr. Wang Han and Mr. Wang Junjin were interested in 71.77% of shares of Juneyao Group; Juneyao Group is the controlling

shareholder of Juneyao Airlines; and Juneyao Airlines owned the entire equity interests of Shanghai Jidaohang. Ms. Ye Jinqi is the spouse of Mr. Wang Junjin. Therefore, Juneyao Group is deemed to be interested in 219,400,137 A shares and 589,041,096 A shares held by Juneyao Airlines and Shanghai Jidaohang, respectively; Juneyao Airlines is deemed to be interested in 589,041,096 A shares held directly by Shanghai Jidaohang; Mr. Wang Han and Mr. Wang Junjin are deemed to be interested in 199,557,059 A shares, 219,400,137 A shares and 589,041,096 A shares held directly by Juneyao Group, Juneyao Airlines and Shanghai Jidaohang, respectively; and Ms. Ye Jinqi is deemed to be interested in 1,007,998,292 A shares held indirectly by Mr. Wang Junjin.

On 29 October 2019, Juneyao Group and Juneyao Airlines signed a Voting Rights Proxy Agreement to delegate the voting rights of 311,831,909 A shares held directly by Juneyao Group as at 29 October 2019 to Juneyao Airlines. Therefore, Juneyao Airlines is also deemed to be interested in the A shares held directly by Juneyao Group.

As at 31 December 2022, Juneyao Group had pledged 175,831,909 A shares. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 13 December 2022.

5. Juneyao Airlines directly held 12,000,000 H shares; and Juneyao Hong Kong directly held 546,769,777 H shares in the capacity of beneficial owner through HKSCC. Mr. Wang Han and Mr. Wang Junjin were interested in 71.77% of shares of Juneyao Group; Juneyao Group is the controlling shareholder of Juneyao Airlines; and Juneyao Airlines owned the entire equity interests of Juneyao Hong Kong. Ms. Ye Jinqi is the spouse of Mr. Wang Junjin. Therefore, Juneyao Group, Mr. Wang Han and Mr. Wang Junjin are deemed to be interested in 12,000,000 H shares and 546,769,777 H shares held directly by Juneyao Airlines and Juneyao Hong Kong; Juneyao Airlines is deemed to be interested in 546,769,777 H shares held directly by Juneyao Hong Kong; and Ms. Ye Jinqi is deemed to be interested in 558,769,777 H shares held indirectly by Mr. Wang Junjin.

As at 31 December 2022, Juneyao Hong Kong had pledged 232,000,000 H shares. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 12 September 2019 and 22 October 2021.

Shareholders who are interested in 5% or more of any class of voting shares in the Company are obliged to disclose their interests, and short positions, in voting shares of the Company when (but not limited to) there is any change in the percentage of their respective share interests or the nature of their interests pursuant to the SFO.

According to the relevant disclosure requirements laid down by the CSRC, as at the End of the Reporting Period, the 10 largest registered shareholders, the 10 largest registered shareholders of shares without trading moratorium and the 10 largest registered shareholders of shares with trading moratorium on the register of members of the Company and their respective shareholdings are as follows:

## Shareholdings of top ten shareholders

Name of shareholders	Nature of shareholders	Percentage (%)	Shareholding as at the End of the Reporting Period	Increase/ (decrease) in shareholding during the Reporting Period	Shares subject to trading moratorium held	Charged or locked-up shares
China Eastern Air Holding Company Limited	State-owned legal person	39.06	8,706,805,967	1,138,952,165	3,633,883,040	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	21.10	4,702,641,885	1,361,980	0	Unknown
China National Aviation Fuel Holding Company	State-owned legal person	3.28	730,389,827	227,621,932	227,790,432	Nil
Shanghai Jidaohang Enterprise Management Company Limited	Domestic non-state owned legal person	2.64	589,041,096	0	0	Nil
DELTA AIRLINES INC	Overseas legal person	2.09	465,910,000	0	0	Nil
Shanghai Licheng Information Technology Consulting Co., Limited	Domestic non-state owned legal person	2.09	465,838,509	0	0	Nil
CES Finance Holding Co., Ltd.	State-owned legal person	2.05	457,317,073	0	0	Nil
China Securities Finance Corporation Limited	State-owned legal person	1.93	429,673,382	0	0	Nil
UBS AG	Overseas legal person	1.61	358,314,350	358,314,350	358,314,350	Nil
China State-owned Enterprises Mixed Ownership Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)	State-owned legal person	1.53	341,685,649	341,685,649	341,685,649	Nil

## Shareholdings of top ten shareholders without trading moratorium

Name of shareholders	Shareholding of shares without trading moratorium	Type of shares held and shareholding	
		Type of shares held	Shareholding
China Eastern Air Holding Company Limited	5,072,922,927	RMB-denominated ordinary shares	5,072,922,927
HKSCC NOMINEES LIMITED	4,702,641,885	Overseas listed foreign shares	4,702,641,885
Shanghai Jidaohang Enterprise Management Company Limited	589,041,096	RMB-denominated ordinary shares	589,041,096
China National Aviation Fuel Holding Company	502,599,395	RMB-denominated ordinary shares	502,599,395
DELTA AIRLINES INC	465,910,000	Overseas listed foreign shares	465,910,000
Shanghai Licheng Information Technology Consulting Co., Limited	465,838,509	RMB-denominated ordinary shares	465,838,509
CES Finance Holding Co., Ltd.	457,317,073	RMB-denominated ordinary shares	457,317,073
China Securities Finance Corporation Limited	429,673,382	RMB-denominated ordinary shares	429,673,382
China COSCO Shipping Corporation Limited	232,919,254	RMB-denominated ordinary shares	232,919,254
Shanghai Juneyao Airline Hong Kong Limited	219,400,137	RMB-denominated ordinary shares	219,400,137
Description of the specialized account for repurchase among the top ten shareholders	N/A		
Explanation on the above-mentioned shareholders' authorized voting rights, entrusted voting rights and abstention from voting rights	Shanghai Jidaohang Enterprise Management Co., Ltd. entrusted Shanghai Juneyao Airlines Co., Ltd. to vote on the matters considered at the general meeting of the Company in 2022.		
	CES Finance is 100% held by CEA Holding. Among the 4,702,641,885 shares held by HKSCC NOMINEES LIMITED, 2,626,240,000 shares were held by CES Global in the capacity of beneficial owner. CES Global was 100% held by CEA Holding.		
Description of any related party or concert party relationship among the above shareholders	Among the 4,702,641,885 shares held by HKSCC NOMINEES LIMITED, 547,889,777 shares were held by Juneyao Hong Kong in the capacity of beneficial owner. Juneyao Hong Kong was 100% held by Juneyao Airlines.		
	The Company is not aware of any related party or concert party relationship among other top ten shareholders without trading moratorium.		

As at the End of the Reporting Period, CES Global has pledged 1,670 million H shares of the Company.

## Number of restricted shares held by the top ten shareholders and lock-up conditions

No.	Name of shareholders	Shareholding of shares with trading moratorium	Trading details of shares with trading moratorium		Lock-up conditions
			Date for listing and trading	Number of shares newly available for listing and trading	
1	China Eastern Air Holding Company Limited	2,494,930,875	9 November 2024	0	Non-public issue, lock-up period of 36 months
		1,138,952,165	12 July 2024	0	Non-public issue, lock-up period of 18 months
2	UBS AG	358,314,350	12 July 2023	0	Non-public issue, lock-up period of 6 months
3	China State-owned Enterprises Mixed Ownership Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)	341,685,649	12 July 2023	0	Non-public issue, lock-up period of 6 months
4	China National Aviation Fuel Holding Company	227,790,432	12 July 2023	0	Non-public issue, lock-up period of 6 months
5	國家開發投資集團有限公司 (State Development & Investment Corporation Ltd.)	182,232,346	12 July 2023	0	Non-public issue, lock-up period of 6 months
6	China Mobile Capital Holding Co., Ltd.	161,025,065	12 July 2023	0	Non-public issue, lock-up period of 6 months
7	Guotai Junan Assets (Asia) Ltd.	136,059,225	12 July 2023	0	Non-public issue, lock-up period of 6 months
8	AVIC Industry-Finance Holdings Co., Ltd.	113,872,437	12 July 2023	0	Non-public issue, lock-up period of 6 months
9	GF Fund Management Co., Ltd.	103,644,646	12 July 2023	0	Non-public issue, lock-up period of 6 months
10	China Shipbuilding Capital Holdings (Tianjin) Co., Ltd.	102,505,694	12 July 2023	0	Non-public issue, lock-up period of 6 months
Description of any related party or concert party relationship among the above shareholders		The Company is not aware of any related party or concert party relationship among the above shareholders.			

## Changes in shares subject to trading moratorium

Unit: shares

Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares with trading moratorium released during the Reporting Period	Number of additional shares subject to trading moratorium during the Reporting Period	Number of shares subject to trading moratorium at the End of the Reporting Period	Reason for trading moratorium	Expiry date of trading moratorium
Juneyao Hong Kong	517,677,777	517,677,777	0	0	Non-public issuance of H shares from the Company	29 August 2022
Juneyao Group	311,831,909	311,831,909	0	0	Non-public issuance of A shares from the Company	30 August 2022
Juneyao Airlines	219,400,137	219,400,137	0	0	Non-public issuance of A shares from the Company	30 August 2022
Shanghai Jidaohang	589,041,096	589,041,096	0	0	Non-public issuance of A shares from the Company	30 August 2022
China Structural Reform Fund Co., Ltd (中國國有企業結構調整基金股份有限公司)	273,972,602	273,972,602	0	0	Non-public issuance of A shares from the Company	30 August 2022
CEA Holding	2,494,930,875	0	1,138,952,165	3,633,883,040	Non-public issuance of A shares from the Company	2,494,930,875 shares released on 9 November 2024, 1,138,952,165 shares released on 12 July 2024
UBS AG	0	0	358,314,350	358,314,350	Non-public issuance of A shares from the Company	12 July 2023
China State-owned Enterprises Mixed Ownership Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司)	0	0	341,685,649	341,685,649	Non-public issuance of A shares from the Company	12 July 2023

Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares with trading moratorium released during the Reporting Period	Number of additional shares subject to trading moratorium during the Reporting Period	Number of shares subject to trading moratorium at the End of the Reporting Period	Reason for trading moratorium	Expiry date of trading moratorium
China National Aviation Fuel Holding Company	0	0	227,790,432	227,790,432	Non-public issuance of A shares from the Company	12 July 2023
國家開發投資集團有限公司 (State Development & Investment Corporation Ltd.)	0	0	182,232,346	182,232,346	Non-public issuance of A shares from the Company	12 July 2023
China Mobile Capital Holding Co., Ltd.	0	0	161,025,065	161,025,065	Non-public issuance of A shares from the Company	12 July 2023
Guotai Junan Assets (Asia) Ltd.	0	0	136,059,225	136,059,225	Non-public issuance of A shares from the Company	12 July 2023
AVIC Industry-Finance Holdings Co., Ltd.	0	0	113,872,437	113,872,437	Non-public issuance of A shares from the Company	12 July 2023
GF Fund Management Co., Ltd.	0	0	103,644,646	103,644,646	Non-public issuance of A shares from the Company	12 July 2023
China Shipbuilding Capital Holdings (Tianjin) Co., Ltd.	0	0	102,505,694	102,505,694	Non-public issuance of A shares from the Company	12 July 2023
Nuode Asset Management Company Limited	0	0	78,974,943	78,974,943	Non-public issuance of A shares from the Company	12 July 2023
China Railway 18th Bureau Group Co., Ltd.	0	0	68,337,129	68,337,129	Non-public issuance of A shares from the Company	12 July 2023

## Report of the Directors

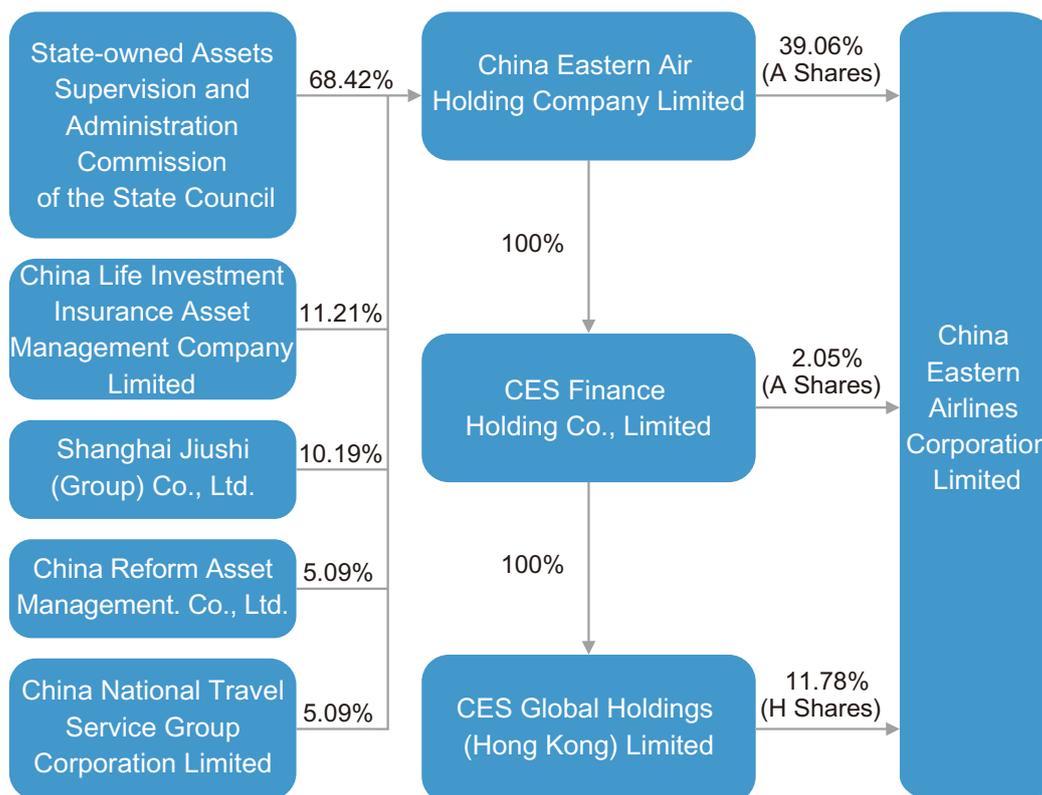
Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares with trading moratorium released during the Reporting Period	Number of additional shares subject to trading moratorium during the Reporting Period	Number of shares subject to trading moratorium at the End of the Reporting Period	Reason for trading moratorium	Expiry date of trading moratorium
Shanghai Alliance Investment Ltd.	0	0	68,337,129	68,337,129	Non-public issuance of A shares from the Company	12 July 2023
Greatwall Wealth Insurance Asset Management Co., Ltd. (長城財富保險資產管理股份有限公司)	0	0	56,947,608	56,947,608	Non-public issuance of A shares from the Company	12 July 2023
Gf Securities Co., Ltd.	0	0	50,113,895	50,113,895	Non-public issuance of A shares from the Company	12 July 2023
Lombarda China Fund Management Co., Ltd.	0	0	45,831,435	45,831,435	Non-public issuance of A shares from the Company	12 July 2023
Jinan Jiangshan Investment Partnership (Limited Partnership) (濟南江山投資合夥企業(有限合夥))	0	0	45,558,086	45,558,086	Non-public issuance of A shares from the Company	12 July 2023
Taikang Assets Management Co., Ltd.	0	0	45,558,086	45,558,086	Non-public issuance of A shares from the Company	12 July 2023
呂強	0	0	45,558,086	45,558,086	Non-public issuance of A shares from the Company	12 July 2023
China Logistics Property Management Co., Ltd (中國物流集團資產管理有限公司)	0	0	45,558,086	45,558,086	Non-public issuance of A shares from the Company	12 July 2023
<b>Total</b>	4,406,854,396	1,911,923,521	3,416,856,492	5,911,787,367	/	/

## Controlling Shareholder and De Facto Controller

Name	China Eastern Air Holding Company Limited
Person in charge or legal representative	Liu Shaoyong
Date of establishment	9 August 1986
Principal business	Managing all the state-owned assets and equity interest formed and invested by the state in group company and its invested enterprises
Details of controlling interests and investments in other domestic and foreign listed companies during the Reporting Period	Directly or indirectly holds 7.24% equity of TravelSky (stock code 00696.HK); Indirectly control 40.50% equity of Eastern Air Logistics (stock code 601156.SH); Indirectly holds 13.32% equity of Juneyao Airlines (stock code 603885.SH); Indirectly holds 0.18% equity of Trip.com Group (stock code 09961.HK); Indirectly holds 4.68% equity of Air France-KLM (stock code AF.PA); Indirectly holds 0.16% equity of CTG Duty Free (stock code 01880.HK)

**The graph of shareholding and control relationship between the Company, the de facto controller and the controlling Shareholder**

The situation after the completion of the non-public offering of A shares of the Company in 2022 are as follow:



**Purchase, Sale or Redemption of Securities**

During the year ended 31 December 2022, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed Securities (“Securities”, having the meaning ascribed thereto under Section 1 of Appendix 16 to the Listing Rules).

**Pre-emptive Rights**

Under the Articles and the laws of the PRC, no pre-emptive right exists, which requires the Company to offer new shares to its existing Shareholders on a pro rata basis.

**Sufficiency of Public Float**

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has at all times during the year ended 31 December 2022 maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08(1)(a) of the Listing Rules.

## Shareholdings and Remuneration of Incumbent and Resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Sex	Age	Effective date of appointment	Expiry date of the term	Shares held at the beginning of the year (shares)	Shares held at the end of the year (shares)	Increase/ (decrease) in shareholding during the year	Total pre-tax remuneration received from the Company during the Reporting Period		Whether remuneration is received from related parties
									Actual amount received in 2022 (RMB10,000)	Redemption and incentive for 2019-2021 tenure (RMB10,000)	
Li Yangmin	Vice Chairman President	Male	59	31 December 2019	31 December 2022	3,960 (A shares)	3,960 (A shares)	—	—	—	Yes
Tang Bing	Director	Male	56	31 December 2019	31 December 2022	—	—	—	—	—	Yes
Lin Wanli	Director	Male	61	23 June 2021	31 December 2022	—	—	—	—	—	No
Cai Hongping	Independent Director	Male	68	31 December 2019	31 December 2022	—	—	—	20	—	No
Dong Xuebo	Independent Director	Male	69	31 December 2019	31 December 2022	—	—	—	10	—	No
Sun Zheng	Independent Director	Male	65	23 June 2021	31 December 2022	—	—	—	20	—	No
Lu Xiongwen	Independent Director	Male	56	23 June 2021	31 December 2022	—	—	—	20	—	No
Jiang Jiang	Employee representative Director	Male	58	28 December 2020	31 December 2022	—	—	—	—	—	Yes
Guo Lijun	Chairman of the Supervisory Committee	Male	50	29 March 2021	31 December 2022	—	—	—	63.78	60.84	No
Fang Zhaoya	Supervisor	Male	54	31 December 2019	31 December 2022	—	—	—	—	—	Yes
Zhou Huaxin	Employee representative Supervisor	Male	52	10 December 2020	31 December 2022	—	—	—	52.62	14.17	No
Xi Sheng	Vice President	Male	60	18 January 2021	21 April 2023	—	—	—	—	—	Yes
Zhou Qimin	Chief Financial Officer Vice President	Male	55	28 August 2020 18 January 2021	31 December 2022 31 December 2022	—	—	—	—	—	Yes
Feng Dehua	Vice President	Male	57	31 December 2019	31 December 2022	—	—	—	—	—	Yes
Cheng Guowei	Vice President	Male	53	15 January 2020	31 December 2022	—	—	—	—	—	Yes
Liu Tiexiang	Vice President	Male	57	29 April 2020	31 December 2022	—	—	—	—	—	Yes

## Report of the Directors

Name	Position	Sex	Age	Effective date of appointment	Expiry date of the term	Shares held at the beginning of the year (shares)	Shares held at the end of the year (shares)	Increase/ (decrease) in shareholding during the year	Total pre-tax remuneration received from the Company during the Reporting Period		Whether remuneration is received from related parties
									Actual amount received in 2022 (RMB10,000)	2021 Annual Salary Redemption and incentive for 2019–2021 tenure (RMB10,000)	
Wang Jian	Board Secretary	Male	49	31 December 2019	31 December 2022	–	–	–	60.30	69.50	No
<b>Resigned</b>											
Liu Shaoyong	Chairman	Male	64	31 December 2019	12 August 2022	–	–	–	–	–	Yes
<b>Total</b>	/	/	/	/	/	<b>3,960</b> (A shares)	<b>3,960</b> (A shares)	/	<b>246.70</b>	<b>144.51</b>	/

Notes:

1. The total remuneration before tax in 2022 refers to the remuneration before tax actually received by the directors, supervisors and senior management during their terms of office in 2022, the annual salary in 2021 and the tenure incentives for 2019–2021.
2. The terms of the ninth session of the Board and the Supervisory Committee of the Company originally scheduled to expire on 31 December 2022. Given that the nomination of candidates for the directors of the new session of the Board and supervisors of the Supervisory Committee has not been completed, the election of the Board and the Supervisory Committee of the Company will be postponed accordingly. Before the completion of the election process of the Board and the Supervisory Committee of the Company, all members of the ninth session of the Board, the Supervisory Committee and the senior management of the Company will continue to perform the obligations and duties of directors, supervisors and senior management diligently according to the laws, administrative regulations and the Articles. After the relevant matters are confirmed, the Company will expedite the election of the Board and the Supervisory Committee in a timely manner, and perform the corresponding information disclosure obligations.

The Company confirmed that, none of the Director has waived or agreed to waive any emolument.

**Mr. Li Yangmin** is currently the Vice Chairman, President and vice party secretary of the Company, and a director, the president and vice party secretary of CEA Holding. Mr. Li joined the civil aviation industry in 1985. He was previously deputy general manager of the aircraft maintenance base and the manager of air route department (航線部) of Northwest Company (西北航空公司), general manager of the aircraft maintenance base of China Eastern Air Northwest Branch Company and vice president of China Eastern Air Northwest Branch Company. From October 2005 to March 2019, he was also a vice president of the Company. He served as the Safety Director of the Company from July 2010 to November 2012. He has become a party member of CEA Holding since May 2011. He was a Director of the Company from June 2011 to August 2018 and served as the party secretary of the Company from June 2011 to December 2017. He has served as a vice party secretary of CEA Holding since August 2016 and was a vice president of CEA Holding from August 2016 to February 2019. Since December 2017, he has served as a vice party secretary of the Company. He has served as a director and the president of CEA Holding since February 2019 and the President of the Company since March 2019. He has served as the Vice Chairman of the Company since May 2019 and served as a director of Juneyao Airlines Co., Ltd. since November 2019. Mr. Li is also currently a member of the 14th National Committee of the Chinese People's Political Consultative Conference. Mr. Li graduated from the Civil Aviation University of China and Northwestern Polytechnical University and obtained an Executive Master of Business Administration degree from Fudan University. He is also a qualified professorate senior engineer.

**Mr. Tang Bing** is currently a Director and vice party secretary of the Company and a director and vice party secretary of CEA Holding. Mr. Tang joined the civil aviation industry in 1993. He served as vice executive president (general manager representing Chinese shareholder) of 珠海摩天宇發動機維修有限公司 (MTU Maintenance Zhuhai Co., Limited), office director of China Southern Airlines Holding Company and president of 重慶航空有限公司 (Chongqing Airlines Company Limited) and chief engineer and general manager of the Aircraft Engineering Department of China Southern Airlines Company Limited. From May 2009 to February 2010, he was appointed as president of the Beijing Branch of the Company and was the president of Shanghai Airlines Co., Limited from February 2010 to December 2011. He served as the chairman and executive director of Shanghai Airlines Co., Limited from January 2012 to January 2018 and a vice president of the Company from February 2010 to March 2019. He was appointed a party member of CEA Holding in May 2011. He served as a Director of the Company from June 2012 to August 2018 and a vice president of CEA Holding from December 2016 to February 2019. He has served as a director and vice party secretary of CEA Holding since February 2019, a vice party secretary of the Company since March 2019 and a Director of the Company since May 2019. Mr. Tang is also currently a member of the 14th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Tang graduated from Nanjing University of Aeronautics and Astronautics majoring in electrical technology. He obtained a Master of Business Administration degree from the Administration Institute of Sun Yatsen University, an Executive Master of Business Administration degree from the School of Economics and Management of Tsinghua University and a doctoral degree in national economics from the Graduate School of Chinese Academy of Social Sciences. He is also a qualified senior engineer.

**Mr. Lin Wanli** is currently a Director of the Company, an external director of China Eastern Airlines and an external director of central state-owned enterprise. Mr. Lin served as a vice party secretary and secretary of the disciplinary committee of the Tunnel Bureau of the Ministry of Railways, vice chairman and party secretary of China Railway Tunnel Group, and vice party secretary, secretary of the disciplinary committee and chairman of the labour union of China Northern Locomotive and Rolling Stock Industry (Group) Corporation. He served as the president and party secretary of China Railway Materials Commercial Corporation and chairman and party secretary of China Railway Materials Company Limited, director and party secretary of China National Aviation Fuel Group Corporation, and chairman of China Aviation Oil (Singapore) Corporation Ltd and an Independent Director of the Company. Mr. Lin has been an external director of CEA Holding since December 2020 and a Director of the Company since June 2021. Mr. Lin currently served as the external director of China National Agricultural Development Group Co., Ltd. and non-executive director of China Construction Technology Co., Ltd. Mr. Lin graduated from the Economics Faculty of Shandong University and obtained an Executive Master's Degree in Business Administration from Tsinghua University. He is a researcher-level senior political work specialist and senior economist.

**Mr. Cai Hongping** is currently an Independent Director of the Company. Mr. Cai currently serves as the chairman of AGIC Capital. He is a resident of Hong Kong, special administrative region of China. He worked for Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai") from 1987 to 1993. He participated in the listing of Sinopec Shanghai in Hong Kong and the United States (the first company of the PRC to be listed in the stock exchanges of Hong Kong and the United States) and is one of the founders of H shares in the PRC. From 1992 to 1996, he acted as a member of the Overseas Listing Team for Chinese Enterprises under the Restructuring Committee of the State Council and the chairman of the Joint Committee of Board Secretaries for H Share Companies in the PRC. He served as a joint director of the investment banking division of Peregrine Investments Holdings Limited in Asia from 1996 to 2006, chairman of the investment banking division of UBS AG in Asia from 2006 to 2010 and chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015, and has served as the chairman of AGIC Capital since February 2015. Since June 2016, Mr. Cai has served as an Independent Director of the Company. Mr. Cai is also an independent director of Shanghai Pudong Development Bank Co., Ltd. and BYD Company Limited, and an external director of China Merchants Bank Co., Ltd. Mr. Cai graduated from Fudan University, majoring in mass communications.

## Report of the Directors

**Mr. Dong Xuebo** is currently an Independent Director of the Company. Mr. Dong served as the deputy mayor of Luoyang City, Henan Province, deputy director of the comprehensive planning department and director of the comprehensive programming department of the Ministry of Transport, assistant to the president of China Merchants Group, general manager of Huajian Transportation Economic Development Center, assistant to the president of China Merchants Group, executive vice chairman, director, CEO and party secretary of China Merchants Highway, general counsel of China Merchants Group and the external director of China Shipbuilding Industry Group Co., Ltd.. Since December 2019, Mr. Dong has served as an Independent Director of the Company. Currently, Mr. Dong is also an external director of China National Machinery Industry Corporation. Mr. Dong obtained a postgraduate degree.

**Mr. Sun Zheng** is currently an Independent Director of the Company, a senior professor at Shanghai University of Finance and Economics, the vice president of the Accounting Society of China, the vice president of the Accounting Society of Shanghai. Mr. Sun has served as an Independent Director of the Company since June 2021. Mr. Sun has currently served as an independent director of Bank of Shanghai Co., Ltd., Shanghai Rural Commercial Bank Co., Ltd., Industrial Securities Co., Ltd. and SAIC Motor Corporation Limited. Mr. Sun graduated from Shanghai University of Finance and Economics with a doctoral degree in economics, and is a Chinese Certified Public Accountant.

**Mr. Lu Xiongwen** is currently an Independent Director of the Company, the dean, a professor and doctoral supervisor of the School of Management of Fudan University and the vice chairman of the sixth session of the China National MBA Postgraduate Education Supervisory Committee. Mr. Lu has been the Independent Director of the Company since June 2021. Currently, Mr. Lu also serves as an independent director of Baoshan Iron & Steel Co., Ltd., SPD Silicon Valley Bank and Morgan Stanley Securities (China) Co., Ltd. Mr. Lu graduated from Fudan University with a doctoral degree in economics.

**Mr. Jiang Jiang** is currently the employee representative Director, chairman of the labour union of the Company and the employee representative director and chairman of the labour union of CEA Holding. Mr. Jiang joined the civil aviation industry in 1986, and successively worked in the Civil Aviation Industry Airline Corporation and China General Aviation Corporation. He served as the deputy manager and manager of the flight division of the Shanxi Branch of the Company. From April 2005 to July 2010, he served as the deputy general manager of the Shanxi Branch. From July 2010 to June 2014, he served as the general manager and vice party secretary of the Shanxi Branch. From June 2014 to December 2016, he served as the general manager and vice party secretary of China Eastern Airlines Wuhan Limited. From December 2016 to February 2017, he served as the person-in-charge of the safety operation management of the Company. From February 2017 to January 2021, he served as a vice president and party member of the Company. From July 2020 to August 2021, he served as the Safety Director of the Company. Since November 2020, he has served as the chairman of the labour union of the Company and CEA Holding. Since December 2020, he has served as the employee representative director of the Company and CEA Holding. Since September 2021, he has served as the chairman of the supervisory committee of Eastern Airline Logistics Co., Limited. Since January 2022, he has served as the chairman of China United Airlines Co., Limited. Mr. Jiang graduated from the Civil Aviation Flight College of China majoring in air traffic control and aviation of aviation transportation, and obtained an Executive Master of Business Administration degree from Fudan University. He has the title of professorate senior pilot.

**Mr. Guo Lijun** is currently the chairman of the Supervisory Committee and Chief Economist of the Company. Mr. Guo joined the civil aviation industry in 1994. Mr. Guo had taken up the position as the Officer of the Secretariat of the Board, the General Manager of the Legal Department of the Company and the Deputy Director of the Legal Department of CEA Holding. He served as the General Counsel Legal Adviser of the Company from December 2011 to December 2017. He served as the Service Director of the Company from July 2013 to June 2014. He served as the General Manager of the Planning and Development Department of the Company from June 2014 to September 2016. He served as the General Manager of the Company's Beijing branch from September 2016 to April 2018. Mr. Guo has served as the Chief Economist of the Company since December 2017. From April 2018 to April 2020, he temporarily served as

a member of the Standing Committee of the Wuhu Municipal Committee and Deputy Mayor of Wuhu Municipal Government, Anhui Province. He has served as the chairman of the Supervisory Committee of the Company since March 2021. He has served as the chairman of CES International Financial Leasing Corporation Limited since April 2021. Mr. Guo graduated from the Zhongnan University of Economics and Law, majoring in law. He obtained a master's degree in law from the University of Washington in the United States, a master's degree in law from Fudan University and an Executive Master of Business Administration degree from Fudan University. Mr. Guo has the title of corporate legal adviser.

**Mr. Fang Zhaoya** is currently a Supervisor of the Company and the head of the strategic development department of CEA Holding. Mr. Fang joined the civil aviation industry in 1989. He served as the director of the time control office of the production planning department and the director of the A310/300 workshop of the route department of the maintenance base of China Northwest Airlines Co., Ltd., and the deputy director of the technical maintenance control centre (TMCC) for production of the route department and the deputy head of the quality control department of the maintenance base of the Northwest Branch of the Company, and the manager of the production planning centre of the maintenance management department and the manager of the business development department and the manager of the aircraft selection and lease and sales management department and the acting responsible person as claims manager of the aircraft selection and lease of China Eastern Air Engineering & Technique Co., Ltd., the deputy general manager of China Eastern Airlines Technology Co., Limited from May 2015 to June 2017, and the general manager of the planning department of the Company from June 2017 to April 2019. He has been the head of the strategic development department of CEA Holding since April 2019 and a Supervisor of the Company since December 2019. Mr. Fang graduated from the Department of Aviation Machinery of China Civil Aviation Institute majored in thermal power machinery and equipment. He obtained a master's degree from the Northwestern Polytechnical University majored in aviation engineering, and holds the title of senior engineer.

**Mr. Zhou Huaxin** is currently the employee representative Supervisor of the Company and the head of Mass Organization department of the Company and CEA Holding. Mr. Zhou joined the civil aviation industry in 1993 and served as the deputy director of general office and director of research office of CEA Holding, office director of the Company and the director of general office and director of foreign affairs office (Hong Kong, Macao and Taiwan affairs office) of CEA Holding. He served as the party secretary and vice president of the Anhui branch of the Company from August 2017 to April 2018. He served as the executive vice president and party member of the Beijing branch of the Company from April 2018 to September 2020. He has served as the head of Mass Organization department of the Company and CEA Holding since September 2020, and the employee representative Supervisor of the Company since December 2020. Mr. Zhou graduated from Lanzhou University majoring in Marxism, and obtained a master's degree in economics from the Renmin University of China majoring in national economic planning and management and an Executive Master of Business Administration degree from the School of Management of Fudan University. He holds a senior political worker title.

**Mr. Xi Sheng** served as a vice president and party member of the Company and a vice president, the chief auditor and party member of CEA Holding during the Reporting Period. Mr. Xi served as the deputy head of the foreign affairs department II of the foreign funds utilisation and application audit department and the head of the liaison and reception office of the foreign affairs department of the National Audit Office of the PRC and the deputy head of the PRC Audit Institute (中國審計事務所). He was also the deputy head and head of the fixed assets investment audit department of the National Audit Office of the PRC, and the party secretary and a special commissioner of the Harbin office of the National Audit Office of the PRC. He served as the head of the personnel and education department of the National Audit Office of the PRC. He was the head of the audit department of CEA Holding from September 2009 to November 2012. Mr. Xi served as the chief auditor of CEA Holding from September 2009 to April 2023. From June 2012 to January 2021, he was a Supervisor of the Company. From June 2016 to January 2021, he was the chairman of the Supervisory Committee of the Company. He served as the head of the audit department of CEA Holding from December 2017 to November 2018, a vice president of CEA Holding from January 2018 to April 2023, and a party member of CEA Holding from January 2018 to March 2023.

## Report of the Directors

From November 2018 to May 2020, he served as the general manager of audit department of the Company and CEA Holding. From January 2021 to April 2023, he served as a vice president and party member of the Company. Mr. Xi is also the vice chairman of China Institute of Internal Audit. Mr. Xi graduated from Jiangxi University of Finance and Economics with undergraduate education background. He is a senior auditor, a Chinese Certified Public Accountant (CPA) and an International Certified Internal Auditor (CIA).

**Mr. Zhou Qimin** is currently a vice president, the Chief Financial Officer and a party member of the Company and the chief accountant and a party member of CEA Holding. Mr. Zhou served as deputy head of the Finance Department of the eighth research institute of China Aerospace Corporation, and head of the Finance Department, chief accountant and a member of party committee of the eighth research institute of China Aerospace Science and Technology Corporation. He served as the head of financial department of Commercial Aircraft Corporation of China, Ltd. from April 2008 to October 2016, the deputy chief accountant of Commercial Aircraft Corporation of China, Ltd. from August 2014 to January 2018, the chief accountant of Commercial Aircraft Corporation of China, Ltd. from January 2018 to July 2020, a member of party committee of Commercial Aircraft Corporation of China, Ltd. from January 2018 to July 2018 and standing member of party committee of Commercial Aircraft Corporation of China, Ltd. from July 2018 to July 2020. He has served as the chief accountant and a party member of CEA Holding since July 2020, the Chief Financial Officer of the Company since August 2020, and a vice president and party member of the Company since January 2021. Mr. Zhou has also served as the position of vice president of China Association for Public Companies. Mr. Zhou graduated from the Faculty of Mathematics of Gannan Normal University, majoring in mathematics. He also graduated from the Faculty of Management Engineering of University of Electronic Science and Technology of China, majoring in industrial management engineering, holds an undergraduate degree and is a researcher-level senior accountant.

**Mr. Feng Dehua** is currently a vice president and party member of the Company and a vice president and party member of CEA Holding. Mr. Feng joined the civil aviation industry in 1989 and successively worked in China General Aviation Corporation, the Shanxi Branch of the Company and the sales and marketing system of the Company. From May 2009 to August 2009, Mr. Feng was the executive vice president for sales and marketing of passenger transportation department of the Company. From August 2009 to November 2011, he was the party secretary and vice president for sales and marketing of passenger transportation department of the Company. From November 2011 to August 2014, he was the president and vice party secretary of the Beijing Branch of the Company. From August 2014 to December 2017, he was the secretary of the disciplinary committee of the Company. He has served as a party member of the Company since August 2014. From September 2014 to February 2019, he has been the deputy head of party disciplinary inspection group of CEA Holding. Since December 2017, he has been a vice president of the Company. Since December 2019, he has been a party member and vice president of CEA Holding. Since February 2020, he has been the chairman of Eastern Airline Logistics Co., Limited. Mr. Feng is also currently a member of the 14th Shanghai Municipal Committee of the Chinese People's Political Consultative Conference and the deputy director of China Air Transport Association. Mr. Feng graduated from Shanxi Finance and Economics Institute majoring in commercial business management, and obtained an Executive Master of Business Administration degree from Fudan University. He is qualified as a professorate senior economist.

**Mr. Cheng Guowei** is currently a vice president and party member of the Company and a vice president, party member and the safety director of CEA Holding. Mr. Cheng joined the civil aviation industry in 1994 and served as the deputy chief engineer, chief engineer, director of flight maintenance and general manager of the flight maintenance engineering department of Shanghai Airlines Co., Limited from April 2005 to March 2010, the vice president of Shanghai Airlines Co., Limited from March 2010 to November 2010, the vice president and safety director of Shanghai Airlines Co., Limited from November 2010 to August 2011, the vice president, safety director and secretary of the disciplinary committee of Shanghai Airlines Co., Limited from August 2011 to July 2013, and the party secretary and vice president of Shanghai Airlines Co., Limited from July 2013 to September 2016. He served as the party secretary and vice president of the Northwest Branch of the Company from September 2016 to August 2017, and the president and vice party secretary of the Northwest Branch of the Company from August 2017 to November 2018. He served as the general manager and vice party

secretary of China Eastern Airlines Technology Co., Limited from November 2018 to December 2019. He has served as a vice president and party member of CEA Holding since December 2019. He has served as a vice president and party member of the Company since January 2020. He served as the Safety Director of the Company from February 2020 to July 2020, and has served as the safety director of CEA Holding since February 2020. He has served as the chairman of China Eastern Airlines Technology Co., Limited since September 2021. Mr. Cheng graduated from Nanjing University of Aeronautics and Astronautics majoring in aerodynamics and obtained a Master of Business Administration degree jointly offered by Beijing University of Technology and American City University. He holds the title of senior engineer.

**Mr. Liu Tiexiang** is currently a vice president and party member of the Company and a vice president and party member of CEA Holding. Mr. Liu joined the civil aviation industry in 1983, and served as the manager of the flight training center of training department, the deputy general manager of the aviation safety technology department and the deputy general manager of the flight technology management department of Air China Company (中國國際航空公司), and the general manager of the flight technology management department, deputy chief and party member of the general fleet and chief and vice party secretary of the general fleet of Air China Limited ("Air China"). From April 2011 to August 2014, he served as the chief pilot of Air China. From March 2012 to January 2013, he also served as the general manager, party member and deputy secretary of the operation control center of Air China, and the deputy chief operating officer of Air China. From January 2013 to August 2014, he also served as the general manager and vice party secretary of the Southwest Branch of Air China. From August 2014 to March 2020, he served as the vice president and party member of Air China. From April 2015 to March 2020, he also served as the chief operating officer of Air China. From May 2016 to March 2020, he also served as the chairman of Beijing Airlines Co., Ltd. Since March 2020, he has served as a vice president and party member of CEA Holding. Since April 2020, he has served as a vice president and party member of the Company. Mr. Liu graduated from the Central Party School majoring in economics and management, and holds the title of professorate senior pilot.

**Mr. Wang Jian** is currently the Board secretary of the Company. Mr. Wang joined the civil aviation industry in 1995 and served as deputy head of the Company's office, the deputy general manager of the Shanghai Business Office of the Company, and the deputy general manager of the Shanghai Business Office of China Southern Airlines Company Limited. He served as the head of the Board office of the Company and a representative of the Company's securities affairs. He has served as the Board secretary of the Company since April 2012. He also served as a general manager and chairman Eastern Airlines Industry Investment from November 2016. He served as a director of Eastern Air Logistics from June 2017, and also served as a director of AFK since July 2019. During his term as secretary to the Board and his relevant work, he designed and promoted the implementation of several capital and strategic projects of CEA. Mr. Wang graduated from Shanghai Jiao Tong University and has a Master of Business Administration postgraduate degree from East China University of Science and Technology and an Executive Master of Business Administration degree from Tsinghua University.

**Mr. Liu Shaoyong** was the Chairman and party secretary of the Company and Chairman and party secretary of CEA Holding during the Reporting Period. Mr. Liu joined the civil aviation industry in 1978 and was appointed as vice president of China General Aviation Corporation, deputy director of Shanxi Provincial Civil Aviation Administration of the PRC, general manager of the Shanxi Branch of the Company, and director general of Flight Standard Department of the CAAC. Mr. Liu served as President of the Company from December 2000 to October 2002, vice minister of the CAAC from October 2002 to August 2004, president of China Southern Air Holding Company from August 2004 to December 2008, and chairman of China Southern Airlines Co., Limited from November 2004 to December 2008. Mr. Liu served as president and vice party secretary of CEA Holding from December 2008 to December 2016, and Chairman of the Company from February 2009 to August 2022. He served as the chairman and party secretary of CEA Holding from December 2016 to August 2022 and the party secretary of the Company from December 2017 to August 2022. Mr. Liu graduated from the Civil Aviation Flight College of China and obtained a Master of Business Administration degree from Tsinghua University. He holds the title of professorate senior pilot.

## Changes in the Members of the Board and Management Personnel

### Appointment

Name	Date of Appointment	Reason for Change	Position
Li Yangmin	12 August 2022	Elected by the Board	Acting as the chairman of the Board and the chairman of the nomination and remuneration committee of the Board, and acting as the legal representative
		Appointed by the Board	Appointed as the authorised representative required under the Listing Rules

### Cessation

Name	Date of Cessation	Reason for Change	Position resigned from
Liu Shaoyong	12 August 2022	Departure from the position due to work arrangement	Resigned as the chairman of the Board, director, chairman and member of the nomination and remuneration committee of the Board, authorised representative required under the Listing Rules
Xi Sheng	21 April 2023	Work arrangement	Resigned as a vice president

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 12 August 2022 and 21 April 2023.

## Change of Particulars of Directors or Supervisors under Rule 13.51B(1) of the Listing Rules

Name	Name of corporate shareholders or other entities	Position(s) held	Date of appointment	Date of cessation
Cai Hongping	COSCO SHIPPING Development Co., Ltd.	Independent director	June 2016	February 2023
	China Merchants Bank Co., Ltd.	External supervisor	June 2022	
	China Southern Airlines Company Limited	Independent director	December 2022	
Sun Zheng	COFCO Capital Holdings Co., Ltd.	Independent director	March 2019	May 2022
	SAIC Motor Corporation Limited	Independent director	May 2022	
Lu Xiongwen	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Independent director	March 2016	June 2022
	Shanghai New Huang Pu Industrial Group Co., Ltd.	Independent director	December 2018	February 2022

Name	Name of corporate shareholders or other entities	Position(s) held	Date of appointment	Date of cessation
Jiang Jiang	China United Airlines	Chairman	January 2022	
Fang Zhaoya	CEA Development Co., Limited	Director	June 2019	January 2023
	Eastern Airlines Industry Investment Co., Ltd.	Director	June 2019	January 2023
	CES International Financial Leasing Corporation Limited	Director	August 2021	January 2023
	Hainan International Carbon Emission Right Trading Center Co., Ltd.* (海南國際碳排放權交易中心有限公司)	Director	October 2022	
Feng Dehua	Pointsea Company Limited	Chairman	July 2021	August 2022
	China Logistics Group Limited	Director	January 2022	
Liu Shaoyong	China Eastern Air Holding Company Limited	Chairman, director	December 2016	August 2022
Xi Sheng	China Eastern Air Holding Company Limited	Vice president	January 2018	April 2023
		Chief auditor	September 2009	April 2023

## Shareholdings of Directors, Chief Executive, Supervisors and Senior Management

Save as disclosed above, as at 31 December 2022, none of the Directors, chief executive, Supervisors and members of senior management of the Company and their respective associates had any other interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (including any interest or short position which any of such Directors, chief executive, Supervisors and members of senior management of the Company and their respective associates were taken or deemed to have under such provisions of the SFO), or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applied to the Directors).

In 2022 and as at 31 December 2022, none of the Directors, chief executive, Supervisors, members of senior management of the Company and/or any of their spouses or children under the age of eighteen were granted any right, and the Company had not made any arrangement enabling any of them, to subscribe for equity securities or debt securities of the Company.

As at the date of this report, CEA Holding is a company having an interest in the Company's shares required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## Service Contracts of Directors and Supervisors

None of the Directors or Supervisors has entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had a material interest, directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the Reporting Period (the term “contract of significance” having the meaning ascribed thereto in paragraph 15 of Appendix 16 to the Listing Rules).

## Management Contracts

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or subsisted during the Reporting Period.

## Competing Interests

During the Reporting Period, none of the Directors or the controlling Shareholder or each of their associates (as defined under the Listing Rules) had any interest in a business which competed or may compete with the business of the Group, or had or may have any conflict of interest with the Group.

## Remuneration of Directors and Supervisors

Details of the remuneration of Directors and Supervisors are set out in note 8 to the financial statements prepared in accordance with IFRSs.

## Major Suppliers and Customers

In 2022, total purchases by the Company from the five largest suppliers was approximately RMB20.298 billion, accounting for 27.21% of the operating expenses of the Company. Among which, purchases from the largest supplier accounted for 16.28% of the operating expenses. Total income from sales to the Company’s five largest customers amounted to approximately RMB9,155 million, accounting for 19.85% of the Company’s total revenue. Among which, revenue from sales to the largest customer accounted for 7.50% of revenue from sales of goods or rendering of services. None of the Directors, Supervisors or any of their respective associates nor any Shareholders who, to the knowledge of the Directors, hold 5% or more of the Company’s share capital has any interest in any of the above mentioned suppliers and customers.

## Taxation

The Company is subject to income tax at a rate of 25% (2021: 25%). Our effective income tax rate, however, may be lower than the rate of 25% because certain subsidiaries were incorporated in jurisdictions where the applicable income tax rate is 16.5% or 15% rather than 25%. We had carried forward tax losses of approximately RMB74,056 million as at 31 December 2022 (2021: RMB34,445 million), which can be used to offset future taxable income between 2023 and 2028.

## Enterprise Income Tax of Overseas Non-Resident Enterprises

In accordance with the relevant tax laws and regulations in the PRC, the Company is obliged to withhold and pay PRC enterprise income tax on behalf of non-resident enterprise shareholders at a tax rate of 10% when the Company distributes any dividends to nonresident enterprise shareholders. As such, any H shares of the Company which are not registered in the name(s) of individual(s) (which, for this purpose, includes shares registered in the name of HKSCC Nominees Limited, other nominees, trustees, or other organisations or groups) shall be deemed to be H shares held by non-resident enterprise shareholder(s), and the PRC enterprise income tax shall be withheld from any dividends payable thereon. Non-resident enterprise shareholders may wish to apply for a tax refund (if any) in accordance with the relevant requirements, such as tax agreements (arrangements), upon receipt of any dividends.

## Individual Income Tax of Overseas Individual Shareholders

In accordance with the relevant tax laws and regulations in the PRC, when non-foreign investment companies of the mainland which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10% without making any application for the entitlement for the abovementioned tax rate. However, the Company is a foreign investment company and, as confirmed by the relevant tax authorities, according to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign investment enterprises.

## Medical Insurance

The majority of the Group's PRC employees participate in the medical insurance schemes organised by the municipal governments. For those employees who participate in these schemes, the Group has no other obligation for the payment of medical expense beyond such contributions. For the year ended 31 December 2022, the Group's medical insurance contributions charged to profit or loss amounted to RMB944 million (2021: RMB982 million).

## Employee Retirement Scheme

Details of the Company's employee retirement scheme and post-retirement benefits are set out in note 39 to the financial statements prepared in accordance with IFRSs.

## Staff Housing Benefits

Details of the Group's staff housing benefits are set out in note 8 to the financial statements prepared in accordance with IFRSs.

## Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2022 are set out in note 37 to the financial statements prepared in accordance with IFRSs.

## Interest Capitalised

Interest capitalised by the Group as calculated in accordance with IFRSs for the year ended 31 December 2022 was RMB455 million.

## Property, Plant and Equipment

Movements in property, plant and equipment of the Company and the Group for the year are set out in note 16 to the financial statements prepared in accordance with IFRSs.

## Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2022 and profit distribution by the Company are set out in note 42 to the financial statements prepared in accordance with IFRSs.

## Donations

During the year ended 31 December 2022, the Group made donations for charitable purposes amounting to approximately RMB1.25 million.

## Compliance with the Relevant Laws and Regulations which may have a Significant Impact on the Company

During the year ended 31 December 2022, the Board was not aware of any significant matters which may cause impact on the Group or any non-compliance with the laws and regulations which may have a significant impact on the Group.

## Permitted Indemnity Provision

The Company has purchased and maintained directors' liability insurance throughout the year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Group arising from or in connection with the performance of their duties. The level of the coverage is reviewed annually.

## Contract of Significance

Save as disclosed in this annual report, there was no contract of significance between the Company or any of its subsidiaries with the controlling Shareholder or its subsidiaries during the Reporting Period, nor contract of significance for the provision of services to the Company or its subsidiaries by the controlling Shareholder or its subsidiaries (the term "contract of significance" having the meaning ascribed thereto in Appendix 16 to the Listing Rules).

## Material Litigation

As at 31 December 2022, the Group was not involved in any material litigation, arbitration or claim.

## Future Plans for Material Investments and Capital Assets

As at 31 December 2022, the Group did not have any future material investments or acquisition of capital assets approved by the Board.

## Significant Events

- (1) On 1 July 2022, the 18th ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution in relation to the introduction of 100 A320NEO series aircraft and signing of relevant agreement. On the same date, the Company signed the relevant agreement with Airbus S.A.S. On 14 December 2022, such resolution has been considered and approved at the 2022 first extraordinary general meeting of the Company. For details, please refer to the announcements and circular of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 1 July 2022, 24 August 2022 and 14 December 2022.
- (2) On 21 March 2022, a Boeing 737 passenger aircraft of Yunnan Co., Ltd., a subsidiary of the Company crashed while performing a flight from Kunming to Guangzhou. After the occurrence of the incident, the Company has attached great importance to the incident, immediately activated the emergency response plan and actively cooperated with relevant departments to carry out rescue and accident cause investigations. The Company adheres to the principle of people first and life first, and will handle the aftermath in a thorough and meticulous manner. For details, please refer to the announcement of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 21 March 2022 and information released through official channels.
- (3) On 30 August 2022, a total of 1,394,245,744 A shares of the Company with trading moratorium held by Juneyao Airlines Co., Ltd., Shanghai Juneyao (Group) Co., Ltd., Shanghai Jidaohang Enterprise Management Company Limited and China Structural Reform Fund Corporation Limited, the shareholders of the Company, became tradable; on 29 August 2022, the lock-up period for the 517,677,777 H shares subscribed by Shanghai Juneyao Airline Hong Kong Limited has ended. For details, please refer to the announcement of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 24 August 2022.

- (4) On 30 August 2022, the 2022 fourth regular meeting of the Board of the Company considered and approved the resolution in relation to certain amendments to the articles of association, the resolution in relation to certain amendments to the rules for procedures for general meetings and the resolution in relation to certain amendments to the rules for meetings of the board of directors. On 14 December 2022, such resolutions have been considered and approved at the 2022 first extraordinary general meeting of the Company. For details, please refer to the announcements of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 August 2022 and 14 December 2022.
- (5) On 13 January 2023, the Company has notified the New York Stock Exchange of its proposed application for voluntary delisting of its American depositary shares from the New York Stock Exchange. For details, please refer to the announcement of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 13 January 2023.

## Continuing Connected Transactions

The continuing connected transactions of the Company were connected transactions taken place with CEA Holding, CEA Holding's controlling subsidiaries and other related parties during the air transportation operations of the Company. The connected transactions were conducted based on normal commercial terms and in the interests of the Company and Shareholders as a whole and were fair and reasonable to the Shareholders of the Company.

The daily connected transactions of the Company in 2022 are as follows:

Transaction item	Unit: RMB million	
	Actual amount incurred up to 31 December 2022	2022 estimated transaction caps
Financial services		
— maximum balance of deposits per day	13,979	14,000
Financial services		
— maximum balance of loans per day (pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)	6,000	14,000
Catering-related services and on-board supplies support services		
— services received	965	4,840
Property leasing related to catering support services		
— as a lessor		
— annual rent	26	100
Property leasing related to catering support services		
— as a lessee		
— annual rent	2	8
Property leasing related to catering support service		
— as a lessee		
— total value of right-of-use assets	6	190
Aviation ancillary services		
— total amount of payables	533	1,860
Aviation ancillary services		
— total value of right-of-use assets <sup>1</sup>	444	1,900
Import and export services	93	950

## Report of the Directors

Transaction item	Actual amount incurred up to 31 December 2022	2022 estimated transaction caps
Properties leasing and construction and management agency services		
— total amount of payables	114	330
Properties leasing and construction and management agency services		
— total value of right-of-use assets <sup>2</sup>	485	828
Advertising agency services	24	75
Aircraft finance lease businesses		USD5,286 million or equivalent RMB
— total rental amount and arrangement charge <sup>3</sup>	2,448	
Aircraft finance lease businesses		
— total value of right-of-use assets <sup>4</sup>	2,301	20,928
Aircraft and engines finance lease services		
— annual rent <sup>5</sup>	391	1,355
Aircraft and engines finance lease services		
— total rent <sup>6</sup>	—	4,705
Aircraft and engines finance lease services		
— total value of right-of-use assets <sup>7</sup>	—	3,548
Freight logistics business support services		
— services provided	271	460
Cargo terminal business support services		
— services received	260	830
Exclusive operation service for passenger aircraft cargo business	7,770	9,000
Aviation information technology services (pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)	234	1,640
AIR FRANCE-KLM aviation transportation cooperation and support services		
— amount received (pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)	8	1,420
AIR FRANCE-KLM aviation transportation cooperation and support services		
— amount paid (pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)	41	1,280

Note 1: For aviation supporting services, the actual amount of connected transaction incurred in 2022 represents the total value of right-of-use assets for the involved vehicle equipment leasing at the end of 2022;

Note 2: For property leasing and construction and management agency services, the actual amount of connected transaction incurred in 2022 represents the total value of right-of-use assets for the involved property leasing at the end of 2022;

Note 3: For aircraft finance lease services, the actual amount of connected transaction incurred in 2022 represents the total lease amount (principal and interest) plus service charge for the newly-introduced finance lease aircraft in 2022;

Note 4: For aircraft finance lease services, the actual amount of connected transaction incurred in 2022 represents the total value of right-of-use assets for the newly-introduced finance lease aircraft in 2022;

Note 5: For aircraft operating lease services, the actual amount incurred in 2022 represents the lease amount paid in 2022 for the operating lease aircraft and engines;

Note 6: For aircraft operating lease services, the actual amount incurred in 2022 represents the total lease amount of all lease terms for the newly-introduced operating lease aircraft and engines in 2022;

Note 7: For aircraft operating lease services, the actual amount incurred in 2022 represents the total value of right-of-use assets for the newly-introduced operating lease aircraft and engines in 2022.

## Notes:

1. On 30 August 2019, the Company signed a continued connected transactions framework agreement in respect of the continued connected transaction of financial services, import and export services, catering services and related services, flight complementary services, property leasing and construction and management agency, advertising agency by mandate services, aircraft finance lease services, aircraft and aircraft engines operating lease services, freight logistics business support services with its connected person, CEA Holding and its subsidiaries, for a term of three years commencing from 1 January 2020 to 31 December 2022, and renewed the caps for transactions for 2020 to 2022.
2. Affected by external environment, air freight rates have increased. According to the business needs of the Company and the adjustment of operation strategy of China Cargo Airlines, the Company has raised the annual caps of the continuing connected transactions for the exclusive operation of passenger aircraft cargo business for 2021 and 2022. On 23 June 2021, the Board of the Company considered and approved the resolution regarding the adjustment to the annual caps for the Exclusive Operation of Passenger Aircraft Cargo Business Continuing Connected Transactions with China Cargo Airlines for 2021 and 2022, and agreed that the estimated annual caps for continuing connected transactions of the Company and China Cargo Airlines for 2021 and 2022 will be adjusted to RMB9 billion and RMB8 billion, respectively. The resolution has been considered and approved at the general meeting of the Company held on 27 August 2021. For details, please refer to the announcements and circular disclosed by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 23 June 2021, 23 July 2021 and 27 August 2021.
3. Affected by external environment, the global air cargo demand has increased, and it is expected that the relevant business service fees such as aircraft maintenance hourly rate and pallet leasing fees will increase. The Company has raised the annual caps of the continuing connected transactions for the cargo terminal business support services for 2021 and 2022. On 23 June 2021, the Board of the Company considered and approved the resolution regarding the annual caps for daily continuing connected transactions with Eastern Logistics for freight logistics-related support services in 2021 and 2022, and agreed that the estimated annual caps for continuing connected transactions of the freight logistics-related support services of the Company and Eastern Logistics for 2021 and 2022 will be adjusted to RMB450 million and 460 million, and the estimated annual caps for continuing connected transactions of the Cargo Terminal Business Support Services will be adjusted to RMB800 million and 830 million. For details, please refer to the announcement disclosed by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 23 June 2021.
4. In the future, the Company will have new long-term property leasing with Eastern Investment in Chengdu, Sichuan, Hangzhou, Zhejiang and other Support Bases. The annual caps for the continuing connected transactions of the property leasing and construction and management agency business between the Company and Eastern Investment for 2021 and 2022 will exceed the original estimated annual caps. On 30 August 2021, the Board of the Company considered and approved the resolution regarding the adjustment to the estimated annual caps for the daily continuing connected transactions of the property leasing and construction and management agency business between the Company and Eastern Investment for 2021 and 2022, and agreed to adjust the annual caps for continuing connected transactions for property leasing and construction and management agency business for 2021 and 2022 to RMB287 million and RMB330 million; and adjust the annual caps of the total value of the right-of-use assets relating to the leases for 2021 and 2022 to RMB735 million and RMB828 million. For details, please refer to the announcement disclosed by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 30 August 2021.
5. There was a stronger demand for international air cargo since 2021. 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, on 12 October 2022, the Board of the Company considered and approved the resolution regarding the adjustment to the annual caps for the exclusive operation of passenger aircraft cargo business daily connected transactions for 2022, and agreed that the annual caps for the exclusive operation of passenger aircraft cargo business continuing connected transactions between the Company and China Cargo Airlines for 2022 to be adjusted to RMB9 billion. For details, please refer to the announcements and circular of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 12 October 2022, 25 October 2022 and 14 December 2022.
6. On 30 August 2022, the Board of the Company considered and approved the resolution regarding daily connected transactions from 2023 to 2025, and agreed the annual caps of the Company's continuing connected transactions from 2023 to 2025. On 26 September 2022, the Company entered into relevant framework agreements with related parties. On 14 December 2022, the resolution was considered and approved at 2022 first extraordinary general meeting of the Company. For details, please refer to the announcements and circular of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 August 2022, 26 September 2022, 25 October 2022 and 14 December 2022.

## Report of the Directors

The continuing connected transactions of the Company in 2022 are as follows:

Agreements	Counterparties and connected person relationship	The annual caps for financial year ended 31 December 2022 (RMB, other than USD)
Financial Services Agreement — Balance of deposit	Eastern Air Group Finance Co., Ltd., which is directly interested as to 53.75% by CEA Holding, and is thus an associate of CEA Holding.	14,000,000,000
Aircraft Finance Lease Framework Agreement (2020–2022) — Rental in total (including principal and interest) and arrangement fee — Total right-of-use assets value	CES Leasing is directly held as to 65% by CEA Holding, and thus CES Leasing and the lessor, which is a wholly-owned subsidiary of CES Leasing, are associates of CEA Holding.	USD5,286,000,000 20,928,000,000
Aircraft and Aircraft Engines Operating Lease Framework Agreement (2020–2022) — Annual rental — Total annual rental — Total right-of-use assets value	CES Leasing, the connected relationship of which is the same as above.	1,355,000,000 4,705,000,000 3,548,000,000
Import and Export Services Agreement	Eastern Aviation Import & Export Co., Ltd., which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	950,000,000
Flight Complementary Services Agreement — Total amounts payable — Total right-of-use assets value for lease of exclusive vehicles and equipment	CEA Development Co., Ltd., which is a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	1,860,000,000 1,900,000,000
Catering Services and Related Services Agreement — services received — the Company as the lessee — annual rent — the Company as the lessee — total value of right-of-use assets — the Company as the lessor — annual rent	China Eastern Air Catering Investment Co., Ltd., which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	4,840,000,000 8,000,000 190,000,000 100,000,000
Property Leasing and Construction and Management Agency Agreement — Amounts of rental and fee payable — Total right-of-use assets value	CEA Holding, which is directly or indirectly interested in 56.43% of the issued capital of the Company as at the transaction date, and thus is a controlling Shareholder of the Company. Eastern Investment, which is a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	330,000,000 828,000,000
Advertising Services Agreement	China Eastern Airlines Media Co., Ltd., which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	75,000,000
Freight Logistics Daily Connected Transactions Framework Agreement — Amount received for freight logistics business support services — Amount paid for cargo terminal business support services	Eastern Logistics, which is directly interested as to 40.50% by Eastern Airlines Industry Investment, a wholly-owned subsidiary of CEA Holding, and thus is an associate of CEA Holding.	460,000,000 830,000,000

Agreements	Counterparties and connected person relationship	The annual caps for financial year ended 31 December 2022 (RMB, other than USD)
Exclusive Operation Agreement of Passenger Aircraft Cargo Business — Transportation service fees received for passenger aircraft cargo business	China Cargo Airlines, which is directly interested as to approximately 83% by Eastern Logistics and in turn a non-wholly owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	9,000,000,000

For details of the abovementioned transactions, please refer to the announcements and circulars published by the Company on the website of Hong Kong Stock Exchange on 30 August 2019, 28 August 2020, 23 June 2021, 23 July 2021, 30 August 2021, 12 October 2022 and 25 October 2022.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions in 2022, and confirmed that:

- (a) the transactions were entered into in the ordinary course of business by the Group;
- (b) the transactions were conducted (i) on normal commercial terms or (ii) (if the comparable transaction was inadequate for judgment of whether the transaction was conducted on normal commercial terms) on terms no less favourable to the Company than those available to or from independent third parties (as the case maybe); and
- (c) the transactions were conducted in accordance with the terms of agreement of the relevant transaction, and the terms of transactions were fair and reasonable and in the interests of the Shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditors of the Company, have carried out procedures on the continuing connected transactions for the year ended 31 December 2022 in accordance with the Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

In respect of each related party transaction disclosed in note 45 to the financial statements prepared in accordance with IFRSs, the Company confirms that it has complied with the relevant requirements under the Listing Rules (if applicable). Save as disclosed above, the related party transactions set out in note 45 to the financial statements prepared in accordance with IFRSs do not constitute connected transactions under the Listing Rules.

## Connected Transaction

- (1) On 14 December 2022, the 21st ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution in relation to the disposal of certain ground equipment. On 30 December 2022, each of the Company and its wholly-owned subsidiary Eastern Technology entered into agreements with Shanghai Eastern Airlines Yinyan Financial Leasing Co., Ltd. (上海東航銀燕融資租賃有限公司) (“Yinyan Leasing”), and shall dispose of 7,655 and 520 vehicles to Yinyan Leasing, respectively, at disposal prices of RMB273.4034 million (tax exclusive) and RMB124.7807 million (tax exclusive), respectively. Yinyan Leasing is an indirect wholly-owned subsidiary of CEA Development Co., Ltd. (hereinafter referred to as “CEA Development”), which is a wholly-owned subsidiary of CEA Holding, the controlling Shareholder of the Company. Therefore, Yinyan Leasing is a connected person of the Company within the meanings of the Listing Rules. The gradual disposal of aviation ground equipment inventories by the Company and its subsidiaries to Yinyan Leasing can establish a foundation for the comprehensive development of aviation ground equipment leasing services. The provision of aviation ground equipment leasing services is an effective way to transform the Company’s supporting assets into operating assets and improve the utilisation rate of assets. Such services will give full play to the integration advantages of CEA Development in equipment manufacturing, maintenance and management services, realise the refined management of the entire lifecycle of assets and the unified deployment of cross-business units, and create synergies to reduce maintenance personnel, improve the overall support efficiency and cut down management costs. For details, please refer to the announcements of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 14 December 2022 and 30 December 2022.
- (2) On 14 December 2022, the 21st ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution in relation to the capital increase to Eastern Air Catering by the Company. On 28 December 2022, the Company entered into the Capital Increase Agreement with CEA Holding and Eastern Air Catering, pursuant to which, the Company and CEA Holding shall make a capital increase by way of cash, in proportion to their respective shareholdings, to Eastern Air Catering of RMB1,500 million, of which RMB675 million shall be contributed by the Company, and RMB825 million shall be contributed by CEA Holding. CEA Holding is the controlling Shareholder of the Company, holding 56.43% equity interests in the Company as at the transaction date. Eastern Air Catering is a non-wholly owned subsidiary of CEA Holding, being directly held by CEA Holding and the Company as to 55% and 45% equity interests, respectively. Therefore, CEA Holding and Eastern Air Catering are connected persons of the Company within the meanings of the Listing Rules. The capital increase by way of cash made by the Company and CEA Holding to Eastern Air Catering on a pro rata basis helps Eastern Air Catering to optimise assets structure, lower gearing ratio, improve corporate credit, as well as enhancing financial security and anti-risk capabilities while facilitating Eastern Air Catering to overcome the impact of external environment, capture the opportunities of development in industry, improve the operating situation, as well as enhancing its sustainability and market competitiveness, so as to allow the Company to obtain air catering services of higher quality. For details, please refer to the announcements of the Company published on the website of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 14 December 2022 and 28 December 2022.

## Provision of Guarantees

As at 31 December 2022, the balance of the external guarantee provided by the Company for its wholly-owned SPV, was approximately RMB1.649 billion, and the guarantee amount was within the authorized amount approved by the general meeting.

## Engagement and Dismissal of Auditors

According to the relevant regulations of the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council on the "Notice on Issues Concerning the Audit of Financial Final Accounts of Central Enterprises by Accounting Firms" (Cai Kuai [2011] No. 24), due to the accounting firm of the Company, Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young have provided auditing services for the Company for 8 consecutive years, reaching the upper limit of the number of years that can continuously provide auditing services. Therefore, as approved by the Company's 2020 Annual General Meeting, the Company changed the accounting firm in 2021.

The second regular meeting of the Board of the Company in 2022 and the 2021 annual general meeting considered and approved the resolution regarding the Company's appointment of the domestic and international auditors for financial reporting and the auditors for internal control for the year 2022, and agreed to engage PricewaterhouseCoopers Zhong Tian LLP as the 2022 PRC domestic financial reporting auditor, US financial reporting auditor and internal control auditor, and to engage PricewaterhouseCoopers as the international financial reporting auditor of the Company for the year 2022. In 2022, the total fee for the provision of financial reporting and internal control audit services for the Company amounted to RMB12 million, and the total fee for the provision of non-audit services (including issuance of comfort letters, tax consultation services, etc.) for the Company amounted to RMB2 million.

This financial report has been audited by PricewaterhouseCoopers. It will retire at the 2022 annual general meeting, at which time the Company will submit a resolution to re-appoint it as the international financial report auditor of the Company for the year 2023.

On behalf of the Board

**Li Yangmin**

*Vice Chairman, President*

Shanghai, the PRC

30 March 2023

# Corporate Governance

## Corporate Governance Practices

The Company has established a formal and appropriate corporate governance structure. The Company has also placed emphasis on the corporate governance principle of having transparency, accountability and safeguarding the interests of all Shareholders.

The Board believes that sound corporate governance is essential to the development of the Company's operations. The Board regularly reviews our corporate governance practices to ensure that the Company operates in accordance with the laws, regulations and requirements of the listing jurisdictions, and that the Company continuously implements corporate governance of high efficiency.

The Company's corporate governance practices include but not limited to the following documents:

The Articles, Rules of Procedures for General Meetings, rules of meeting of the Board, rules of meeting of the Supervisory Committee, working regulations of presidents, working regulations of independent directors, management regulations of connected transactions and detailed working rules of the audit and risk management committee, detailed working rules of the planning and development committee, detailed working rules of the Nomination and remuneration committee, detailed working rules of the aviation safety and environment committee, management system for Information disclosure affairs, regulations for the management of investor relationship, regulations for the connected transactions.

As at 31 December 2022 and as at the date of publication of this annual report, the Board has reviewed the relevant provisions under the code of corporate governance and corporate governance practices adopted by the Company, and took the view that the Company's corporate governance standards for the year ended 31 December 2022 met the requirements under the code provisions in Part 2 of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules, except for the following deviation from the Code provisions:

According to code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Yangmin, chief executive of the Company, acting as chairman, enhanced the execution of the Company's development strategy and facilitated the communication between the Board and senior management, despite deviating from code provision C.2.1 of the Listing Rules, under the supervision of the Board which comprised of two Directors, four Independent non-executive Directors and one Employee Representative Director, the Board is appropriately structured with balance of power to provide sufficient restriction to protect the interests of the Company and the Shareholders.

## General Meetings and Shareholders

### General Meetings

In 2022, the Company convened two general meetings in total. The main information is as follows:

On 29 June 2022, the Company held the 2021 Annual General Meeting, first A-Share Class Meeting in 2022 and first H-Share Class Meeting in 2022. For details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 29 June 2022.

On 14 December 2022, the Company held the first Extraordinary General Meeting in 2022. For details, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 14 December 2022.

Attendance rate of Directors at general meetings was as follows:

<b>Directors</b>	<b>Attendance/ Eligibility of Meetings</b>	<b>Attendance Rate</b>
Li Yangmin	1/2	50%
Tang Bing	2/2	100%
Lin Wanli	2/2	100%
Cai Hongping	2/2	100%
Dong Xuebo	2/2	100%
Sun Zheng	2/2	100%
Lu Xiongwen	2/2	100%
Jiang Jiang	2/2	100%
Liu Shaoyong	1/1	100%

Note: Mr. Li Yangmin was unable to attend the 2022 first extraordinary general meeting of the Company held on 14 December 2022 due to important business engagement.

## Rights of Shareholders

The procedures for the shareholders of the Company to convene an extraordinary general meeting, make inquiries to the Board and the procedures for proposing resolutions at the General Meeting are as follows:

### Procedures for Convening an Extraordinary General Meeting

According to the relevant provisions of the Articles and the Rules of Procedure for General Meetings of the Company, shareholders can convene general meetings by themselves. The main rules are as follows:

- Shareholder(s) either individually or jointly holding over 10% of the Company's shares may request the Board to convene an extraordinary general meeting. Such request shall be made to the Board in writing. The Board shall, in accordance with the requirement of laws, administrative regulations and the Articles, make a response in writing on whether or not it agrees to convene an extraordinary general meeting within 10 days upon receipt of such request.
- If the Board refuses to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of such request, Shareholder(s) either individually or jointly holding over 10% of the Company's shares may propose to convene an extraordinary general meeting to the Supervisory Committee. Such proposal shall be made to the Supervisory Committee in writing.
- If the Supervisory Committee agrees to convene the extraordinary general meeting, a notice convening the general meeting shall be issued within five days upon receipt of such request. Should there be any amendments to the original proposal in the notice, the consent of the relevant Shareholders shall be obtained.
- If the Supervisory Committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the general meeting, in which case, Shareholder(s) either individually or jointly holding over 10% of the Company's shares for more than 90 consecutive days shall have the right to convene and preside over the meeting by themselves.

### Procedures for Inquiry of Shareholder Information

Pursuant to the relevant requirements of the Articles and Rules of Procedures for General Meetings of the Company, the procedures for Shareholders to make enquiries to the Board are as follows:

- Shareholders have the right to inspect or make copies of the Articles, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee and financial or accounting reports.
- Shareholders may request to inspect the accounting books of the Company. In such case, such request shall be made to the Board office of the Company in writing and state its purposes. If the Company, on reasonable grounds, considers that the Shareholders are inspecting the accounting books for improper purposes and may result in damage to the Company's legitimate interests, the Company may refuse the inspection and make written response to the Shareholders stating its reasons within 15 days upon delivery of the written request by the Shareholders. If the Company refuses the inspection, the Shareholders may make proposal to the People's Court to request the Company to provide inspection of the accounting books of the Company.

### Procedures for Shareholders to Propose Resolutions at the General Meeting of Shareholders

Pursuant to the relevant requirements of the Articles and Rules of Procedures for General Meetings of the Company, the procedures for the Shareholders to propose resolutions at the general meeting are as follows:

- Shareholder(s) either individually or jointly holding over 3% of the issued shares of the Company carrying the right to vote may propose extraordinary resolutions and submit the same in writing to the convener prior to the holding of the general meeting. However, subject to the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company shall issue supplemental circular of the new extraordinary resolutions and the relevant materials to the Shareholders at least 14 business days before the date of holding the general meeting. Therefore, the time for the proposing Shareholders to propose new extraordinary resolutions shall not be later than such time limit for issuing the supplemental circular to the Shareholders and shall consider and provide the Company reasonable time to prepare and despatch the supplemental circular.
- The aforesaid proposed resolutions shall be reviewed by the Board and shall be included in the agenda of such meeting if the matters fall within the scope of terms of reference of the general meeting. The convener shall announce the content of the extraordinary resolutions by issuing a supplemental notice of the general meeting upon receipt of the proposed resolutions as soon as possible. If the Board considers that the content of the proposed resolutions do not fall within the scope of terms of reference of the general meeting, explanation and description shall be given at such general meeting, which, together with the content of such proposed resolutions and explanation of the Board, shall be published along with the resolutions of the general meeting in announcement after the conclusion of the meeting.
- The Board shall review the proposed resolutions in accordance with the following principles:

Relevance. The Board shall review the resolutions proposed by the Shareholders. Matters in resolutions proposed by the Shareholders which have direct impact on the Company and are not outside the terms of reference of the general meeting as stipulated in the laws, regulations and the Articles shall be submitted to the general meeting for discussion. For matters which fail to meet the above requirements, it is recommended not to submit the proposed resolutions for discussion at the general meeting.

Procedural issues. The Board may make decisions on procedural issues concerning resolutions proposed by the Shareholders. Consent of the proposing Shareholders shall be obtained if the proposed resolutions will be split up or combined for voting. In the event of any objection to the change by the proposing Shareholders, the convener of the general meeting may present the procedural issues to the general meeting for decision and discussions shall be conducted in accordance with the procedures decided by the general meeting.

Please refer to the section headed “Corporate Governance — Investor Relations” of this report for details of the contact information for Shareholders to inspect the relevant information and propose extraordinary resolutions.

## The Board and Directors

### Power of the Board

The Board of Directors is responsible to the general meeting and exercises the following functions and powers, including:

- to be responsible for the convening of the Shareholders’ general meeting and to report on its work to the Shareholders’ general meeting;
- to implement the resolutions of the Shareholders’ general meetings;
- to decide on the Company’s business plans and investment plans;
- to formulate the Company’s annual preliminary and final financial budgets;
- to formulate the Company’s profit distribution plan and plan for making up losses;
- to formulate proposals for increases or reductions in the Company’s registered capital and the issue and listing of bonds and other securities;
- to draw up plans for the significant acquisitions, acquisitions of the shares of the Company, or the merger, division, spin-off, dissolution and alteration of the form of the Company;
- to approve the external guarantees other than those subject to Article 58;
- to approve the financial assistance other than those subject to Article 59;
- to examine and approve the connected transaction representing less than 5% of the absolute value of the latest audited net assets of the Company (except for the provision of guarantees and the receipt of endowment in cash assets by the Company);
- other external investment, asset acquisition or disposal, assets pledge, entrusted wealth management, external donations, etc. other than those required approval at the general meeting of the Company in accordance with the applicable laws and regulations in the place where the Company is listed and/or relevant regulatory authorities;
- to decide on the establishment of the Company’s internal management structure;

## Corporate Governance

- pursuant to the chairman's nominations to decide to appoint or dismiss the Company's general manager, secretary of the board of directors and other senior administrative officers, and determine their remuneration, etc. and pursuant to the general manager's nominations to decide to appoint or dismiss the deputy general manager, the financial controller, the general counsel legal adviser and other senior administrative officers of the Company and decide on their remuneration, etc.;
- to formulate the board of directors' authorized management system;
- to establish the Company's basic management system;
- to formulate proposals for any amendments of the Company's articles of association;
- to manage the disclosure of information of the Company;
- to propose at the general meeting to engage or replace the accounting firm performing the audit for the Company;
- to listen to the reporting on the works of the general manager of the Company and to perform checking on the works of the general manager;
- to exercise any other powers conferred by the Shareholders' general meetings.

The Board and the relevant specialised committees are responsible for the completeness of financial information and maintaining an effective internal control system and risk management of the Group, as well as preparing the financial statements of the Company. Setting the business objectives and overseeing the daily operations of the Company are the responsibilities of the chief executive officer. The Articles specify the duties and authorities of the Board and the management. The Board periodically reviews the duties and functions of the chief executive officer and the powers delegated to him to ensure that such arrangements are appropriate. The chairman of the Company is vacant, and Mr. Li Yangmin is acting as chairman. The chief executive officer is Mr. Li Yangmin, the president of the Company. There are also other senior officers who are responsible for the daily management of the Company within their scope of duties.

The chairman leads the Board to ensure that the Board performs its duties effectively. The chairman is responsible for drawing up the agenda of the meeting of the Board and considering other matters that the other Directors propose to be included in the agenda. The agenda together with documents of the Board should be, as far as practicable, circulated at least three days prior to the meeting of the Board or its specialised committees. The chairman is also obliged to ensure that all the Directors are aware of matters to be raised in the meeting of the Board and have discussed about important matters. The chairman ensures that the Directors receive information that is accurate, timely, complete and clear. Through on-the-job training and professional development, continuous participation in meetings of the Board and of specialised committees of the Board and communications with different department heads of the Company, the Directors continuously enhanced their knowledge, capabilities and their understanding of the Group.

The Company has established the office of the Board, which is managed by the company secretary to provide related services to the Directors. The company secretary periodically updates the Board of the latest information on governance and regulatory matters. The company secretary is responsible for the collation and record of the Board meetings. The minutes of meetings together with Board meeting materials shall be kept and made available to all members of the Board. Board meetings are meant to enable the Directors to have open and frank discussions.

Directors of the Company's Board may seek independent professional advice through the chairman for the purpose of performing their duties, with the cost borne by the Company. Meanwhile, the Company has formulated the "Working System for Independent Director", which stipulates the selection process of independent non-executive directors, as well as the special powers and working conditions assigned to them for performing their duties, so as to ensure that the Board can obtain independent views and opinions. After review, the Company believes that the system for the Board to obtain independent opinions and its implementation are effective as of 31 December 2022.

The Board continued to make strenuous efforts to establish and improve the Company's corporate governance policies. In addition to corporate governance policies such as Rules of Procedures for General Meetings, Rules of Meeting of the Board, Working Regulations of Presidents and Working Regulations of Independent Directors, the Company has also established the Information Disclosure Management System, Regulations for the Management of Connected Transactions and Regulation of Inside Information Registration Management.

In 2022, the Company formulated and refined relevant rules and regulations in a timely manner in accordance with regulatory requirements and working needs. The Company formulated the "Administrative Measures for Gearing Ratio", "Regulations for the Administration of External Donations", "Management Measures for Guarantee", and revised and improved the "Articles of Association", "Rules of Procedures for the General Meeting", "Working Rules of the Aviation Safety and Environment Committee of the Board", "Rules of Procedures for the Board of Directors", "Working System for the General Manager", "Rules of Procedures for the General Manager Office Meeting", and "Compliance Management Measures".

In order to ensure sound corporate governance, as at the date of the publication of this annual report, the Board had four special committees in place, with their terms of reference drawn up in accordance with the principles set out in the Code. The company secretary was responsible for the collation of minutes of meetings, and the committees report to the Board.

The Board held 10 meetings in 2022. Details of attendance of each Director at the Board meetings during the Reporting Period were as follows:

Directors	Eligibility of Meetings	Attendance time in person	Appoint proxy times	Attendance rate
Li Yangmin	10	9	1	90%
Tang Bing	10	10	0	100%
Lin Wanli	10	10	0	100%
Cai Hongping	10	10	0	100%
Dong Xuebo	10	10	0	100%
Sun Zheng	10	10	0	100%
Lu Xiongwen	10	10	0	100%
Jiang Jiang	10	10	0	100%
Liu Shaoyong	5	5	0	100%

Note:

- Mr. Li Yangmin was unable to attend the 21st ordinary meeting of the ninth session of the Board of the Company held on 14 December 2022 due to other business engagement, and has authorized and entrusted Mr. Tang Bing to vote on his behalf. Board meeting attended by proxy was not included in their attendance rate;
- Save as mentioned above, all directors have attended relevant board meetings in person.

### Directors

As at 31 December 2022, the Board consisted of eight Directors, including Mr. Li Yangmin (Vice Chairman, acting Chairman), Mr. Tang Bing (Director), Mr. Lin Wanli (Director), four independent non-executive Directors, namely Mr. Cai Hongping, Mr. Dong Xuebo, Mr. Sun Zheng and Mr. Lu Xiongwen, and Mr. Jiang Jiang (employee representative Director).

### Independent Non-Executive Directors

Independent non-executive Directors of the Company shall possess specialised knowledge and experience. They shall be able to play their roles of supervising and balancing to the fullest extent to protect the interests of Shareholders and the Company as a whole. The Board considers that they shall be able to exercise independent judgment effectively, which complies with guidelines on assessment of independence pursuant to Rule 3.13 of the Listing Rules. Pursuant to Rule 3.13 of the Listing Rules, the Company has received the annual confirmation letters from each of the independent non-executive Directors on their independence. All Directors (including independent non-executive Directors) are appointed for a term of three years. The formal appointment letters and the Articles have set out the terms and conditions of their appointment. Other than working relationships, the Directors, Supervisors and members of senior management of the Company do not have any financial, business or family connection with one another.

During the reporting period, the independent non-executive Directors of the Company strictly complied with the relevant laws and regulations, the Articles and the relevant provisions of independent non-executive directors, actively performed their duties, participated in various major decisions, expressed independent opinions on matters such as continued transaction, profit distribution, external guarantees, the selection and appointment of senior management and the remuneration of the senior management, played an important role in the standardized operation of the Company and safeguarded the legitimate rights and interests of minority shareholders.

### Directors' Interests

All the Directors shall declare to the Board upon their first appointment their capacities as directors or any other positions held in other companies or institutions, the declaration of which shall be renewed once a year. When the Board of the Company discusses any motion or transaction and considers any Director has any conflict of interest, the Director shall declare his interest and abstain from voting, and will excuse himself as appropriate. The Company shall, pursuant to guidelines applicable to the Company, request from Directors their confirmation if they or their associates are connected with any transactions entered into by the Company or its subsidiaries during each financial reporting period. Material related party transactions have been disclosed in the notes to the financial statements prepared in accordance with IFRSs of this report.

### Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the securities transactions code for the Directors. Each of the Directors and the Supervisors has been provided with a copy of the Model Code upon his appointment. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance of any Directors or the Supervisors with the required standard set out in the Model Code in 2022.

The code of conduct adopted by the Company regarding securities transactions by the Directors and Supervisors is no less stringent than the Model Code.

In addition, pursuant to the requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the shares of the Company transferred by each of the Directors, Supervisors and members of senior management of the Company every year shall not exceed 25% of the total number of shares held by each of them, and they are not allowed to purchase the shares of the Company within six months after they have sold their shares. They are also not allowed to sell the shares of the Company within six months after they have bought the shares of the Company. Additionally, within six months after their retirement, they are not allowed to transfer the shares of the Company held by them.

All the employees who may have unpublished price sensitive information related to the Group are also required to comply with the Model Code. During the Reporting Period, the Company is not aware of any breach of laws and regulations.

## Directors' Responsibilities in Respect of Financial Statements

The Directors confirm that they are responsible for the preparation of the financial statements of the Group.

The Auditor's Report of the Company's auditors in respect of the financial statements is set out on pages 105 to 112 of this annual report.

The Directors are not aware of any material uncertainties relating to events or conditions that may have a significant impact on the Company's ability to continue as a going concern.

## Training of Directors

Content of development of skills and training	Directors participated
China Association for Public Companies: "Special Training on Corporate Governance" for Listed Companies	Li Yangmin
Association of Shanghai Listed Companies: Training courses for directors, supervisors and executives of listed companies in Shanghai in 2021	Lin Wanli
Shanghai Stock Exchange: The fifth follow-up training for independent directors of listed companies on the main board in 2022	Dong Xuebo, Lu Xiongwen
Association of Shanghai Listed Companies: Training courses for directors, supervisors and executives of listed companies in Shanghai in 2022	Tang Bing, Jiang Jiang

The Board office of the Company is responsible for organising, arranging and reviewing the training and continuing professional development of the Directors and members of the senior management.

## Training of Company Secretary

In 2022, Mr. Wang Jian, the company secretary of the Company, took no less than 15 hours of relevant professional training. The Board office of the Company is responsible for arranging and reviewing the training and continuing professional development of the Directors and members of the senior management.

## Special Committees under the Board of Directors

The Board of the Company consists of the Audit and Risk Management Committee, the Planning and Development Committee, the Nomination and Remuneration Committee, and the Aviation Safety and Environment Committee. Each special committee earnestly performed its duties in accordance with the requirements of the articles or working rules of the committee, reviewed various proposals comprehensively and prudently, and proposed scientific and reasonable professional opinions and suggestions for the decision-making for the Board.

Special Committee Category	Name of members
Audit and Risk Management Committee	Sun Zheng*, Cai Hongping, Dong Xuebo
Planning and Development Committee	Tang Bing*, Dong Xuebo, Lu Xiongwen
Nomination and Remuneration Committee	Li Yangmin*, Cai Hongping, Lu Xiongwen
Aviation Safety and Environment Committee	Li Yangmin*, Sun Zheng, Jiang Jiang

Note: Those annotated with \* above represent the chairmen of the special committees, among which, when considering nomination related matters, the Nomination and Remuneration Committee shall be chaired by Mr. Li Yangmin (acting); when considering remuneration related matters, the Nomination and Remuneration Committee shall be chaired by Mr. Cai Hongping.

## Audit and Risk Management Committee

As at 31 December 2022, the Audit and Risk Management Committee of the Company comprised Mr. Sun Zheng, Mr. Cai Hongping and Mr. Dong Xuebo. Mr. Sun Zheng is the chairman of the Audit and Risk Management Committee. The members of the Audit and Risk Management Committee are all independent non-executive Directors of the Company, among which Mr. Sun Zheng is an accounting professional.

### 1. Main Duties of the Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for checking and monitoring the financial reports and internal control of the Company, checking and evaluating the overall risk management of the Company, in particular the risk management and risk control system for material decision, significant events and major business, and overseeing their implementation.

### 2. Attendance of Members of the Audit and Risk Management Committee Meetings

Members	Attendance/ Eligibility of Meetings	Attendance rate
Sun Zheng	9/9	100%
Cai Hongping	9/9	100%
Dong Xuebo	9/9	100%

Note: All members of the Audit and Risk Management Committee attended the respective Audit and Risk Management Committee meetings in person.

**3. Performance of Audit and Risk Management Committee**

The Audit and Risk Management Committee held 9 meetings in 2022. The Company's senior management, finance and accounting department and external and internal auditors were invited to attend the meeting. Based on the reports of the external and internal auditors, and with reference to the accounting principles and practices, and internal controls adopted by the Company, the Audit and Risk Management Committee conducted reviews of audits, internal control, risk management and financial statements with a view to assessing whether the requirements of the Listing Rules are complied with. The Company's final results for 2021 and first quarterly results, interim results and third quarterly results for 2022 had been discussed in the Audit and Risk Management Committee's meetings before they were submitted to the Board for approval.

Please refer to the "2022 Performance Report of the Audit and Risk Management Committee" disclosed on the website of the Shanghai Stock Exchange and the website of the Hong Kong Stock Exchange by the Company on 30 March 2023 for the performance of the Audit and Risk Management Committee.

The Audit and Risk Management Committee has also reviewed the performance, independence and objectivity of the Company's auditors. During the Reporting Period, the total fee to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers for the provision of financial statements prepared under IFRSs and PRC Accounting Standards and internal control audit services amounted to RMB12 million, and the total fee for the provision of non-audit services amounted to RMB2 million. The auditors' remuneration was approved by the Audit and Risk Management Committee, the Board and the general meeting.

**4. The Detailed Working Rules of the Audit and Risk Management Committee are posted on the website of the Company ([www.ceair.com](http://www.ceair.com)).**

## Planning and Development Committee

As at 31 December 2022, the Planning and Development Committee of the Company comprised three Directors, namely Mr. Tang Bing, Mr. Dong Xuebo and Mr. Lu Xiongwen, among them, Mr. Tang Bing is the chairman of the committee.

### 1. Main Duties of the Planning and Development Committee

- (1) To consider the annual operational goals of the Company and make recommendations to the Board;
- (2) To consider the annual investment proposal of the Company and make recommendations to the Board;
- (3) To consider the material investments (other than the annual investment proposal) of the Company and make recommendations to the Board;
- (4) To consider the development plan of the Company and make recommendations to the Board;
- (5) To study and consider the fleet development plan and aircraft purchase plan of the Company and submit independent report to the Board;
- (6) To study other major events which may have influence on the development of the Company and make recommendations in connection with the same;
- (7) To oversee the implementation of the above matters and conduct inspection of the same;
- (8) To consider other matters as authorised by the Board and oversee their implementation.

### 2. Attendance of Members of the Planning and Development Committee Meetings

Members	Attendance/ Eligibility of Meetings	Attendance rate
Tang Bing	5/5	100%
Dong Xuebo	5/5	100%
Lu Xiongwen	5/5	100%

Note: All members of the Planning and Development Committee attended the respective Planning and Development Committee meetings in person.

### 3. Performance of the Planning and Development Committee

The Planning and Development Committee is responsible for studying, considering and making plans or recommendation in regard to the long term development plans and material investment decisions of the Company and overseeing their implementation.

In 2022, in compliance with laws and regulations, five committee meetings were convened and eleven resolutions were passed, including the 2022 Investment Plan of the Company, and material matters in relation to the “14th Five-Year” development plan of the Company and disposal of certain ground equipment, which provided professional support for the Board’s decisions.

4. **The Detailed Working Rules of the Planning and Development Committee are posted on the website of the Company ([www.ceair.com](http://www.ceair.com)).**

## **Nomination and Remuneration Committee**

As at 31 December 2022, the Nomination and Remuneration Committee of the Board of the Company comprised three Directors, namely Mr. Li Yangmin, Mr. Cai Hongping and Mr. Lu Xiongwen, among them, Mr. Li Yangmin is the acting chairman of the committee, and Mr. Cai Hongping and Mr. Lu Xiongwen are independent non-executive Directors. On 12 August 2022, Mr. Liu Shaoyong resigned as the chairman of Nomination and Remuneration Committee. The Board elected Mr. Li Yangmin to act as the chairman of Nomination and Remuneration Committee on the same day. When considering and approving nomination related matters, the Nomination and Remuneration Committee shall be chaired by Mr. Li Yangmin; and when considering and approving remuneration related matters, it shall be chaired by Mr. Cai Hongping.

### **1. Main Duties of the Nomination and Remuneration Committee**

- (1) To make recommendations to the Board regarding its size and composition based on the relevant provisions of the PRC Company Law and in the light of specific circumstances such as the characteristics of the Company's equity structure;
- (2) To study the criteria and procedures for selecting Directors and senior management and make recommendations to the Board;
- (3) To select qualified candidates to become Directors and senior management;
- (4) To examine the candidates for the positions of Directors and senior management and make recommendations in connection with the same;
- (5) To examine candidates for other senior management positions whose engagement is subject to approval by the Board and make recommendations in connection with the same;
- (6) To study and review the policies and plans for remuneration of the Directors and senior management;
- (7) To study the criteria for assessing the Directors and senior management, carry out such assessments and make recommendations in connection with the same;
- (8) To evaluate the performance of the Directors and senior management based on the Company's actual business circumstances and make recommendations in connection with the same;
- (9) To be responsible for monitoring the implementation of the Company's remuneration system;
- (10) Other matters delegated by the Board.

According to the Working Rules of the Nomination and Remuneration Committee of the Board of Directors, the procedure for electing Directors and senior management is as follows:

- (1) the Nomination and Remuneration Committee shall actively liaise with the relevant departments of the Company to study the requirement for Directors and senior management, and produce a written document thereon;
- (2) the Nomination and Remuneration Committee may conduct a wide-ranging search for candidates for the positions of Director and senior management within the Company, within enterprises controlled by the Company or within enterprises in which the Company holds equity, and on the human resources market;
- (3) the profession, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the initial candidates shall be compiled as a written document;
- (4) the Nomination and Remuneration Committee shall listen fully to the opinion of the nominee regarding his/her nomination;
- (5) a meeting of the Nomination and Remuneration Committee shall be convened, and the qualifications of the initial candidates shall be examined on the basis of the conditions for appointment of Directors and senior management;
- (6) before the selection of a new Director and the engagement of a new member of the senior management, the recommendations of and relevant information on the relevant candidate(s) shall be submitted to the Board; and
- (7) the Nomination and Remuneration Committee shall carry out other follow-up tasks based on the decisions of and feedback from the Board.

According to the Board Diversity Policy of the Detailed Working Rules of the Nomination and Remuneration Committee of the Board:

- (1) When performing related duties, the Nomination and Remuneration Committee shall take into account the Board Diversity Policy required by the document, so as to supervise the execution of such policy, and review and amend the policy in due course to ensure its validity.
- (2) When reviewing the size and composition of the Board and searching and proposing candidates for Directors, the Nomination and Remuneration Committee shall take into account the relevant factors in accordance with the business model and actual requirements of the Company in order to achieve diversity of the Board. The Nomination and Remuneration Committee can consider Board diversity from different aspects, including but not limited to gender, age, cultural and educational background, race, profession and experience, skills, knowledge and length of service, etc. After taking into account of the related factors mentioned above, the Nomination and Remuneration Committee will offer the final appointment recommendations to the Board based on the strengths of the candidates and their contribution to the Board.

The Board of the Company makes positive considerations and efforts in terms of gender diversity, and selects the suitable director candidates by evaluating the professional ability and work experience of female directors through various channels. The Company plans to elect a female director before 31 December 2024.

The Board of the Company has reviewed the board diversity policy and believes that the board diversity policy and its implementation are effective as of 31 December 2022.

## 2. Attendance of Members of the Nomination and Remuneration Committee Meetings

Members	Attendance/ Eligibility of Meetings	Attendance rate
Li Yangmin	0/0	—
Cai Hongping	1/1	100%
Lu Xiongwen	1/1	100%
Liu Shaoyong	1/1	100%

Note: All members of the Nomination and Remuneration Committee attended the respective Nomination and Remuneration Committee meetings in person.

## 3. Performance of the Nomination and Remuneration Committee

Under the leadership of the Board, the Nomination and Remuneration Committee performed their duties diligently to standardise the election of Directors and members of senior management of the Company, establish and refine the incentive and assessment mechanism of Directors and members of senior management of the Company to promote the realisation of the long-term goals of the Company. In 2022, the committee organized and convened one meeting in compliance with laws and considered and approved resolution in relation to the remuneration of Directors, Supervisors and Senior Management of the Company in 2021, which provided support for the Board's decisions.

## 4. The Detailed Working Rules of the Nomination and Remuneration Committee are posted on the website of the Company ([www.ceair.com](http://www.ceair.com)).

## Remuneration Policy of Directors

Directors generally do not receive remuneration from the Company except independent non-executive Directors who receive a fixed remuneration. However, Directors who serve in other administrative positions of the Company will receive salary separately for those positions.

Certain Directors received emoluments from CEA Holding, the parent of the Company, in respect of their directorship or senior management positions in the Company and its subsidiaries.

Generally, the policy regarding the remuneration packages of Directors are aimed primarily at linking the remuneration of Directors and their performance to the objectives of the Company, in order to motivate them in their performance and retain them. Pursuant to the policy, the Directors are not allowed to approve their own remuneration.

The major composition of remuneration of the Directors includes basic salary and bonus.

The Directors review the basic salary of each Director on an annual basis pursuant to the remuneration policy of the Company. In 2022, pursuant to the service contracts entered into between the Company and each of the Directors, the Directors are entitled to receive a fixed basic salary.

Bonuses are calculated based on the measurable performance and contribution of the operating units for which the Directors are responsible.

## Remuneration of Independent Non-executive Directors

Remuneration received by the independent non-executive Directors in 2022 were as follows:

<b>Name</b>	<b>Remuneration before tax (RMB10,000)</b>
Lin Wanli	—
Cai Hongping	20
Dong Xuebo	10
Sun Zheng	20
Lu Xiongwen	20

## Remuneration of Senior Management

The members of senior management of the Company received the following remuneration in 2022:

Name	Position	Remuneration before tax (RMB10,000)
Li Yangmin	Vice Chairman, President	—
Xi Sheng	Vice President	—
Zhou Qimin	Chief Financial Officer, Vice President	—
Feng Dehua	Vice President	—
Cheng Guowei	Vice President	—
Liu Tiexiang	Vice President	—
Wang Jian	Board Secretary, Company Secretary	129.80
<b>Total</b>	/	<b>129.80</b>

## Aviation Safety and Environment Committee

As at 31 December 2022, the Aviation Safety and Environment Committee of the Company comprised Mr. Li Yangmin, Mr. Sun Zheng and Mr. Jiang Jiang. Mr. Li Yangmin served as the chairman of the Committee.

### 1. Main Duties of the Aviation Safety and Environment Committee of the Board

The Committee mainly responsible for consistent implementation of the relevant laws and regulations of national aviation safety and ESG, overseeing and managing the aviation safety management and ESG of the Company, studying, considering and making recommendation on aviation safety plans and major issues of the related safety duties and overseeing their implementation, studying, considering and making recommendation on major environmental protection issues in relation to aviation carbon emission on domestic and international levels and overseeing their implementation, studying, considering and making comment or recommendation on issues related to ESG of the Company.

The Aviation Safety and Environment Committee shall be accountable to the Board of Directors and report to the Board of Directors. The Committee's proposed resolutions shall be submitted to the Board of Directors for consideration and approval. The results of the Committee's discussions shall be reported to the Board of Directors.

**2. Attendance of Members of the Aviation Safety and Environment Committee Meetings**

Members	Attendance/ Eligibility of Meetings	Attendance Rate
Li Yangmin	3/3	100%
Sun Zheng	3/3	100%
Jiang Jiang	3/3	100%

Note: All members of the Aviation Safety and Environment Committee attended the respective Aviation Safety and Environment Committee meetings in person.

**3. Performance of Aviation Safety and Environment Committee**

Under the leadership of the Board, the Aviation Safety and Environment Committee performed in accordance with the requirements under the Detailed Working Rules of the Aviation Safety and Environment Committee of the Board, and provided guidelines to the relevant operational departments of the Company to consistently implement the relevant laws and regulations of national aviation safety and environmental protection, so as to ensure the safe and green operation of the Company, which laid the foundation for the sustainable development of the Company. The Committee consistently implemented the relevant laws and regulations of national aviation safety and environmental protection in accordance with the requirements of the Detailed Working Rules of the Aviation Safety and Environment Committee of the Board to further enhance the aviation safety plans and guidelines of the Company. The committee also studied and provided guidance on the major environmental protection issues in relation to aviation carbon emission on domestic and international levels.

In 2022, the Aviation Safety and Environment Committee strengthened guidance on civil aviation safety and major environmental protection issues in relation to aviation carbon emission, and convened three meetings in accordance with laws and regulations for consideration and approval of relevant resolutions in relation to the 2022 Aviation Safety Work Report of the Company and amendment to the Working Rules of the Aviation Safety and Environment Committee of the Board of the Company, which provided support for the Board's decisions.

**4. The Detailed Working Rules of the Aviation Safety and Environment Committee are posted on the website of the Company ([www.ceair.com](http://www.ceair.com)).**

## Work of the Supervisory Committee

In 2022, pursuant to the PRC Company Law, the Corporate Governance Standards for Listed Companies, the Articles and other relevant laws and regulations and regulatory documents, the Supervisory Committee of the Company supervised the legality and compliance of the finance of the Company and the performance of duties by the Directors, president and other senior management of the Company, reviewed and issued opinions on issues such as the Company's financial condition, connected transactions, internal control and use of proceeds, and safeguarded the legitimate rights and interests of the Company and its Shareholders.

As at 31 December 2022, the Supervisory Committee of the Company consisted of 3 supervisors. In 2022, the Supervisory Committee convened eight meetings in total, and 100% of the supervisors attended the meetings.

## Internal Control System

The Board shall be responsible for the overall internal control system of the Group and review the effectiveness of the internal control system through the Audit and Risk Management Committee at least once a year. The internal control system of the Company is essential to risk management which, in turn, is important in ensuring that operational objectives can be achieved. The Company established internal control procedures to prevent assets from unauthorised use or disposal, to ensure the maintenance of appropriate accounting records and to provide reliable financial information either for internal use or for dissemination externally. However, the control procedures aim at reasonably (but not absolutely) assuring that there will not be material misrepresentation, loss or misconduct. The internal control system of the Company is prepared in accordance with the relevant laws and regulations, subsidiary regulations and constitutional documents.

The Group reviews the effectiveness of its internal control system annually, which includes control over finance, operations, compliance with laws and regulations as well as risk management. The results of the review have been reported to the Audit and Risk Management Committee and the Board.

## Main Features of the Internal Control System

The Company is one of the early adopters in the development of internal control systems. As early as 2004, the Company started the construction of internal control in order to meet the requirements of the US Sarbanes-Oxley Act. In 2006, five ministries including the Ministry of Finance successively issued the Basic Standards for Corporate Internal Control and its supporting guidelines to require enterprises to establish an internal control system in compliance with the regulatory requirements and specifications. The Company initiated the construction project of comprehensive risk management and internal control system in March 2010.

## Internal Control Evaluation Work in 2022

### (1) Organisational Structure

The Group established the internal control working team in 2022, which is responsible for the organisation and implementation of internal control appraisal of the year. The working team is led by the leader of the Group's auditing work, and key staff of each operation unit is designated as team members.

### (2) Work Arrangement

According to the internal control evaluation work arrangement of 2022, all units of the Company were arranged to carry out self-inspection on internal control, organise centralised on-site testing. Firstly, the Company's 10 functional departments, 11 secondary units, 12 branches and 9 subsidiaries (a total of 42 units) conducted self-inspection on internal control in accordance with the internal control evaluation programme and based on their own business characteristics. Secondly, the working team selected 22 key units to conduct on-site testing on their key business processes. Finally, the working team collected and compiled the data on daily inspections and audits of safe operation of each unit as a key component of internal control evaluation. It was determined that the internal control evaluation for the year focused on the Company's overall control process, 37 business control processes and 32 core business information system control processes. The business control processes included a total of 223 business cycles and more than 4,100 odd control points in the financial report part, and 194 business cycles and more than 4,200 odd control points in the non-financial report part.

### (3) Evaluation Work Organisation and Safeguard Measures

To effectively promote internal control evaluation work, the working team intensified information communication through the formulation of contact system, regular meeting and work briefing system, and held internal control evaluation work assignment meetings at key stages of on-site testing work to strengthen the organisational management of specialized projects. The working team guided through centralised training, one-on-one tutoring, on-site supervision, on-site explanation and questions and answers covering all stages of the internal control evaluation work, and publicised and explained internal control principles, application of evaluation standard and work skills to improve the internal control evaluation skills of each unit.

### (4) Results of internal control evaluation

The Company has evaluated the effectiveness of the financial reports and the internal control over the non-financial reports, in accordance with the Basic Rules for Corporate Internal Control and its supporting guidelines, and other regulatory requirements of internal control, combined with the Company's internal control system and evaluation methods, and based on internal control of daily supervision and special project supervision. It is believed that the Company's overall internal control is effective as at 31 December 2022 (the base date of the internal control evaluation report), and there are no significant deficiencies in the Company's financial reports, and no significant deficiencies of internal control related to the non-financial reports.

## Measures of Internal Control

During the assessment of internal control of the Group, all entities should strictly follow the principle of “immediate rectification”, immediately rectify the internal control defects identified, while formulating rectification plans for internal control defects which cannot be rectified immediately to push forward the progress of rectification. To further implement the rectification in internal control defects and enhance the optimisation of internal control, upon the completion of defect identification, the Company will publish documents to require the relevant entities to formulate rectification measures for those defects with incomplete rectification, clarify the responsibilities and time limits for rectification and diligently assign the rectification work.

The Board confirms that the Company has systems and procedures in place to identify, manage and report material risks in the course of achieving its strategic objectives. The Board continues to monitor risks with the support of the specialised committees and senior management. Such systems aim to manage but not eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance for the absence of material misrepresentation or loss.

## Procedures of Internal Audit

The Company’s internal audit department is responsible for conducting an independent audit of whether or not the internal control system is sufficient and effective. The auditing plan is prepared using a risk-based approach and is discussed and finalised by the Audit and Risk Management Committee annually. Other than the pre-determined scope of work for each year, the department is also required to conduct other specific audits.

The Group’s internal audit department primarily reports to the president, and may also report directly to the chairman of the Audit and Risk Management Committee. All the internal audit reports are delivered to the Directors, the president, chief financial officer, and the management of the department being audited and the related departments. The outcome of each audit, in summary, will also be discussed with the Audit and Risk Management Committee. The Board and the Audit and Risk Management Committee of the Company actively monitor the number and seriousness of the inspection results submitted by the internal audit department, and the relevant corrective measures taken by the relevant department.

## Anti-corruption Policy

The Company attaches great importance to anti-corruption work through continuously preventing corruption caused by concentration of power, capital intensive and rich resource, preventing integrity risks in procurement and other sectors, and continuously promoting reforms, preventing risks, improving systems, and improving governance. In addition, the Company attaches great importance to the protection of whistleblowers, formulates and implements relevant rules for the handling of prosecutions and accusations by discipline inspection and supervision agencies, regulates the handling of prosecutions and accusations by discipline inspection organizations at all levels, and unblocks reporting channels for relevant groups (including but not limited to reporting to the Disciplinary Committee of the Company, the Audit and Risk Management Committee of the Board of Directors, etc.), so as to ensure the exercise of their supervisory power and safeguard their legitimate rights and interests.

## Procedures for Processing and Publication of Inside Information and Internal Control Measures

The Board has formulated policies on procedures for handling and issuing Inside information and internal control measures. The policy sets out the requirements on the preparation of Inside information announcement, restrictions relating to the sharing of non-public information, the handling of rumors, unintentional selective disclosure, exemption from disclosure of Inside information and compliance and reporting procedures. The senior management of the Company must take all reasonable measures to prevent breach of the disclosure requirements of the Company. They must promptly draw the attention of management to any potential dissemination of Inside information, and the management will inform the Board of prompt action. In serious violation of this policy, the Board will decide or assign appropriate persons to determine the course of action to correct the problem and avoid recurrence.

## Risk Management

The Audit and Risk Management Committee of the Company is responsible for checking and evaluating the overall risk management of the Company and overseeing their implementation; and checking and evaluating the risk management and risk control system and duties on developing aviation fuel, foreign exchange and interest rate hedging businesses and overseeing their implementation.

The internal audit department of the Company has undertaken related risk management duties and reports to the Audit and Risk Management Committee periodically. It is responsible for coordinating the implementation of appropriate procedures to manage the operational risks of the Group.

The Group has established a comprehensive risk management system, with a comprehensive risk management and internal control main manual as the basis and created sub-risk management and internal control manuals for principal departments and branches. The Group has been conducting continuous supervision and assessment of the design and operation of internal control at the Group's overall and operational levels. The Board, being the highest leadership and decision-making organ for comprehensive risk management, established the Audit and Risk Management Committee, and has set up three levels of defence in risk management around the business units, risk management unit and internal audit department. The Board has incorporated the concept of internal risk control into every business unit and established the risk management framework to identify, assess and respond to substantial risks. The first level of defence in the Group's risk management is the business units, for which risk management measures and internal control procedures have been incorporated into the work and operation of the business units. The second level of defence in the Group's risk management is the risk management unit, which led and coordinated all business units and continuously supervised over relevant work to ensure that risk management in the Group has been fully executed. The third level of defence in the Group's risk management is the internal audit department, which is directly responsible to the Board and the Audit and Risk Management Committee, and supervised and assessed every business unit and operational departments for risk management.

The Group has established a general and continuous supervision mechanism, in order to discover defect in the design and operation of the internal risk control system in time. The internal audit department is responsible for auditing every business unit and operational department of the Group, and the internal audit is supervised and overseen by the Board and the Audit and Risk Management Committee. The internal audit department has to report regularly or upon request to the Supervisory Committee, the Board, the Audit and Risk Management Committee and the president, etc. Any defect in internal risk control discovered in supervision and checks should be reported in accordance with the internal audit procedures, and the relevant defects should be rectified and improved in accordance with the queries raised.

In 2022, the Board has reviewed the internal control system in relation to risk management and considered that the Company had discharged its duties of risk management and internal control of listed companies as required by the Listing Rules, and the Group's risk management and internal control systems were effective and adequate during the year 2022.

## Investor Relations

The Company places emphasis on the communication with investors. Based on the Investor Relations Management System of the Company, the Company fosters corporate integrity and self-discipline, realises standardised operation and ensures that the interests of its investors are protected through ways such as on-site communication, phone and the Internet to facilitate its communication with investors. The Company constantly reviews and examines the current shareholder communication policy to ensure its practicality and effectiveness.

The Board of Directors and the management of the Company place great importance on investor relations. In 2022, the management, including the Company's Chairman, Vice Chairman and President, Vice President and Chief Financial Officer, and Board Secretary, actively participated in exchanges with investors, including the 2021 annual performance briefing and the 2022 third quarter performance briefing. In addition, the management of the Company has carried out extensive interactions and exchanges with different kinds of investors through the holding of 2021 annual result and 2022 interim result telephone conferences with domestic and overseas investors and analysts, conducting road shows, organizing investor surveys, participating in strategy meetings, and responding to various investor inquiries on the SSE e-interactive platform, in order to strengthen communication with investors. Throughout the year, the Company participated in 25 domestic and overseas exchange meetings and strategy meetings for investment bank, communicated with 423 investors, and conducted approximately 40 online exchanges in total.

The daily communication between the Board of Directors and Shareholders is generally coordinated through the Board secretary, representative of the Company's securities affairs and designated staff. For any enquiries about the Board, Shareholders may contact us by calling 86-21-22330935 or by email to [ir@ceair.com](mailto:ir@ceair.com) or they may put forward their questions at the annual general meeting or extraordinary general meetings directly. In respect of the procedures for Shareholders to propose resolutions at the annual general meeting or extraordinary general meetings, they may enquire with the Board Secretary through the aforesaid channels. Investors and the public may access the Company's website ([www.ceair.com](http://www.ceair.com)) and download related documents from the online database. The website also sets out details of each of the Company's operations. Announcements or other documents issued by the Company may also be downloaded from the website of the Company.

Based on the information publicly available to the Company and to the knowledge of the Directors of the Company, at least 25% of the issued share capital of the Company was held by the public. As at 31 December 2022, there were 156,468 Shareholders on the Company's register of Shareholders.

## Corporate Governance

Shareholders may enquire related information and propose extraordinary resolutions with the Board secretary or representative of the Company's securities affairs through the following channels:

Board secretary	Wang Jian
Address	Board office, China Eastern Airlines Corporation Limited, 36 Hongxiang 3rd Road, Minhang District, Shanghai
Telephone	021-22330935
Fax	021-62686116
Email	ir@ceair.com
Representative of securities affairs	Yang Hui
Address	Board office, China Eastern Airlines Corporation Limited, 36 Hongxiang 3rd Road, Minhang District, Shanghai
Telephone	021-22330935
Fax	021-62686116
Email	ir@ceair.com

## Changes in Constitutional Documents

- (1) On 14 December 2022, the Company has made corresponding amendments to the Articles according to relevant laws and regulations and the actual situation of the Company.
- (2) On 16 January 2023, the Company has made corresponding amendments to the Articles in relation to the completion of non-public issuance of 3,416,856,492 A Shares. Its share capital changed from 18,874,440,078 shares to 22,291,296,570 shares.

On behalf of the Board

### **Li Yangmin**

*Vice Chairman, President*

Shanghai, the PRC

30 March 2023

# Social Responsibilities

The Group's corporate culture concept system consists of corporate vision, corporate core values and corporate spirit. The Group strives to achieve its vision of building a world-class excellent airline company that is "cherished by staff, preferred by customers, satisfied by shareholders and trusted by society" while following the corporate core values of "providing heart-to-heart service to our customers" and upholding the corporate spirit of "earnestness, efficiency, enthusiasm, excellence". The Board of the Company highly recognizes the Company's corporate culture concept. All members act as role models and strive to promote corporate culture while performing their duties in strict compliance with national laws, administrative regulations, the Articles of Association and resolutions of the general meeting, so as to ensure that the Company's strategy is consistent with its corporate culture.

Adhering to the five development visions of "Innovation, Synergy, Green Development, Openness and Sharing", the Group integrated social responsibilities into the traditional core management scopes of the Company in terms of aviation safety, passenger services and staff development. The Group actively engaged in economic, social and environmental responsibilities, and continued to deal with environmental and social issues such as climate change, sustainable use of resources and targeted poverty alleviation. For details, please refer to the 2022 Corporate Social Responsibility and ESG Report published by the Company.

## Major Awards Obtained in 2022

During the Reporting Period, the Group actively fulfilled its social responsibilities and received wide recognition from society. Major awards related to social responsibilities were as follows:

Name of award	Awarding institutions
"Four 100" The Best Volunteer Service Organization for the National Volunteer Service to Learn from Lei Feng	Central Propaganda Department Central Commission for Guiding Cultural and Ethical Progress
National May 4th Red Flag Youth League Committee	The Central Committee of the Communist Youth League
Airlines 50 2022 (ranked 11th)	Brand Finance
BrandZ™ Top 50 Chinese Global Brand Builders 2022 (ranked 21th)	Google, WPP and Kantar
BrandZ™ Top 100 Most Valuable Chinese Brands 2022 (ranked 54th)	WPP and Kantar
The fourth airline in the world to be certified by IATA Baggage Tracking Resolution 753 Network Compliance Certification	International Air Transport Association (IATA)
China International Import Expo — 5-year Outstanding Contribution Award	China International Import Expo Bureau
Charity Product Project of Best Experience	Global NGO Innovation and Development Summit 2022
CEA Holding awarded the title of "Charity Partner" by Shanghai Federation of Trade Unions and Shanghai Labour Model Association	Shanghai Federation of Trade Unions/Shanghai Labour Model Association
CAAC Science and Technology Progress Award — Second Prize (two awards)	Civil Aviation Administration of China

## Social Responsibilities

Name of award	Awarding institutions
The case of “boosting the rural revitalization of border area through “Three Wealth Actions” and promoting happiness in the new era” was included in the “Blue Paper on Social Responsibility of Central Enterprises (2022)	Bureau of Social Responsibility of SASAC
TOP30 Central Enterprise in Brand Building Capacity 2021 (No. 17)	Bureau of Social Responsibility of SASAC
Model Case List of Central Enterprise Brand Building 2021 (Internationalization of Brand)	Bureau of Social Responsibility of SASAC
Central Enterprise Excellent Brand Story List 2021 (microfilm)	Bureau of Social Responsibility of SASAC
Central Enterprise Excellent Brand Story List 2021 (Graphics)	Bureau of Social Responsibility of SASAC
The 9th “State-owned Enterprises Good News” award — Second Prize (convergence media)	Publicity Department/News Center of the SASAC
The 9th “State-owned Enterprises Good News” award — Second Prize (Audio-visual works<AV>)	Publicity Department/News Center of the SASAC
The 9th “State-owned Enterprises Good News” award — Third Prize (Audio-visual works<AV>)	Publicity Department/News Center of the SASAC
The 9th “State-owned Enterprises Good News” award — Second Prize (International Communications)	Publicity Department/News Center of the SASAC
The 9th “State-owned Enterprises Good News” award — Third Prize (International Communications)	Publicity Department/News Center of the SASAC
Top 6 in Annual List of China Enterprise New Media Index	News Center of the SASAC
The 1st “Youth Maker Winning” Youth Innovation and Effectiveness Competition for Civil Aviation — Gold Award in Eastern China and Bronze Award in China	National Civil Aviation Youth League Committee
Top Ten “Shangpin” (Shanghai Brand) Brands with Outstanding Contributions	Shanghai Municipal Administration for Market Regulation
The 16th “Golden Cicada” Award — 2022 Outstanding ESG Enterprises	China Times
The Fifth “Blooming Cup” 5G Application Contest — Third Prize in National Finals, Champion in Shanghai	China Academy of Information and Communications Technology
“IP Shanghai” Best Corporate Practice Cases	Propaganda Department of Shanghai Municipal People’s Government Foreign Affairs Office of Shanghai Municipal People’s Government
The 16th “Silver Pigeon Award” of Shanghai (2021)	Foreign Affairs Office of Shanghai Municipal People’s Government

Name of award	Awarding institutions
China Data Modeling Competition — First Prize (champion)	China Data Model Open Source Community/Committee for the Advancement of Big Data Technological standard
“2022 Golden Bee Excellent Corporate Social Responsibility Report — Evergreen Award”	Golden Bee Think Tank
Sky Choice Travel Awards 2022 — CSR Brand of the Year	CAAC In-flight Magazine
Sky Choice Travel Awards 2022 — Crew of the Year	CAAC In-flight Magazine
The 18th China Golden Awards For Excellence in Public Relations 2022 — Gold Award in “Telling Chinese Stories”	China International Public Relations Association
2022 Shanghai Quality Brand Story Competition — First Prize	Shanghai Association for Quality
2022 Shanghai Quality Brand Story Competition — Second Prize	Shanghai Association for Quality
2022 Golden Lion Awards — “Best Promotional Film” Silver Award	Organizing Committee of Golden Lion Awards
2022 Golden Lion Awards — “Best Cinematography” Silver Award	Organizing Committee of Golden Lion Awards
2022 Golden Lion Awards — “Best Actress” Silver Award	Organizing Committee of Golden Lion Awards
2022 Golden Lion Awards — “Best Soundtrack” Silver Award	Organizing Committee of Golden Lion Awards
2022 Shanghai Municipal Enterprise Management Modernisation Innovative Achievement — First Prize	Shanghai Municipal Enterprise Management Modernisation Innovative Achievement Evaluation Committee
2022 Shanghai Municipal Enterprise Management Modernisation Innovative Achievement — Second Prize	Shanghai Municipal Enterprise Management Modernisation Innovative Achievement Evaluation Committee
2021 Shanghai Municipal Enterprise Management Modernisation Innovative Achievement — Second Prize	Shanghai Municipal Enterprise Management Modernisation Innovative Achievement Evaluation Committee
2021 Shanghai Municipal Enterprise Management Modernisation Innovative Achievement — First Prize	Shanghai Municipal Enterprise Management Modernisation Innovative Achievement Evaluation Committee
Obtained Shanghai high-tech enterprise certification	Science and Technology Commission of Shanghai Municipality Shanghai Municipal Finance Bureau Shanghai Municipal Tax Service, State Taxation Administration Shanghai Municipal Development & Reform Commission Shanghai Municipal Commission of Economy and Informatization Shanghai Intellectual Property Administration

## Social Responsibilities

Name of award	Awarding institutions
Awarded CMMI level 3 Certification	CMMI Institute
The song 《凌燕與愛飛翔》 selected by Eastern Airlines awarded “Silver Song” and “Best Lyric” Awards in song solicitation contest named “Celebrating the 20th National Congress of the Communist Party of China — Singing the Song of Struggle in the New Era”	All-China Federation of Trade Unions Office of the Central Cyberspace Affairs Commission
China United Airlines awarded the Eighth Aviation Services Awards — Best Differentiation Airline Award	Civil Aviation Passenger Service Evaluation (CAPSE)
China United Airlines awarded Sky Choice Travel Awards 2022 — Economical Airline of the Year	CAAC In-flight Magazine
“Excellent Cabin” flight attendant demonstration team of OTT Airlines awarded 2022 Shanghai “User Satisfaction Service Team” Achievement Award	Shanghai Association for Quality
5A grading in “2022 Performance Evaluation of the Secretary of the Board of Directors of Public Companies”	China Association for Public Companies
Won the A-level evaluation result of Information Disclosure Work for 2021–2022 on the Shanghai Stock Exchange (for 9 consecutive years)	Shanghai Stock Exchange
2021 Global Annual Report — Bronze Award	ARC
2021 Global Annual Report — Gold Award, Top 50 Annual Reports in China	LACP Vision Awards

## Ecological Protection, Pollution Prevention and Control, Environmental Responsibility Fulfillment

The Group has always adhered to the ecological development concept of “green flight, technology and environmental protection” and always focused on the “dual carbon” objective to fully implement ecological and environmental protection work. Through continuously expanding the breadth and width of environmental protection in the air-ground scope with practical actions, the Group helped with the green development process of domestic and foreign civil aviation industry, and contributed “CEA Wisdom” in green and sustainable aviation.

The Company improves the environmental management system and promotes the top-level design of the Group’s dual carbon plan. According to the planning of the Civil Aviation Administration, the Group prepared its “Special 14th Five-Year Plan for Green Development” and amended and improved the “Compilation Document List for Environmental and Energy Management System (2022 Edition)” and “Green Building Guidelines” to define the main responsibility of energy and environmental protection. Through sorting out domestic and foreign civil aviation dual carbon policies and goals, investigating the low-carbon development path of the industry and cutting-edge technologies, and combining with the dual carbon plan of CEA Holding, the Group investigates and formulates a dual carbon plan that meets its actual situation and development needs.

The Company focuses on peak carbon emission and carbon neutrality, and is concerned about and participates in global climate governance. The Group actively participates in seminars of international organizations in relations of sustainable development. Through participating the ICAO Asia Pacific Regional Network Conference of High-level Meeting on the Feasibility of a Long-term Aspirational Goal for International Aviation CO<sub>2</sub> Emissions Reductions and the IATA Sustainability and Environment Committee meeting, the Group

studied the international carbon market mechanism and the progress of the global carbon market, and understood the innovative achievements and advanced experience of the sustainable development of the industry. The Group follows up the amendments of EU Emissions Trading System (EU ETS) and ICAO towards standards related to the CORSIA mechanism, participates in the “Sustainable Flight Challenge” launched by SkyTeam Airline Alliance in the capacity of an observer and publishes the “Action Guide for Sustainable Flight (2022 Edition)”, with an aim to lay the foundation for the promotion of sustainable products and services.

The Company implements the market-based emission reduction mechanism and improve its carbon emission management capability. The Group implements relevant requirements of market-based carbon emission reduction mechanisms in European Union, China, local pilots and industry. In 2022, the Group implemented successfully the monitoring and collecting of carbon emission data, as well as prepared related materials in accordance with the requirement of Ministry of Ecology and Environment, submitted the carbon emission monitoring plan and carbon emission report to the Shanghai Municipal Bureau of Ecology and Environment, submitted the carbon emission report to the EU regulatory authority regularly and complete the carbon emission compliance and settlement work, and prepared and submitted corresponding carbon emission monitoring plan in accordance with the requirements of the carbon emission management documents of the Civil Aviation Administration. Eastern Airlines Industry Investment, a wholly-owned subsidiary of the Company’s controlling shareholder CEA Holding, participated in the establishment of the Hainan International Carbon Emissions Trading Center to help China in carbon emissions trading and research and development of carbon emission reduction, carbon conversion, carbon sequestration and other technologies.

The Company promotes energy saving and emission reduction measures to protect clear water and blue sky. Through retiring old models and introducing advanced fuel-efficient models, the Group continued to optimize its fleet structure. Through standardizing dynamic control measures such as life raft control, flight water refilling and on-board supplies, the Group promoted fuel saving and weight reduction of the fleet, continuously promoted measures such as single sliding and APU replacement, continuously implemented successfully refined fuel saving management, so as to reduce fuel consumption. The company strictly abides by the relevant regulations on pollution prevention and control. Through measures such as increasing the proportion of new energy vehicles, replacing old mechanical and electrical equipment with high energy consumption, and implementing the pollution discharge permit system, waste water, waste gas, noise, solid waste and other pollution emissions were controlled from their sources.

The Company promotes the research and application of Sustainable Aviation Fuel (SAF). The Group established a leading group and working group for sustainable aviation fuel to study domestic and foreign policies and regulations related to sustainable aviation fuel, with an aim to actively provide suggestions for the industrial regulations on operation and airworthiness of sustainable aviation fuel. The Group actively follows up the research and development, production, policy research and application of SAF. Eight aircraft delivered by Airbus S.A.S. were fueled with 5% Sustainable Aviation Fuel for delivery flights.

The Company facilitates the informatizationalized construction of energy saving and emission reduction and enhances its capability of collecting and analyzing basic data. The Group continuously refines the granularity of various types of data and develop an energy consumption monitoring platform by using the technological means of combining the cutting-edge big data algorithms and artificial intelligence, thereby laying the foundation for forecasting and analyzing the refined management of energy saving and carbon reduction. With the establishment of a carbon emission management platform, the Group strengthens the scientific and unified management of carbon emission data and improves data accuracy and integrity, thus providing a mechanism for management of carbon asset. At the same time, the Group is in the course of building a carbon footprint platform for passengers, which serves to provide passengers with a detailed assessment of their flight records so that passengers can choose how to offset their carbon dioxide emissions.

## Social Responsibilities

The Company comprehensively promotes the working mechanism for plastic restriction and reduction. The Group has closely followed up and investigated domestic and foreign plastic restriction policies and regulations, established a leading group for optimization and improvement of plastic products, joined the IATA Plastic Restriction Working Group, so as to utilize information technology to assist cabin personnel to master the materials of on-board supplies. The Group is carrying out the replacement of on-board supplies with limited plastic in batches and stages, and has stopped providing disposable non-degradable plastic straws, stirring rods, tableware/cups, packaging bags and other plastic-related materials on domestic (including regional) and EU passenger flights starting from July 2021 and January 2022, respectively. The Group has completed the replacement of degradable materials for all plastic-related products in two venues in Shanghai and all self-operated VIP airport lounges, and vigorously promoted easily recyclable and degradable alternative products in the office.

The Company's efforts on training and promoting ecological environmental protection and enhancing the research on ESG-related information disclosure have successively won recognition by well-known institutions. The Group continues to carry out ecological and environmental protection training within its system. In combining the activities of the World Environment Day, Energy Conservation Week and Low Carbon Day, the Group actively promotes its energy conservation and carbon reduction measures, special project of environmental protection and plastic restriction to different audience including its employees, the general public, and the domestic and foreign media through multiple formats and channels, thereby promoting the environmental protection philosophy of airlines and creating the awareness of energy saving and ecological environmental protection among all employees.

The Company insists on high quality and high standards information disclosure. Since 2009, the Company has published corporate social responsibility reports for 15 consecutive years. In 2020–2021, the Company was awarded ESG A Grade by MSCI international index for 2 consecutive years. Moreover, the Company was awarded as the “Top 500 Chinese ESG Outstanding Enterprises 2021” by Sina Finance ESG, and CEA Holding, the controlling shareholder of the Company, was shortlisted as one of companies in the first batch of “ESG Demonstration Enterprises” in China.

## Proactive Reduction of Carbon Emission

The Group has always adhered to the ecological development concept of “green flight, technology and environmental protection”, and continue to enhance the scientific and refined management capabilities of energy conservation and emission reduction from the air to the ground.

The Company keeps optimizing its fleet structure. In 2022, the Company introduced a total of 34 new aircraft and a total of 11 old aircraft were retired. With the introduction of new aircraft models such as A350-900 and A320NEO, the Group's fleet age structure always remains young, and the overall fuel efficiency of the Group's fleet improves continuously.

The Company implements advanced fuel saving management technology. The Group continuously launched refined management in aircraft weight reduction and fuel saving. Through regularly evaluating and adjusting the relevant specific equipment of the aircraft, and optimizing the weight standard of the catering and on-board supplies, the weight of the aircraft was reduced from the original source. Through implementing heavy aircraft altitude optimization, aircraft speed management and control and operation of flight dynamic cost index, the Company actively promotes new navigation technologies such as PBN, HUD and CCO/CDO<sup>2</sup> which are vigorously advocated by the Civil Aviation Administration, thereby effectively explored the potential performance of aircraft and continuously reduced flight time, fuel consumption, emission and noise.

The Company strives to increase the ratio of new energy equipment and uses the airport power equipment to replace aircraft auxiliary power units (APU). The Group has continuously increased the ratio of new energy equipment and replaced the outdated high energy consumption equipment, and to launch special projects such as replacing aircraft APUs with power supply equipment in airports. As a result, the overall utilisation rate of APU replacement facilities reaching 99.9% in airports that meet the operating requirements.

The Company focuses on the application of clean energy. By closely following up with the relevant policies and cutting-edge technologies of international SAF (Sustainable Aviation Fuel), the Group cooperates with the Civil Aviation Administration to conduct preliminary research on SAF application, and actively communicates with upstream and downstream enterprises in the supply chain, so as to promote domestic independent SAF certification and standard formulation for intellectual property rights and discuss the feasibility of promoting SAF application. Eight aircraft delivered by Airbus S.A.S. were fueled with 5% Sustainable Aviation Fuel for delivery flights.

In 2022, the Group reduced carbon dioxide emissions by approximately 170,100 tons, and the fuel consumption per ATK unit decreased by 1.64% year-on-year. The Group has achieved a drop in fuel consumption per ATK unit for five consecutive years.

### Rural Revitalisation

In 2022, under the unified deployment of its controlling shareholder, CEA Holding, the Company further promoted the rural revitalization strategy and continuously participated in “industrial revitalization”, “talent revitalisation”, “cultural revitalisation”, “organisational revitalisation”, and “ecological revitalisation” so as to continuously entering into new era for rural revitalization.

The Group actively fulfills its corporate social responsibilities by performing the targeted poverty alleviation in Cangyuan and Shuangjiang counties in Lincang of Yunnan Province in a high-quality, high-standard and sustainable manner. In 2022, the Group has invested a total of RMB41.7277 million in free assistance funds including free flight tickets and logistics relief and RMB63.99 million in paid assistance funds, and introduced free assistance funds of RMB3.8122 million. The Group trained 8,774 people and helped 668 people to get employed. It has also directly purchased RMB33.6731 million of agricultural products from Cangyuan and Shuangjiang counties and other poverty alleviation areas and helped to sell RMB3.2020 million of agricultural products.

2 PBN (Performance Based Navigation) means that civil aircraft can take the most favourable aviation route in order to shorten the aviation distance significantly, thus reduce the fuel required and shorten the duration in the course of aviation; HUD (Head Up Display) is a head up display system which enables pilots to look at the key aviation information without bowing or turning their heads as much as possible; CCO/CDO (Continuous Climb Operations/Continuous Descent Operations) means that when the aircraft ascends while taking off and descends while landing, the aircraft can take the best possible speed and the most suitable position to continuous climbing or descending to gain or loss altitude, whereby reducing the fuel consumption and the depreciation of engine, so as to reduce the exhaust emission.

## Social Responsibilities

### Attaching great importance to poverty alleviation and strengthening protection coordination

The Board and management of the Company attach great importance to targeted poverty alleviation. The general manager of the Company held special meeting to study and deploy works related to targeted poverty alleviation. The directors of the Company have visited Cangyuan and Shuangjiang counties several times to investigate and supervise the implementation of various poverty alleviation policies and measures. The Group selected outstanding cadres to work in targeted counties, and conducted field researches with 103 people throughout the year, which effectively facilitated the smooth development of poverty alleviation projects.

### Making use of aviation advantage and enlarging outreaching effect

The Group gave full play to the advantages of the civil aviation transportation industry to drive the rapid economic development through continuously increasing investment in the operation of rural revitalization routes and flights, further extending the routes and expanding the aviation network. During the Year, the Group operated nearly 2,500 flights that involve Lincang and Cangyuan, and transported nearly 200,000 passengers, driving local GDP of nearly RMB400 million through the routes. The publication of graphics and texts for Lincang publicity in the monthly in-flight magazine is expected to reach the amount of RMB25 million of publicity resource costs. 520 tons of national air cargo logistics services are provided free of charge through Lincang Airport and Cangyuan Airport.

### Assisting industrial revitalization and supporting advantageous industries

The Group deepened its industrial poverty alleviation projects and continued to contribute positively in the research, development and promotion of “MU Tea”. The “MU Tea” in all routes uses tea leaf from Shuangjiang County as its raw material. New flavors such as rose black tea and white peach oolong tea were launched in 2022 and were favored by travellers and consumers. The Group held tea product exhibition activities to further expand the popularity and attractiveness of Shuangjiang.

The Group continued to cooperate with the Bee Research Institute of the Chinese Academy of Agricultural Sciences to promote quality upgrade of the bee industry in Cangyuan County. In 2022, the income of all beekeepers in the county increased by more than RMB1,000. The Group successfully held the “Seventh National Chinese Bee Industry Development Conference and Rural Revitalization High-quality Development Forum” in Cangyuan. The bee industry in Cangyuan has obtained two national scientific research and promotion projects by the Ministry of Science and Technology and the Ministry of Agriculture and Rural Affairs.

### Supporting revitalization of talents and cultivating talent teams

Through setting up remote teaching station for rural revitalization with Tsinghua University in Cangyuan and Shuangjiang counties, the Group actively conducted training for grass-roots cadres, industry leaders and farmers in the new era and completed online training for 5,100 people in 2022. Through actively coordinating with experts from the Chinese Academy of Agricultural Sciences, 450 local talents in bee industry were trained, which improved the theoretical standard and business skills of local bee industry personnel. The Group cooperated with the Teachers Department of the Ministry of Education of the People’s Republic of China to implement the “Three-Year Action for Supporting Teacher Training in Cangyuan and Shuangjiang Counties”. In 2022, a total of 758 people including principals, key teachers, teaching researchers and management personnel were trained.

### Consolidating the achievements of poverty alleviation and insisting on medical consumption assistance

The Group continued to consolidate its achievements in poverty alleviation and donated materials and medical equipment such as infusion chairs, stethoscopes, and hemostats to certain villages. It actively participated in the “Let Life Hear Voices- Charitable Activity for Disabled by Central Enterprises” to help hearing-impaired children in Cangyuan County implement cochlear implant surgery. In addition, the Group actively and vigorously carried out consumption assistance activities, actively participated in activities such as “Central Enterprises Consumption Assistance and Prospering Agriculture Week”, and directly purchased and sold RMB36,875,100 of consumption assistance products during the Year.

# Independent Auditor's Report



羅兵咸永道

## To the Shareholders of China Eastern Airlines Corporation Limited

*(incorporated in the People's Republic of China with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 113 to 219 comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment tests of aircraft and engines
- Recognition of deferred tax assets
- Recognition of contract liabilities for frequent flyer programme

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Impairment tests of aircraft and engines</i></b></p> <p>As described in Note 2.18, Note 3(e), Note 16 and Note 18 to the consolidated financial statements, as of 31 December 2022, the balances of the Group's owned and leased aircraft and engines were RMB68,256 million and RMB124,453 million, respectively. The aircraft and engines were all associated with air transportation unit.</p> <p>The Group performs impairment test of aircraft and engines when indication of impairment exists. Based on impairment tests performed, the Group concluded that no impairment provision for aircraft and engines was made as at December 31, 2022.</p> <p>We identified impairment test of aircraft and engines as a key audit matter since the balances of aircraft and engines were significant, there were significant management estimates, judgments involved, and high degree of auditor judgment and effort in evaluating management's significant assumptions, including revenue growth rates, long term growth rate, gross margin rates, and discount rate.</p>	<p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's internal control relating to management's impairment tests of aircraft and engines. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors such as the complexity, subjectivity and changes in assumptions used in the impairment tests.</li> <li>• We evaluated and tested the internal controls over the impairment tests of aircraft and engines.</li> <li>• By comparing and analysing the actual financial results of the relevant asset group during the current year against the respective forecasts in prior year, we evaluated the outcome of prior period impairment tests of aircraft and engines to assess the appropriateness of management's assessment process.</li> <li>• We involved our valuation specialist to evaluate the appropriateness of the valuation methods used by management in estimating the recoverable amount, making reference to the industry practice and taking into consideration of the uncertainty of COVID-19.</li> </ul>

## Key audit matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> <li data-bbox="810 450 1433 544">• We involved our valuation specialist and evaluated the management's key assumptions by implementing the following procedures:               <ul style="list-style-type: none"> <li data-bbox="874 595 1433 689">— compared the annual revenue growth rates within the forecast period with the Group's historical growth rates, relevant business plans and industry data,</li> <li data-bbox="874 741 1433 797">— compared the forecasted long term growth rate with market economic data,</li> <li data-bbox="874 848 1433 943">— compared the forecasted gross margin rates with past performance, taking into consideration of market trends,</li> <li data-bbox="874 994 1433 1122">— evaluated the appropriateness of the discount rate used in the model by considering external data sources, including the market risk-free rate and the debt to asset ratio and geographical factors,</li> <li data-bbox="874 1173 1433 1301">— we tested the completeness, accuracy and relevancy of underlying data used and the mathematical accuracy of the calculation in the impairment test models.</li> </ul> </li> <li data-bbox="810 1352 1433 1404">• We assessed the adequacy of the disclosures related to impairment tests of aircraft and engines.</li> </ul>

Based on the above procedures, we considered that management's estimates and judgements applied in impairment tests of aircraft and engines were supported by evidence obtained.

## Key audit matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Recognition of deferred tax assets</b></p> <p>As described in Note 2.13, Note 3(d), and Note 27 to the consolidated financial statements, as of 31 December 2022, the balance of the Group's deferred tax assets was RMB9,858 million.</p> <p>Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. To determine the future taxable profits, reference was made to the latest available profit forecast. The key assumptions adopted in the future taxable profit forecast include revenue growth rates and gross margin rates.</p> <p>We identified the recognition of deferred tax assets as a key audit matter since the balance of deferred tax assets was significant, there were significant judgment by management when determining the deferred tax assets to be recognized, including a high degree of estimation uncertainty relative to the future taxable profit forecast and high degree of auditor judgment and effort.</p>	<p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's internal control and management's assessment process relating to recognition of deferred tax assets. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including the complexity, subjectivity and changes of assumptions adopted.</li> <li>• We evaluated and tested the design and operating effectiveness of internal controls relating to recognition of deferred tax assets.</li> <li>• We tested the completeness and accuracy of the underlying data and tested the mathematical accuracy in the calculation schedule of deferred tax assets.</li> <li>• We evaluated the management future taxable profits forecast by performing the following procedures: <ul style="list-style-type: none"> <li>— compared the actual results of current year taxable profit with the forecasted taxable profit in prior year to evaluate the reliability of management's estimation;</li> <li>— compared the revenue growth rates in the forecast period with the Group's historical revenue growth rates, the approved budget, future business plan and industry data;</li> <li>— compared the gross margin rates in the forecast period with historical results, taking into accounts the market trends.</li> </ul> </li> </ul> <p>Based on the above procedures, we considered that management's judgements applied in recognition of deferred tax assets were supported by evidence obtained.</p>

## Key audit matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Recognition of contract liabilities for frequent flyer programme</b></p> <p>As described in Note 2.7(i)(b), Note 3(a) and Note 5 to the consolidated financial statements, as of 31 December 2022, the balance of the Group's contract liabilities for frequent flyer programme was RMB1,228 million.</p> <p>The Group operates a frequent flyer programme that issues mileage points to program members based on accumulated mileage. Mileage points can be used to redeem for free or discounted goods or tickets until expiration. The frequent flyer programme provides a significant right to the customers and the Group treats it as a separate performance obligation. The Group allocates part of the transaction price to the mileage points which is deferred and recognized as contract liabilities for frequent flyer programme. The transaction price allocated to mileage points is estimated based on the historical prices of equivalent flights and goods which the mileage points can redeem for, adjusted for mileage points that are expected to expire and will not be redeemed ("the estimated Breakage").</p> <p>We identified the recognition of contract liabilities for frequent flyer programme as key audit matter since the balance was significant, there were significant judgment by management when determining the estimated transaction price of mileage points and the estimated Breakage and high degree of auditor judgment and effort in evaluating management's estimate.</p>	<p>In response to this key audit matter, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the Group's internal control and management's assessment process relating to the contract liabilities for frequent flyer programme. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including the complexity, subjectivity and changes of management's estimate.</li> <li>• We evaluated and tested the design and operating effectiveness of internal controls over the recognition of contract liabilities for frequent flyer programme.</li> <li>• We evaluated the appropriateness of methodology used by management to allocate transaction price to mileage points.</li> <li>• We tested completeness and accuracy of the underlying data used in the method, including the historical prices of equivalent flights and goods provided for redemption of mileage points.</li> <li>• We evaluated the reasonableness of the estimated Breakage by considering historical mileage points redemption pattern, current industry data and economic trends.</li> <li>• We performed sensitivity analyses to evaluate the impact to the contract liabilities resulting from changes in the Breakage.</li> </ul> <p>Based on the above procedures, we considered that the estimates made by management in the recognition of contract liabilities for frequent flyer programme were supported by evidence obtained.</p>

### Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in 2022 Annual Report (the "annual report") other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including management discussion and analysis and report of the directors prior to the date of this auditor's report. The remaining other information, including the corporate information, financial summary, biographies of directors and senior management, corporate governance report and environmental, social and governance report, and the other sections to be included in the annual report, is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate action considering our legal rights and obligations.

### Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit and Risk Management Committee in discharging their responsibilities and are responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Risk Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Risk Management Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

From the matters communicated with the Audit and Risk Management Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong,

30 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB million	2021 RMB million
<b>Revenue</b>	5	<b>46,111</b>	67,127
Other operating income and gains	6	<b>3,613</b>	6,079
<b>Operating expenses</b>			
Aircraft fuel		<b>(22,230)</b>	(20,593)
Take-off and landing charges		<b>(6,253)</b>	(10,251)
Depreciation and amortisation		<b>(21,799)</b>	(22,718)
Wages, salaries and benefits	8	<b>(20,400)</b>	(21,061)
Aircraft maintenance		<b>(3,356)</b>	(3,783)
Food and beverages		<b>(1,030)</b>	(1,655)
Selling and marketing expenses		<b>(839)</b>	(1,128)
Low value and short-term lease rentals		<b>(591)</b>	(383)
Ground services and other expenses		<b>(586)</b>	(532)
Civil aviation development fund		<b>(484)</b>	(852)
Impairment charges	9	<b>(97)</b>	(22)
Impairment losses on financial assets, net	10	<b>(29)</b>	(28)
Fair value changes of financial asset at fair value through profit or loss		<b>(12)</b>	(11)
Indirect operating expenses		<b>(3,653)</b>	(3,707)
<b>Total operating expenses</b>		<b>(81,359)</b>	(86,724)
<b>Operating loss</b>	7	<b>(31,635)</b>	(13,518)
Share of result of associates	22	<b>(147)</b>	(97)
Share of result of joint ventures	23	<b>(50)</b>	(44)
Finance income	11	<b>494</b>	1,958
Finance costs	12	<b>(8,816)</b>	(5,812)
<b>Loss before income tax</b>		<b>(40,154)</b>	(17,513)
Income tax credit	13	<b>254</b>	4,229
<b>Loss for the year</b>		<b>(39,900)</b>	(13,284)
<b>Loss is attributable to:</b>			
Equity holders of the Company		<b>(37,386)</b>	(12,214)
Non-controlling interests		<b>(2,514)</b>	(1,070)
		<b>(39,900)</b>	(13,284)
<b>Loss per share attributable to the equity holders of the Company:</b>			
— Basic and diluted (expressed in RMB per share)	15	<b>(1.98)</b>	(0.73)

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 RMB million	2021 RMB million
<b>Loss for the year</b>		<b>(39,900)</b>	(13,284)
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
– Effective portion of changes in fair value of hedging instruments arising during the year		171	221
– Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		(30)	(525)
– Income tax effect		(35)	76
<i>Items that may not be subsequently reclassified to profit or loss</i>			
– Fair value changes of equity investments designated at fair value through other comprehensive (loss)/income, net of tax		(4)	(247)
– Share of other comprehensive (loss)/income of an associate, net of tax	22	–	(7)
– Actuarial losses on the post-retirement benefit obligations, net of tax	39	18	(84)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>120</b>	(566)
<b>Total comprehensive loss for the year</b>		<b>(39,780)</b>	(13,850)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		(37,264)	(12,765)
Non-controlling interests		(2,516)	(1,085)
		<b>(39,780)</b>	(13,850)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31 December 2022 RMB million	31 December 2021 RMB million
<b>Non-current assets</b>			
Property, plant and equipment	16	89,208	93,242
Investment properties	17	243	118
Right-of-use assets	18(a)	128,179	126,875
Intangible assets	19	11,652	11,713
Advanced payments on acquisition of aircraft	20	13,970	12,165
Investments in associates	22	2,282	1,777
Investments in joint ventures	23	434	484
Equity investments designed at fair value through other comprehensive income	24	452	457
Derivative financial instruments	25	94	—
Deferred tax assets	27	9,858	9,580
Other non-current assets	26	4,199	4,469
		<b>260,571</b>	260,880
<b>Current assets</b>			
Flight equipment spare parts	28	1,626	1,799
Trade receivables	29	754	974
Prepayments and other receivables	31	7,407	12,089
Financial assets at fair value through profit or loss	30	72	84
Derivative financial instruments	25	1	—
Restricted bank deposits	32	12	12
Cash and cash equivalents	32	17,541	12,950
Assets classified as held for sale	33	—	2
		<b>27,413</b>	27,910
<b>Current liabilities</b>			
Trade and bills payables	34	2,310	2,454
Other payables and accruals	36	17,862	18,745
Contract liabilities	35	3,166	3,287
Current portion of borrowings	37	64,008	44,999
Current portion of lease liabilities	18(b)	18,614	16,350
Income tax payable		26	55
Current portion of provision for lease return costs for aircraft and engines	38	460	—
Derivative financial instruments	25	—	1
		<b>106,446</b>	85,891
<b>Net current liabilities</b>		<b>(79,033)</b>	(57,981)
<b>Total assets less current liabilities</b>		<b>181,538</b>	202,899

## Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31 December 2022 RMB million	31 December 2021 RMB million
<b>Non-current liabilities</b>			
Borrowings	37	57,939	50,792
Lease liabilities	18(b)	78,387	82,126
Provision for lease return costs for aircraft and engines	38	8,008	7,270
Contract liabilities	35	743	899
Derivative financial instruments	25	—	45
Post-retirement benefit obligations	39	2,212	2,367
Other long-term liabilities	40	1,906	2,248
		<b>149,195</b>	145,747
<b>Net assets</b>			
		<b>32,343</b>	57,152
<b>Equity attributable to equity holder of the Company</b>			
— Share capital	41	22,291	18,874
— Reserves	42	9,031	34,741
		<b>31,322</b>	53,615
<b>Non-controlling interests</b>			
	21	1,021	3,537
<b>Total equity</b>			
		<b>32,343</b>	57,152

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 113 to 219 were approved by the Board of Directors on 30 March 2023 and were signed on behalf.

**Li Yangmin**

Director

# Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to equity holders of the Company						Total equity RMB million
	Note	Share capital RMB million	Other reserves RMB million	Retained earnings/ (accumulated losses) RMB million	Total		
					RMB million	RMB million	
<b>Total equity at 1 January 2021</b>		16,379	34,643	5,227	56,249	2,905	59,154
<b>Comprehensive income:</b>							
Loss for the year		—	—	(12,214)	(12,214)	(1,070)	(13,284)
Other comprehensive income		—	(551)	—	(551)	(15)	(566)
<b>Total comprehensive income</b>		—	(551)	(12,214)	(12,765)	(1,085)	(13,850)
<b>Total transaction with equity holders:</b>							
Issue of ordinary shares, net of transaction costs and tax	41	2,495	8,325	—	10,820	—	10,820
Capital injection by non-controlling interests in subsidiaries		—	(689)	—	(689)	1,717	1,028
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings		—	(157)	157	—	—	—
<b>Balance at 31 December 2021</b>		18,874	41,571	(6,830)	53,615	3,537	57,152
<b>Total equity at 1 January 2022</b>		<b>18,874</b>	<b>41,571</b>	<b>(6,830)</b>	<b>53,615</b>	<b>3,537</b>	<b>57,152</b>
<b>Comprehensive income:</b>							
Loss for the year		—	—	(37,386)	(37,386)	(2,514)	(39,900)
Other comprehensive income		—	122	—	122	(2)	120
<b>Total comprehensive income</b>		—	122	(37,386)	(37,264)	(2,516)	(39,780)
<b>Total transaction with equity holders:</b>							
Issue of ordinary shares, net of transaction costs and tax	41	3,417	11,554	—	14,971	—	14,971
<b>Balance at 31 December 2022</b>		<b>22,291</b>	<b>53,247</b>	<b>(44,216)</b>	<b>31,322</b>	<b>1,021</b>	<b>32,343</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Note	Year ended 31 December	
		2022 RMB million	2021 RMB million
<b>Cash flow from operating activities</b>			
Cash (used in)/generated from operations	43(a)	(6,379)	5,828
Income tax paid		(95)	(136)
<b>Net cash (used in)/generated from operating activities</b>		<b>(6,474)</b>	5,692
<b>Cash flow from investing activities</b>			
Additions to property, plant and equipment and other non-current assets		(10,019)	(10,807)
Investments in associates and joint ventures		(675)	(140)
Net proceeds from disposal of a subsidiary		—	117
Proceeds from disposal of property, plant and equipment		66	3,097
Proceeds from novation of purchase rights		3,310	8,739
Proceeds from disposal of intangible assets and land use rights		—	752
Proceeds from disposal of an equity investment		—	288
Dividends received		26	105
Proceeds from repayment of loans to a joint venture		—	4
<b>Net cash (used in)/generated from investing activities</b>		<b>(7,292)</b>	2,155
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		14,998	10,820
Capital injection by non-controlling interests in a subsidiary		—	283
Proceeds from draw-down of short-term bank loans		62,000	55,954
Proceeds from draw-down of long-term bank loans		26,300	20,279
Proceeds from issuance of short-term debentures		50,500	39,000
Proceeds from issuance of long-term debentures and bonds		3,500	11,386
Proceeds from sales-leaseback of aircrafts		—	686
Repayments of short-term bank loans		(50,400)	(40,329)
Repayments of long-term bank loans		(10,935)	(4,490)
Repayments of short-term debentures		(50,500)	(65,500)
Repayments of long-term debentures and bonds		(4,631)	(8,523)
Repayments of principal of lease liabilities		(16,217)	(15,725)
Interest paid		(6,297)	(6,307)
Settlement relating to derivative financial instruments		30	(60)
<b>Net cash generated from/(used in) financing activities</b>		<b>18,348</b>	(2,526)
<b>Net increase in cash and cash equivalents</b>		<b>4,582</b>	5,321
Cash and cash equivalents at beginning of the year		12,950	7,651
Effects of exchange rate changes on cash and cash equivalents		9	(22)
<b>Cash and cash equivalents at end of the year</b>		<b>17,541</b>	12,950

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

Year ended 31 December 2022

## 1 Corporate Information

China Eastern Airlines Corporation Limited (the “Company”), a joint stock company limited by shares was established in the People’s Republic of China (the “PRC”) on 14 April 1995. The address of the Company’s registered office is 66 Airport Street, Pudong International Airport, Shanghai, the PRC. The Company and its subsidiaries (together, the “Group”) are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services.

In the opinion of the directors of the Company, the holding company and ultimate holding company of the Company is China Eastern Air Holding Company Limited (“CEA Holding”), a state-owned enterprise established in the PRC.

The A shares and H shares of the Company are listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, respectively.

These financial statements were approved and authorised for issue by the Company’s Board of Directors (the “Board”) on 30 March 2023.

## 2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirement of the Hong Kong Companies Ordinance Cap. 622.

They have been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments which have been measured at fair value.

These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest million except when otherwise indicated.

#### (i) Going concern

In 2022, the Group incurred net loss of RMB39,900 million and net operating cash outflow of RMB6,474 million. As at 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately RMB79,033 million. In preparing the financial statements, the Board has conducted a detailed review over the Group’s going concern ability based on its financial condition and operating results. The Board has also considered the following factors:

- Sufficient unutilised banking facilities as at 31 December 2022;
- The Group’s sound credit standing and history of cooperation with banks and other financial institutions; and
- The Group’s expected net cash inflows from operating activities for not less than 12 months starting from the period end of the financial statements, considering the recovery of flights and the Group’s major operating costs including fuel prices during such period.

## 2 Summary of Significant Accounting Policies (continued)

### 2.1 Basis of preparation (continued)

#### (i) Going concern (continued)

The Board believes that the Group has sufficient source of financing to enable it to operate, as well as to meet its liabilities as and when they become due, and to support its the capital expenditures in the foreseeable future of not less than twelve months starting from the period end of the financial statements. Accordingly, the Board continued to prepare the Group's financial statements as of and for the year ended 31 December 2022 on a going concern basis.

#### (ii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

*Amendment to IAS 16 — Property, Plant and Equipment: Proceeds before Intended Use.*

*Amendments to IAS 37 — Onerous Contracts — Cost of Fulfilling a Contract*

*Amendments to IFRS 3 — Reference to the Conceptual Framework*

*Annual Improvements to IFRS Standards 2018–2020*

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2 Summary of Significant Accounting Policies (continued)

### 2.1 Basis of preparation (continued)

#### (iii) New standards and interpretations not yet adopted

	Effective for accounting year beginning on or after
Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
IFRS 17 — Insurance Contracts	1 January 2023 (deferred from 1 January 2021)
Amendments to IAS 8 — Definitions of Accounting Estimates	1 January 2023
Amendments to IAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024 (deferred from 1 January 2022)
Amendments to IAS 1 Non-current liabilities with Converts	1 January 2024
Amendments to IFRS 16 Lease Liability in a sales and leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 2.2 Principles of consolidation

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

## 2 Summary of Significant Accounting Policies (continued)

### 2.2 Principles of consolidation (continued)

#### (i) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of financial position respectively.

#### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

#### (iii) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial position.

#### (iv) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.18.

## 2 Summary of Significant Accounting Policies (continued)

### 2.2 Principles of consolidation (continued)

#### (v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

## 2 Summary of Significant Accounting Policies (continued)

### 2.3 Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the office of the General Manager that makes strategic decisions.

### 2.6 Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in "RMB", which is the functional and presentation currency of the Company and the Group's entities.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income" or "finance costs".

## 2 Summary of Significant Accounting Policies (continued)

### 2.7 Revenue recognition

#### (i) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

#### (a) Provision of services

##### *Traffic revenue*

Passenger, cargo and mail revenues are recognised as traffic revenue when the transportation is provided. The value of sold but unused tickets is included in contract liabilities as sales in advance of carriage ("SIAC").

##### *Commission income*

Commission income represents amounts earned from other carriers in respect of sales made by the Group on their behalf, and is recognised upon ticket sales.

##### *Other operations incomes*

Revenues from the provision of ground services and other travel related services are recognised when the services are rendered.

#### (b) Frequent flyer programme

The Group operates a frequent flyer programme called "Eastern Miles" that issues mileage points to program members based on accumulated mileage. Mileage points can be used to redeem for free or discounted goods or tickets until expiration. The frequent flyer programme provides a significant right to the customers and the Group treats it as a separate performance obligation. The Group defers a portion of passenger revenue attributable to the mileage points issued based on the relative stand-alone selling price approach and recognises revenue when the mileage points are redeemed and performance obligations are fulfilled or the mileage points expire unused. The stand-alone selling price of the mileage points was estimated based on the historical prices of equivalent flights and goods provided for mileage points redeemed and was adjusted for mileage points that are not expected to be redeemed ("Breakage").

## 2 Summary of Significant Accounting Policies (continued)

### 2.7 Revenue recognition (continued)

#### (i) Revenue from contracts with customers (continued)

##### (c) Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer.

##### (d) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### (ii) Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

### 2.8 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

### 2.9 Maintenance and overhaul costs

Overhaul costs that meet specific recognition criteria are capitalised as a component of property, plant and equipment or right-of-use assets and are depreciated over the appropriate maintenance cycles.

Certain lease arrangements contain provisions for the Group's obligations to fulfil certain return conditions at the end of lease term. The Group estimated lease return costs for aircraft and engines and recognised such costs as part of the right-of-use asset and are depreciated over their respective lease term.

All other repairs and maintenance costs are charged to profit or loss as and when incurred.

### 2.10 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 2 Summary of Significant Accounting Policies (continued)

### 2.11 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

### 2.12 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.13 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2 Summary of Significant Accounting Policies (continued)

### 2.13 Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.14 Intangible assets

#### (i) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

## 2 Summary of Significant Accounting Policies (continued)

### 2.14 Intangible assets (continued)

#### (ii) Computer software costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of 5 years. Costs associated with developing or maintaining computer software programs are recognised as expenses when incurred.

### 2.15 Deferred pilot recruitment costs

Deferred pilot recruitment costs represent the costs borne by the Group in connection with securing a certain minimum period of employment of pilots and are amortised on a straight-line basis over the anticipated beneficial period of 5 years, starting from the date the pilot joins the Group.

### 2.16 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale".

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

When each major aircraft overhaul is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment and is depreciated over the appropriate maintenance cycles. Components related to airframe overhaul cost, are depreciated on a straight-line basis over 5 to 12 years. Components related to engine overhaul costs, are depreciated between each overhaul period using the ratio of actual flying hours and estimated flying hours between overhauls. Upon completion of an overhaul, any remaining carrying amount of the cost of the previous overhaul is derecognised and charged to profit or loss.

Except for components related to overhaul costs, the depreciation method of which has been described in the preceding paragraph, other depreciation of property, plant and equipment is calculated using the straight-line method to write off their costs to their residual values over their estimated useful lives, as follows:

	<b>Estimated useful lives</b>	<b>Estimated residual rate</b>	<b>Annual depreciation rate</b>
Owned aircraft and engines	5 to 20 years	0% to 5%	4.75% to 20%
Rotables	10 years	0%	10%
Buildings	8 to 35 years	3% to 5%	2.71% to 12.13%
Other property, plant and equipment	3 to 20 years	3% to 5%	4.75% to 32.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

## 2 Summary of Significant Accounting Policies (continued)

### 2.16 Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

### 2.17 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including related transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

Depreciation is calculated on the straight-line basis to write off the cost to its residual value over its estimated useful life. The estimated useful lives are as follows:

Buildings	20 to 35 years
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The carrying amounts of investment properties measured using the cost method are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

### 2.18 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2 Summary of Significant Accounting Policies (continued)

### 2.19 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets that are carried at fair value, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

### 2.20 Advanced payments on acquisition of aircraft

Advanced payments on acquisition of aircraft represent payments to aircraft manufacturers to secure deliveries of aircraft in future years, including attributable borrowing costs, and are included in non-current assets. The balance is transferred to property, plant and equipment upon delivery of the aircraft.

### 2.21 Flight equipment spare parts

Flight equipment spare parts are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of flight equipment spare parts comprises the purchase price (net of discounts), freight charges, duty and other miscellaneous charges. Net realisable value is the estimated selling price of the flight equipment spare parts in the ordinary course of business, less applicable selling expenses.

### 2.22 Investments and other financial assets

#### (i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition".

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

## 2 Summary of Significant Accounting Policies (continued)

### 2.22 Investments and other financial assets (continued)

#### (i) Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### (ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

##### ***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

##### ***Financial assets at fair value through other comprehensive income (debt instruments)***

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

##### ***Financial assets designated at fair value through other comprehensive income (equity investments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

## 2 Summary of Significant Accounting Policies (continued)

### 2.22 Investments and other financial assets (continued)

#### (ii) Subsequent measurement (continued)

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

#### (iii) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- (i) the rights to receive cash flows from the asset have expired; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2 Summary of Significant Accounting Policies (continued)

### 2.22 Investments and other financial assets (continued)

#### (iv) Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### *General approach*

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### *Simplified approach*

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

## 2 Summary of Significant Accounting Policies (continued)

### 2.23 Financial liabilities

#### (i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments, lease liabilities, interest-bearing bank and other borrowings.

#### (ii) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

##### *Financial liabilities at amortised cost*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### (iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

### 2.24 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 2 Summary of Significant Accounting Policies (continued)

### 2.25 Derivatives and hedging activities

#### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and fuel forward contracts, to hedge its foreign currency risk, interest rate risk and fuel price risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by IFRS 9 is recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

## 2 Summary of Significant Accounting Policies (continued)

### 2.25 Derivatives and hedging activities (continued)

#### Initial recognition and subsequent measurement (continued)

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

#### (i) *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

#### (ii) *Fair value hedges*

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

## 2 Summary of Significant Accounting Policies (continued)

### 2.25 Derivatives and hedging activities (continued)

#### Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

### 2.26 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 29 for further information about the Group's accounting for trade receivables and note 48.1 for a description of the Group's impairment policies.

### 2.27 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including assets similar in nature to cash, which are not restricted as to use.

### 2.28 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

## 2 Summary of Significant Accounting Policies (continued)

### 2.28 Borrowings (continued)

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 2.29 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

For the contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, the present obligation under the contract is recognised and measured as a provision.

### 2.30 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### (i) As lessee

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

## 2 Summary of Significant Accounting Policies (continued)

### 2.30 Leases (continued)

#### (i) As lessee (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## 2 Summary of Significant Accounting Policies (continued)

### 2.30 Leases (continued)

#### (i) As lessee (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Except for engine overhaul costs are depreciated between each overhaul period using the ratio of actual flying hours and estimated flying hours between overhauls, right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Aircraft and engines under leases	5 to 20 years
Buildings	2 to 10 years
Prepayments for land use rights	40 to 50 years
Others	2 to 5 years

If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of assets that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### (ii) As lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

## 2 Summary of Significant Accounting Policies (continued)

### 2.30 Leases (continued)

#### (iii) Sales and leaseback

The Group applies the requirements for determining when a performance obligation is satisfied in IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset.

#### *As seller-lessee*

If the transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. If the fair value of the consideration for the sale of an asset does not equal the fair value of the asset, or if the payments for the lease are not at market rates, the Group makes the following adjustments to measure the sale proceeds at fair value: a) any below-market terms shall be accounted for as a prepayment of lease payments; and b) any above-market terms shall be accounted for as additional financing provided by the buyer-lessor to the seller-lessee. The potential adjustment required is measured on the basis of the more readily determinable of: a) the difference between the fair value of the consideration for the sale and the fair value of the asset; and b) the difference between the present value of the contractual payments for the lease and the present value of payments for the lease at market rates.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. It shall account for the financial liability applying IFRS 9.

### 2.31 Retirement benefits

#### (i) Defined contribution plans

The Group participates in schemes regarding pension and medical benefits for employees organised by the municipal governments of the relevant provinces. Contributions to these schemes are expensed as incurred.

The Group also implements an additional defined contribution pension benefit scheme (annuity) for voluntary eligible employees. Contributions are made based on a percentage of the employees' total salaries and are charged to profit or loss as incurred.

#### (ii) Defined benefit plan

The Group provides eligible retirees with certain post-retirement benefits including retirement subsidies, transportation allowance as well as other welfare. The defined post-retirement benefits are unfunded. The cost of providing benefits under the post-retirement benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the post-retirement benefit plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

## 2 Summary of Significant Accounting Policies (continued)

### 2.31 Retirement benefits (continued)

#### (ii) Defined benefit plan (continued)

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “Wages, salaries and benefits” and “Finance costs” in profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense

### 2.32 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company’s shareholders. Proposed final dividends are disclosed in the notes to the consolidated financial statements.

### 2.33 Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## 2 Summary of Significant Accounting Policies (continued)

### 2.33 Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 2.34 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.35 Research and development

Research expenditures are recognised as expenses as incurred. Costs incurred on development projects are capitalised as intangible assets when recognition criteria are met, including:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Other development costs that do not meet those criteria are expensed as incurred.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 3 Critical Accounting Estimates and Judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(a) Recognition of contract liabilities for frequent flyer programme**

Passenger ticket sales earning mileage points under the Company's frequent flyer programme provide customers with mileage points earned and air transportation. A portion of passenger revenue attributable to the mileage points issued is deferred based on the relative stand-alone selling price approach. Significant assumptions are used in determining the estimated stand-alone selling price of mileage points, including the historical prices of equivalent flights and goods provided, which is estimated by reference to the quantitative value a program member receives by redeeming mileage points for flights and goods, and the estimated Breakage. The Breakage is estimated considering historical redemption pattern, current industry and economic trends and other relevant factors. Changes in the significant assumptions could have a significant effect on the balance of contract liabilities for frequent flyer programme and the results of operations.

**(b) Provision for lease return costs for aircraft and engines**

Provision for lease return costs for aircraft and engines is recognised as part of the right-of-use assets and are depreciated during the lease term. The estimation of the provision is made taking into account anticipated aircraft and engines' utilisation patterns and the anticipated return costs derived from historical experience of actual return costs incurred. Different estimates could significantly affect the estimated provision for lease return costs for aircraft and engines.

**(c) Retirement benefits**

The Group operates and maintains a defined retirement benefit plan which provides eligible retirees with benefits including retirement subsidies, transportation allowance as well as other welfare. The cost of providing the aforementioned benefits in the defined retirement benefit plan is actuarially determined and recognised over the employee's service period by utilising various actuarial assumptions and using the projected unit credit method in accordance with the accounting policy stated in Note 2.31 to the consolidated financial statements. These assumptions include, without limitation, the selection of discount rate and annual rate of increase of per capita benefit payment. The discount rate is based on management's review of government bonds. The annual rate of increase of benefit payments is based on the general local economic conditions.

Additional information regarding the retirement benefit plan is disclosed in Note 39 to the consolidated financial statements.

**(d) Deferred income tax**

Deferred tax assets are recognised for unused tax losses and deductible temporary difference to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. To determine the future taxable profits, reference was made to the latest available profit forecast. The key assumptions adopted in the future taxable profit forecast include revenue growth rates and gross margin rates.

### 3 Critical Accounting Estimates and Judgements (continued)

**(e) Estimated impairment of long-term assets (other than goodwill)**

The Group tests whether property, plant and equipment, right-of-use assets, intangible assets (other than goodwill), advanced payments on acquisition of aircraft and other non-current assets have been impaired in accordance with the accounting policy stated in Note 2.18 to the consolidated financial statements. The recoverable amount of the cash-generating unit has been determined based on the higher of its value in use and its fair value less costs of disposal. The cash flow projections used to determine the value in use of a cash-generating unit, including the airline transportation operations cash-generating unit, is based on significant assumptions, such as revenue growth rates, long term growth rate, gross margin rates, and discount rate applied to the projected cash flows. These assumptions may be affected by unexpected changes in future market or economic conditions.

**(f) Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount which is the higher of its value in use and its fair value less costs of disposal. The Group uses the fair value less costs of disposal of the cash-generating unit to which the goodwill is allocated to determine the recoverable amount. The Group has determined the recoverable amount of the airline transportation operations cash-generating unit by assessing the fair value less costs of disposal of the underlying assets. The valuation is considered to be level 1 in the fair value hierarchy due to observable inputs used in the valuation.

**(g) Leases – estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating) when necessary.

**(h) Depreciation of property, plant and equipment and right-of-use assets**

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

Except for components related to the owned and leased airframe and engine overhaul costs, other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The useful lives are based on the Group’s historical experience with similar assets and taking into account anticipated technological changes. The Group reviews the estimated useful lives of assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

## 4 Operating Segment Information

- (a) **CODM, office of the General Manager, reviews the Group's internal reporting in order to assess performance and allocate resources.**

The Group has one reportable operating segments, reported as "airline transportation operations", which comprises the provision of passenger, cargo, mail delivery and ground service.

Other services including primarily tour operations, air catering and other miscellaneous services are not included within the airline transportation operations segment, as their internal reports are separately provided to the CODM. The results of these operations are included in the "other segments" column.

Inter-segment transactions are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

In accordance with IFRS 8, segment disclosure has been presented in a manner that is consistent with the information used by the Group's CODM. The Group's CODM monitors the results, assets and liabilities attributable to each reportable segment based on financial results prepared under the PRC Accounting Standards for Business Enterprises (the "PRC Accounting Standards"), which differ from IFRSs in certain aspects. The amount of each material reconciling item from the Group's reportable segment revenues and profit/(loss) before income tax, arising from different accounting policies is set out in Note 4(c) below.

The segment results for the year ended 31 December 2022 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated* RMB million	Total RMB million
<b>Segment revenue</b>					
Reportable segment revenue from external customers	45,855	256	—	—	46,111
Inter-segment sales	—	919	(919)	—	—
Reportable segment revenue	45,855	1,175	(919)	—	46,111
Reportable segment loss before income tax	(40,175)	223	—	(202)	(40,154)
<b>Other segment information</b>					
Depreciation and amortisation	21,523	276	—	—	21,799
Impairment charges/impairment losses, net	126	—	—	—	126
Interest income	503	—	(9)	—	494
Interest expenses	6,124	14	(9)	—	6,129
Capital expenditure	24,920	37	—	—	24,957

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 4 Operating Segment Information (continued)

(a) Chief operating decision maker (“CODM”) has been identified as the office of the General Manager, who reviews the Group’s internal reporting in order to assess performance and allocate resources. (continued)

The segment results for the year ended 31 December 2021 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated* RMB million	Total RMB million
<b>Segment revenue</b>					
Reportable segment revenue from					
external customers	66,812	315	—	—	67,127
Inter-segment sales	—	1,006	(1,006)	—	—
Reportable segment revenue	66,812	1,321	(1,006)	—	67,127
Reportable segment loss					
before income tax	(17,889)	374	—	2	(17,513)
<b>Other segment information</b>					
Depreciation and amortisation	22,441	277	—	—	22,718
Impairment charges/impairment					
losses on financial assets, net	48	2	—	—	50
Interest income	354	—	(15)	—	339
Interest expenses	5,811	16	(15)	—	5,812
Capital expenditure	30,846	169	—	—	31,015

The segment assets and liabilities as at 31 December 2022 and 31 December 2021 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated* RMB million	Total RMB million
<b>At 31 December 2022</b>					
Reportable segment assets	280,269	3,860	(1,722)	3,335	285,742
Reportable segment liabilities	255,471	1,892	(1,722)	—	255,641
<b>At 31 December 2021</b>					
Reportable segment assets	280,976	4,376	(1,606)	2,802	286,548
Reportable segment liabilities	230,799	2,398	(1,606)	47	231,638

\* Unallocated assets primarily represent investments in associates and joint ventures, derivative financial instruments, financial asset at fair value through profit or loss and equity instruments designated at fair value through other comprehensive income. Unallocated results primarily represent the share of results of associates and joint ventures, fair value changes of financial asset at fair value through profit or loss and dividend income relating to equity investments at fair value through profit or loss.

#### 4 Operating Segment Information (continued)

**(b) The Group's business operates in three main geographical areas, even though they are managed on a worldwide basis.**

The Group's revenues by geographical area are analysed based on the following criteria:

- (1) Traffic revenue from services within the PRC excluding the Hong Kong Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau") and Taiwan is classified as domestic operations. Traffic revenue from inbound or outbound services among Hong Kong, Macau and Taiwan is classified as regional operations while that with other overseas markets is classified as international operations.
- (2) Revenue from ticket handling services, ground services and other miscellaneous services are classified on the basis of where the services are performed.

	2022 RMB million	2021 RMB million
Domestic	34,449	56,133
Regional	394	441
International	11,268	10,553
	<b>46,111</b>	67,127

- (3) The major revenue-earning assets of the Group are its aircraft, all of which are registered in the PRC. Since the Group's aircraft are deployed flexibly across its route network, there is no suitable basis of allocating such assets and the related liabilities by geographic area and hence segment assets and liabilities by geographic area are not presented.

**(c) Segment revenue and loss before income tax are the same as the consolidated figures as reported in the consolidated financial statement for the years ended 31 December 2022 and 2021. Reconciliation of reportable segment assets to the consolidated figures as reported in the consolidated financial statements:**

	Note	31 December 2022 RMB million	31 December 2021 RMB million
<b>Assets</b>			
Reportable segment assets		285,742	286,548
— Difference in intangible asset arising from the acquisition of Shanghai Airlines	(i)	2,242	2,242
Consolidated assets		<b>287,984</b>	288,790

Notes:

- (i) The difference represents the different measurement of the fair value of acquisition cost of the shares from Shanghai Airlines between PRC Accounting Standards and IFRSs, which results in the different measurement of goodwill.

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 5 Revenue

An analysis of revenue is as follows:

	2022 RMB million	2021 RMB million
<i>Revenue from contracts with customers</i>	45,874	66,887
<i>Revenue from other sources</i>		
— Rental income	237	240
	<b>46,111</b>	<b>67,127</b>

(a) **Disaggregated revenue information for revenue from contracts with customers:**

For the year ended 31 December 2022

Segments	Airline transportation operations RMB million	Others operations RMB million	Total RMB million
<b>Types of goods or services</b>			
Traffic revenues			
— Passenger	35,004	—	35,004
— Cargo and mail	7,770	—	7,770
Ticket cancellation and commission service	1,147	—	1,147
Ground service income	556	—	556
Others	1,141	256	1,397
Total revenue from contracts with customers	45,618	256	45,874
<b>Geographical markets</b>			
Domestic	33,956	256	34,212
Regional	394	—	394
International	11,268	—	11,268
Total revenue from contracts with customers	45,618	256	45,874

**5 Revenue** (continued)**(a) Disaggregated revenue information for revenue from contracts with customers:** (continued)

For the year ended 31 December 2021

Segments	Airline transportation operations RMB million	Others operations RMB million	Total RMB million
<b>Types of goods or services</b>			
Traffic revenues			
– Passenger	54,105	–	54,105
– Cargo and mail	8,309	–	8,309
Ticket cancellation and commission service	2,115	–	2,115
Ground service income	756	–	756
Others	1,287	315	1,602
Total revenue from contracts with customers	66,572	315	66,887
<b>Geographical markets</b>			
Domestic	55,578	315	55,893
Regional	441	–	441
International	10,553	–	10,553
Total revenue from contracts with customers	66,572	315	66,887

The timing of revenue recognition of airline transportation operations of the Group is at a point in time.

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2022 RMB million	2021 RMB million
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Passenger transportation services	2,904	2,979

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 5 Revenue (continued)

#### (a) Disaggregated revenue information for revenue from contracts with customers: (continued)

As at 31 December, 2022, the contract liabilities for frequent flyer programme amounted to RMB1,228 million. The table below presents the activity of the contract liabilities for frequent flyer programme.

	2022 RMB million	2021 RMB million
At 1 January	1,661	1,966
Deferred during the year	530	945
Recognised as revenue during the year	(821)	(1,250)
At 31 December	1,370	1,661
Less: the related pending output value added tax therein	(142)	(169)
	<b>1,228</b>	1,492

### 6 Other Operating Income and Gains

	2022 RMB million	2021 RMB million
Co-operation routes income (note (a))	1,904	3,696
Routes subsidy income (note (b))	438	383
Other subsidy income (note (c))	911	803
Gain on disposal of items of property, plant and equipment and right-of-use assets	180	742
Gain on disposal of subsidiaries, associates and joint ventures	—	142
Compensation from ticket sales agents	9	63
Others	171	250
	<b>3,613</b>	6,079

- (a) Co-operation routes income represents subsidies granted by various local authorities and other parties, with which the Group developed certain routes to support the development of local economy. The amounts granted are calculated based on the agreements entered into by all parties.
- (b) Routes subsidy income represents subsidies granted by various authorities to support certain international and domestic routes operated by the Group.
- (c) Other subsidy income represents subsidies granted by various local authorities based on certain amounts of tax paid and other government grants.
- (d) There are no unfulfilled conditions or other contingencies related to subsidies that were recognised for the year ended 31 December, 2022 and 2021.

## 7 Operating Loss

Operating loss is stated after charging the following items:

	2022 RMB million	2021 RMB million
Amortisation of intangible assets (Note 19)	192	210
Depreciation of property, plant and equipment (Note 16)	8,392	9,490
Depreciation of right-of-use assets (Note 18(a))	12,514	12,389
Depreciation of investment properties (Note 17)	4	10
Amortisation of long-term deferred assets included in other non-current assets	697	619
Impairment charge on property, plant and equipment (Note 9)	—	1
Write-down of flight equipment spare parts to net realisable value (Note 9)	97	21
Impairment losses on financial assets (Note 10)	29	28
Consumption of flight equipment spare parts	839	1,218
Auditors' remuneration	14	12
	<b>22,778</b>	<b>23,998</b>

## 8 Wages, Salaries and Benefits

	2022 RMB million	2021 RMB million
Wages, salaries, bonuses and allowances	14,822	15,776
Employee welfare and benefits	649	435
Pension (Note 39(a))	2,537	2,412
Medical insurance (note (i))	944	982
Staff housing fund (note (ii))	1,271	1,265
Staff housing allowances (note (iii))	168	186
Early retirement benefits (note (iv))	9	5
	<b>20,400</b>	<b>21,061</b>

Notes:

(i) Medical insurance

Majority of the Group's PRC employees participate in the medical insurance schemes organised by municipal governments.

(ii) Staff housing fund

In accordance with the relevant PRC housing regulations, the Group is required to contribute to the state-sponsored housing fund for its employees. At the same time, the employees are required to contribute an amount equal to the Group's contribution. The employees are entitled to claim the entire sum of the fund contributed under certain specified withdrawal circumstances. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits.

(iii) Staff housing allowances

The Group also provides staff housing allowances in cash to eligible employees. The total entitlement of an eligible employee is principally provided over a period of 20 years. Upon an eligible employee's resignation or retirement, his or her entitlement would cease and any unpaid entitlement related to past service up to the date of resignation or retirement would be paid.

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 8 Wages, Salaries and Benefits (continued)

Notes: (continued)

(iv) Early retirement benefits

The Group implements an early retirement scheme which allows eligible employees to early retire on a voluntary basis. The Group undertakes the obligations to pay the early retirement employees' basic salaries and certain welfare in the future on a monthly basis according to the early retirement scheme, together with social insurance and housing fund pursuant to the regulation of the local government. The benefits of the early retirement scheme are calculated based on factors including the remaining number of years of service from the date of early retirement to the normal retirement date and the benefits the early retirement employees enjoyed. The present value of the future cash flows expected to be required to settle the obligations is recognised as a provision in "other long-term liabilities".

(v) Directors' and executive's remuneration

Directors' and executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB million	2021 RMB million
Fees	700	620
Other emoluments:		
Salaries, allowances and benefits in kind	1,853	1,616
Performance related bonuses*	—	—
Pension scheme contributions	61	52
	<b>2,614</b>	<b>2,288</b>

\* No executive directors of the Company are entitled to bonus payments which are determined as percentage of the profit after tax of the Group.

#### 2022

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>Executive Directors</b>					
Li Yangmin*	—	—	—	—	—
Tang Bing*	—	—	—	—	—
Lin Wanli	—	—	—	—	—
Jiang Jiang	—	—	—	—	—
<b>Independent non-executive Directors</b>					
Cai Hongping	200	—	—	—	200
Dong Xuebo	100	—	—	—	100
Sun zheng**	200	—	—	—	200
Lu xiongwen**	200	—	—	—	200
<b>Supervisors</b>					
Guo Lijun**	—	1,208	—	38	1,246
Fang Zhaoya*	—	—	—	—	—
Zhou Huaxin	—	645	—	23	668
<b>Total</b>	<b>700</b>	<b>1,853</b>	<b>—</b>	<b>61</b>	<b>2,614</b>

**8 Wages, Salaries and Benefits** (continued)

Notes: (continued)

(v) Directors' and executive's remuneration (continued)

**2021**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>Executive Directors</b>					
Liu Shaoyong*	—	—	—	—	—
Li Yangmin*	—	—	—	—	—
Tang Bing*	—	—	—	—	—
Lin Wanli**	—	—	—	—	—
Jiang Jiang	—	—	—	—	—
<b>Independent non-executive Directors</b>					
Cai Hongping	200	—	—	—	200
Dong Xuebo	80	—	—	—	80
Sun Zheng**	120	—	—	—	120
Lu Xiongwen**	120	—	—	—	120
Shao Ruiqing***	100	—	—	—	100
<b>Supervisors</b>					
Guo Lijun**	—	1,082	—	31	1,113
Fang Zhaoya*	—	—	—	—	—
Zhou Huaxin	—	534	—	21	555
<b>Total</b>	<b>620</b>	<b>1,616</b>	<b>—</b>	<b>52</b>	<b>2,288</b>

\* These directors and supervisors of the Company received emoluments from CEA Holding, the parent company, part of which were in respect of their services to the Company and its subsidiaries. No apportionment has been made as it is impracticable to apportion those amounts between their services to the Group and their services to CEA Holding.

\*\* These directors and supervisors of the Company were newly appointed or elected during the years ended 31 December 2022 and 2021, respectively.

\*\*\* These directors and supervisors of the Company resigned during the years ended 31 December 2022 and 2021, respectively.

During the years ended 31 December 2022 and 2021, no directors and supervisors waived their emoluments.

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 8 Wages, Salaries and Benefits (continued)

Notes: (continued)

(vi) Five highest paid individuals

Nil of the Company's directors and supervisors was among the five highest paid individuals in the Group for the year ended 31 December 2022 (2021: Nil). The emoluments payable to the five highest paid individuals were as follows:

	2022 RMB'000	2021 RMB'000
Wages, salaries and allowances	8,128	8,537
Performance related bonuses*	—	—
Pension scheme contributions	191	185
	<b>8,319</b>	<b>8,722</b>

\* None of the above highest paid individuals are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

The number of five highest paid individuals whose emoluments fell within the following bands is as follows:

	2022	2021
HK\$1,500,001 to HK\$2,000,000	5	—
HK\$2,000,001 to HK\$2,500,000	—	5
HK\$2,500,001 to HK\$3,000,000	—	—

During the year ended 31 December 2022, no emoluments were paid by the Group to the directors, supervisors and the five highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office (2021: Nil).

### 9 Impairment Charges

	2022 RMB million	2021 RMB million
Impairment charge on property, plant and equipment (Note 16)	—	1
Write-down of flight equipment spare parts to net realisable value (Note 28)	97	21
	<b>97</b>	<b>22</b>

### 10 Impairment Losses on Financial Assets, Net

	2022 RMB million	2021 RMB million
Impairment losses on other non-current assets	1	—
Impairment losses on trade receivable, net (Note 29)	5	3
Impairment losses on other receivables (Note 31)	23	25
	<b>29</b>	<b>28</b>

### 11 Finance Income

	2022 RMB million	2021 RMB million
Interest income	494	339
Foreign exchange gains, net (Note 12(b))	—	1,619
	<b>494</b>	<b>1,958</b>

## 12 Finance Costs

	2022 RMB million	2021 RMB million
Interest on bank borrowings	2,367	1,946
Interest relating to lease liabilities	3,014	3,113
Interest relating to post-retirement benefit obligations	66	83
Interest relating to provision for lease return costs for aircraft and engines	278	278
Interest on bonds and debentures	889	842
Interest relating to interest rate swap contracts	(30)	17
Less: amounts capitalised (note (a))	(455)	(467)
	6,129	5,812
Foreign exchange losses, net (note (b))	2,687	—
	8,816	5,812

Notes:

- (a) The weighted average interest rate used for interest capitalisation is 3.43% per annum for the year ended 31 December 2022 (for the year ended 31 December 2021: 3.57%).
- (b) The exchange losses/gains primarily related to the translation of the Group's foreign currency denominated borrowings and lease liabilities for the year ended 31 December 2022 and 2021.

## 13 Income Tax

The amounts of income tax credit charged to the consolidated income statements represent:

	2022 RMB million	2021 RMB million
Current income tax	59	143
Deferred income tax	(313)	(4,372)
	(254)	(4,229)

The Group operates international flights to overseas destinations. There was no material overseas taxation for the years ended 31 December 2022 and 2021, as there are tax treaties between the PRC and the corresponding jurisdictions relating to the aviation business.

The Company and its branches and subsidiaries in mainland China are subject to income tax rates ranging from 15% to 25% (2021: 15% to 25%), and certain subsidiaries of the Company in Hong Kong are subject to Hong Kong profits tax rate of 16.5% (2021: 16.5%).

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 13 Income Tax (continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022 RMB million	2021 RMB million
Loss before income tax	(40,154)	(17,513)
Tax calculated at the tax rate of 25% (2021: 25%)	(10,038)	(4,378)
Lower tax rates enacted by local authorities	190	60
Share of results of associates and joint ventures	49	35
Income not subject to tax	(85)	(84)
Expenses not deductible for tax	104	159
Unrecognised tax losses for the year	9,572	69
Adjustments in respect of current tax of previous periods	17	(1)
Additional deduction of research and development costs	(51)	(58)
Income tax deduction of purchase of special equipment for production safety	(12)	(31)
Tax credit	(254)	(4,229)
Effective tax rate	0.63%	24.15%

### 14 Dividends

The directors did not propose the payment of a dividend for the years ended 31 December 2022 and 2021

### 15 Loss per share

The calculation of basic loss per share for the year ended 31 December 2022 was based on the loss attributable to equity holders of the Company of RMB37,386 million and the weighted average number of shares of 18,875,999,286 in issue during the year.

The calculation of basic loss per share for the year ended 31 December 2021 was based on the loss attributable to equity holders of the Company of RMB12,214 million and the weighted average number of shares of 16,795,331,016 in issue during the year.

The Company had no potentially dilutive options or other financial instruments relating to the ordinary shares in issue during the years ended 31 December 2022 and 2021.

## 16 Property, Plant and Equipment

	Aircraft, engines and flight equipment RMB million	Buildings RMB million	Other property, plant and equipment RMB million	Construction in progress RMB million	Total RMB million
<b>31 December 2022</b>					
At 1 January 2022					
Cost	136,247	16,562	10,986	3,288	167,083
Accumulated depreciation and impairment	(63,189)	(3,520)	(7,132)	—	(73,841)
Net carrying amount	73,058	13,042	3,854	3,288	93,242
At 1 January 2022, net of accumulated depreciation and impairment					
	73,058	13,042	3,854	3,288	93,242
Additions	3,287	9	120	636	4,052
Disposals	(423)	—	(238)	—	(661)
Transfer from construction in progress	—	82	42	(124)	—
Transfer from right-of-use assets (Note 18(a))	1,121	—	—	—	1,121
Transfer to investment properties (Note 17)	—	(92)	—	—	(92)
Transfer to other non-current assets	—	—	—	(62)	(62)
Depreciation provided during the year	(6,960)	(547)	(885)	—	(8,392)
At 31 December 2022, net of accumulated depreciation and impairment					
	70,083	12,494	2,893	3,738	89,208
At 31 December 2022:					
Cost	136,733	16,457	9,532	3,738	166,460
Accumulated depreciation and impairment	(66,650)	(3,963)	(6,639)	—	(77,252)
Net carrying amount	70,083	12,494	2,893	3,738	89,208

As at 31 December, 2022, the ownership certificates of buildings with a net carrying amount of RMB1,988 million (2021: RMB1,897 million) have not been obtained. The directors of the Company are of the opinion that the Group legally owns and has the rights to use the aforesaid buildings, and that there is no material adverse impact on the overall financial position of the Group.

The Group's parcels of land in Mainland China where the buildings are situated are held under medium-term leases.

The following table indicates the cost and net carrying amount of the Group's aircraft pledged as collateral under certain borrowing arrangements (Note 37):

	2022		2021	
	Cost RMB million	Net carrying Amount RMB million	Cost RMB million	Net carrying Amount RMB million
Aircraft				
— pledged as collateral	31,629	20,512	31,958	23,129

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 16 Property, Plant and Equipment (continued)

	Aircraft, engines and flight equipment RMB million	Buildings RMB million	Other property, plant and equipment RMB million	Construction in progress RMB million	Total RMB million
<b>31 December 2021</b>					
At 1 January 2021					
Cost	144,827	15,816	10,337	3,362	174,342
Accumulated depreciation and impairment	(63,868)	(3,102)	(6,329)	—	(73,299)
Net carrying amount	80,959	12,714	4,008	3,362	101,043
At 1 January 2021, net of accumulated depreciation and impairment					
	80,959	12,714	4,008	3,362	101,043
Additions	2,343	170	626	1,467	4,606
Disposals	(3,094)	(85)	(63)	—	(3,242)
Transfer from construction in progress	—	745	279	(1,024)	—
Transfer from investment properties (Note 17)	—	34	—	—	34
Transfer from right-of-use assets (Note 18(a))	809	—	—	—	809
Transfer to other non-current assets	—	—	—	(517)	(517)
Impairment	(1)	—	—	—	(1)
Depreciation provided during the year	(7,958)	(536)	(996)	—	(9,490)
At 31 December 2021, net of accumulated depreciation and impairment					
	73,058	13,042	3,854	3,288	93,242
At 31 December 2021:					
Cost	136,247	16,562	10,986	3,288	167,083
Accumulated depreciation and impairment	(63,189)	(3,520)	(7,132)	—	(73,841)
Net carrying amount	73,058	13,042	3,854	3,288	93,242

## 17 Investment Properties

	2022 RMB million	2021 RMB million
<b>Cost</b>		
At 1 January	192	263
Transfer from property, plant and equipment (Note 16)	196	—
Transfer from right-of-use assets (Note 18(a))	59	—
Transfer to property, plant and equipment (Note 16)	—	(62)
Transfer to right-of-use assets (Note 18(a))	—	(9)
At 31 December	447	192
<b>Accumulated depreciation</b>		
At 1 January	74	97
Transfer from property, plant and equipment (Note 16)	104	—
Transfer from right-of-use assets (Note 18(a))	22	—
Transfer to property, plant and equipment (Note 16)	—	(28)
Transfer to right-of-use assets (Note 18(a))	—	(5)
Charge for the year (Note 7)	4	10
At 31 December	204	74
<b>Net book amount</b>		
At 31 December	243	118

As at 31 December, 2022, the fair value of the investment properties was approximately RMB766 million (2021: RMB324 million) according to a valuation performed by an independent professionally qualified valuer.

The investment properties are leased to third parties and related parties under operating leases. Rental income of RMB237 million (2021: RMB178 million) was received by the Group during the year in respect of the leases.

As at 31 December 2022, the Group had no pledged investment properties (2021: Nil).

## 17 Investment Properties (continued)

### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Buildings	Fair value measurement using			Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	
Not measured at fair value but fair value is disclosed:				
As at 31 December 2022	—	123	643	766
As at 31 December 2021	—	80	244	324

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

The fair values of the buildings with comparable market prices have been estimated using significant observable inputs and calculated by adjusted market prices considering the condition and location of the buildings.

The fair values of the buildings without comparable market prices have been estimated by a discounted cash flow valuation model using significant unobservable inputs such as the estimated rental value, rent growth, long term vacancy rate and discount rate.

## 18 Leases

### The Group as a lessee

The Group has lease contracts for various items of aircraft, engines, buildings and others used in its operations. Lump sum payments were made upfront to acquire the leased land with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. As at 31 December, 2022, the Group had 505 aircraft (2021: 491 aircraft) under leases, which generally have lease terms between 5 and 20 years. Leases of engines generally have lease terms between 5 and 10 years, while buildings generally have lease terms between 2 and 10 years. Others, including motor vehicles, generally have lease term between 2 to 5 years. The Group also has lease contracts for buildings and equipment with lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets to parties outside the Group.

**18 Leases** (continued)**The Group as a lessee** (continued)**(a) Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepayments				Total RMB million
	Aircraft, and engines RMB million	for land use rights RMB million	Buildings RMB million	Others RMB million	
At 31 December 2020 and 1 January 2021, net of accumulated depreciation	115,678	1,368	1,015	149	118,210
Additions	19,206	1,112	1,350	295	21,963
Transfer from investment properties (Note 17)	—	4	—	—	4
Transfer to property, plant and equipment (Note 16)	(809)	—	—	—	(809)
Disposals	(58)	(13)	(24)	(9)	(104)
Depreciation provided during the year	(11,206)	(259)	(834)	(90)	(12,389)
At 31 December 2021	122,811	2,212	1,507	345	126,875
At 31 December 2021 and 1 January 2022, net of accumulated depreciation	122,811	2,212	1,507	345	126,875
Additions	14,613	43	498	29	15,183
Transfer to property, plant and equipment (Note 16)	(1,121)	—	—	—	(1,121)
Transfer to investment properties (Note 17)	—	(37)	—	—	(37)
Disposals	(207)	—	—	—	(207)
Depreciation provided during the year	(11,643)	(70)	(684)	(117)	(12,514)
At 31 December 2022	124,453	2,148	1,321	257	128,179

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 18 Leases (continued)

#### The Group as a lessee (continued)

##### (b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB million	2021 RMB million
Carrying amount at 1 January	98,476	96,251
New leases	12,255	18,202
Other (reduction)/addition	(114)	486
Effect of foreign exchange	2,583	(738)
Accretion of interest recognised during the year	2,984	3,113
Payments	(19,183)	(18,838)
Carrying amount at 31 December	97,001	98,476
Analysed into:		
Current portion	18,614	16,350
Non-current portion	78,387	82,126

The maturity analysis of lease liabilities is disclosed in Note 48 to the consolidated financial statements.

##### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB million	2021 RMB million
Interest on lease liabilities (Note 12)	2,984	3,113
Depreciation charge of right-of-use assets (Note 7)	12,514	12,389
Low value and short-term lease rental	591	383
Total amount recognised in profit or loss	16,089	15,885

(d) The Group has no significant lease contracts that include extension and termination options or contain variable payments.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Notes 43(d) and 44, respectively, to the consolidated financial statements.

**18 Leases** (continued)**The Group as a lessor**

The Group leases certain its investment properties and buildings in the PRC under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB 237 million (2021: RMB240 million) (Note 5).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	<b>2022</b>	2021
	<b>RMB million</b>	RMB million
Within one year	<b>203</b>	135
After one year but within two years	<b>166</b>	74
After two years but within three years	<b>126</b>	69
After three years but within four years	<b>72</b>	57
After four years but within five years	<b>70</b>	53
After five years	<b>283</b>	254
	<b>920</b>	642

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 19 Intangible Assets

	Goodwill (Note(a)) RMB million	Others RMB million	Total RMB million
<b>Cost at 1 January 2022, net of accumulated amortization</b>	<b>11,270</b>	<b>443</b>	<b>11,713</b>
Additions	—	126	126
Transfer from construction in process	—	5	5
Amortisation provided during the year	—	(192)	(192)
At 31 December 2022	<b>11,270</b>	<b>382</b>	<b>11,652</b>
At 31 December 2022:			
Cost	11,270	1,896	13,166
Accumulated amortisation	—	(1,514)	(1,514)
Net carrying amount	<b>11,270</b>	<b>382</b>	<b>11,652</b>
<b>Cost at 1 January 2021, net of accumulated amortization</b>	<b>11,270</b>	<b>448</b>	<b>11,718</b>
Additions	—	191	191
Transfer from construction in process	—	14	14
Amortization provided during the year	—	(210)	(210)
At 31 December 2021	11,270	443	11,713
At 31 December 2021:			
Cost	11,270	1,765	13,035
Accumulated amortisation	—	(1,322)	(1,322)
Net carrying amount	11,270	443	11,713

Note:

- (a) The balance represents goodwill arising from the acquisition of Shanghai Airlines. The value of the goodwill is attributable to strengthening the competitiveness of the Group's airline transportation operations, attaining synergy through integration of the resources and accelerating the development of international air transportation in Shanghai. For the purpose of impairment assessment, goodwill was allocated to the cash-generating unit ("CGU") of airline transportation operations that the Group operates and benefits from the acquisition.

The recoverable amount of the CGU is principally based on the Company's fair value, which is determined by reference to the observable quoted market price of the Company's shares less costs of disposal. No impairment for the goodwill is required based on the Company's fair value as at 31 December 2022 and 2021.

### 20 Advanced Payments on Acquisition of Aircraft

	2022 RMB million	2021 RMB million
At 1 January	<b>12,165</b>	12,240
Payment during the year	<b>4,806</b>	3,554
Interest capitalised (Note 12)	<b>424</b>	467
Other reduction (Note (a))	<b>(3,425)</b>	(9,096)
At 31 December	<b>13,970</b>	12,165

Included in the Group's balance as at 31 December 2022, the amounts of accumulated interest capitalised are approximately RMB1,637 million (2021: RMB1,213 million).

- (a) During the year, the Group changed the way of aircrafts acquisition of some aircrafts and received RMB3,310 million from novation of purchase rights (2021: RMB8,092 million).

## 21 Subsidiaries

The Group's principal subsidiaries at 31 December 2022 and 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The place of incorporation or registration is also their principal place of business.

Company name	Place and date of incorporation/ registration and place of business	Principle activities	Issued ordinary/ registered share capital million	Ownership interest held by the group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
China Eastern Airlines Jiangsu Co., Ltd. ("CEA Jiangsu")	PRC/Mainland China, 7 April 1993	Provision of airline services	RMB2,000	62.56%	62.56%	37.44%	37.44%
China Eastern Airlines Wuhan Co., Ltd. ("CEA Wuhan")	PRC/Mainland China, 16 August 2002	Provision of airline services	RMB1,750	60.00%	60.00%	40.00%	40.00%
Shanghai Eastern Flight Training Co., Ltd. ("Shanghai Flight Training")	PRC/Mainland China, 18 December 1995	Provision of flight training services	RMB694	100%	100%	—	—
Shanghai Airlines Co., Ltd. ("Shanghai Airlines")	PRC/Mainland China, 16 March 2010	Provision of airline services	RMB5,500	100%	100%	—	—
China Eastern Airlines Technology Co., Ltd. ("Eastern Technology")	PRC/Mainland China, 19 November 2014	Provision of airline maintenance services	RMB4,300	100%	100%	—	—
One two three Airlines Co., Ltd. ("OTT Airlines") (Originally named Eastern Business Airlines Co., Ltd.)	PRC/Mainland China, 27 September 2008	Provision of business aviation services	RMB1,500	100%	100%	—	—
China Eastern Airlines Yunnan Co., Ltd. ("CEA Yunnan")	PRC/Mainland China, 27 July 2010	Provision of airline services	RMB3,662	65.00%	65.00%	35.00%	35.00%
Eastern Air Overseas (Hong Kong) Co., Ltd. ("Eastern Air Overseas")	Hong Kong, 10 June 2011	Provision of import and export, investment, leasing and consultation services	HKD280	100%	100%	—	—
China United Airlines Co., Ltd. ("China United Airlines")	PRC/Mainland China, 21 September 1984	Provision of airline services	RMB1,320	100%	100%	—	—
China Eastern Airlines Application Development Center Co., Ltd. ("Application Development Center")	PRC/Mainland China, 21 November 2011	Provision of research and development of technology and products in the field of aviation	RMB498	100%	100%	—	—
China Eastern Airlines E-Commerce Co., Ltd. ("Eastern E-Commerce")	PRC/Mainland China, 1 December 2014	E-commerce platform and ticket agent	RMB100	100%	100%	—	—
Shanghai Eastern Aircraft Maintenance Co., Ltd.	PRC/Mainland China, 27 November 2002	Airline maintenance	USD3	60%	60%	40%	40%
China Eastern Airlines (Shantou) Economic Development Co., Ltd.	PRC/Mainland China, 18 March 1998	Sale of goods	RMB10	55%	55%	45%	45%
Shanghai Shanghang Industry Co., Ltd.	PRC/Mainland China, 12 November 1993	Provision of property management services	RMB7	88.32%	88.32%	11.68%	11.68%

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 21 Subsidiaries (continued)

#### (a) Non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	31 December 2022	31 December 2021
Percentage of equity interest held by non-controlling interests:		
CEA Jiangsu	37.44%	37.44%
CEA Yunnan	35.00%	35.00%
CEA Wuhan	40.00%	40.00%
	31 December 2022 RMB million	31 December 2021 RMB million
Loss for the year allocated to non-controlling interests:		
CEA Jiangsu	(1,138)	(612)
CEA Yunnan	(856)	(348)
CEA Wuhan	(516)	(127)
Accumulated balances of non-controlling interests at the reporting date:		
CEA Jiangsu	(743)	395
CEA Yunnan	1,144	2,000
CEA Wuhan	644	1,160

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

31 December 2022	CEA Jiangsu RMB million	CEA Yunnan RMB million	CEA Wuhan RMB million
Revenue	4,097	4,621	1,430
Loss for the year	(3,041)	(2,417)	(1,285)
Total comprehensive loss for the year	(3,044)	(2,417)	(1,290)
Current assets	714	575	82
Non-current assets	12,495	16,233	6,531
Current liabilities	9,197	8,186	3,037
Non-current liabilities	6,002	4,490	1,960
Net cash flows (used in)/generated from operating activities	(49)	1,682	577
Net cash flows used in investing activities	(106)	(512)	(180)
Net cash flows generated from/(used in) financing activities	154	(1,169)	(397)
Net (decrease)/increase in cash and cash equivalents	(1)	1	—

**21 Subsidiaries** (continued)**(a) Non-controlling interests** (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations: (continued)

31 December 2022	CEA Jiangsu RMB million	CEA Yunnan RMB million	CEA Wuhan RMB million
Revenue	5,157	6,595	2,813
Loss for the year	(1,635)	(1,021)	(318)
Total comprehensive loss for the year	(1,642)	(1,021)	(341)
Current assets	384	467	158
Non-current assets	14,006	17,164	6,938
Current liabilities	6,146	5,622	2,091
Non-current liabilities	7,189	5,461	2,098
Net cash flows from operating activities	1,155	1,585	637
Net cash flows generated from/(used in) investing activities	591	(309)	(156)
Net cash flows used in financing activities	(1,754)	(1,275)	(481)
Net (decrease)/increase in cash and cash equivalents	(8)	1	—

**22 Investments in Associates**

	2022 RMB million	2021 RMB million
Share of net assets	2,282	1,777

The movements in investments in associates were as follows:

	2022 RMB million	2021 RMB million
At 1 January	1,777	1,793
Additions	675	140
Share of results of associates	(147)	(97)
Share of revaluation on equity investments designated at fair value through other comprehensive income held by an associate	—	(7)
Dividend declared during the year	(23)	(21)
Disposal of associates	—	(31)
At 31 December	2,282	1,777

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### 22 Investments in Associates (continued)

Particulars of the principal associates, which are limited liability companies, are as follows:

Company name	Place of establishment and operation and date of establishment	Registered capital		Attributable equity interest		Principal activities
		2022 Million	2021 Million	2022	2021	
Eastern Air Group Finance Co., Ltd. ("Eastern Air Finance Company")	PRC/Mainland China 6 December 1995	<b>RMB2,000</b>	RMB2,000	<b>25%</b>	25%	Provision of financial services to group companies of CEA Holding
China Eastern Air Catering Investment Co., Ltd.	PRC/Mainland China 17 November 2003	<b>RMB660</b>	RMB350	<b>45%</b>	45%	Provision of air catering services
Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd. ("Shanghai P&W") (note)	PRC/Mainland China 28 March 2008	<b>USD40</b>	USD40	<b>51%</b>	51%	Provision of aircraft, engine and other related component maintenance services
New Shanghai International Tower Co., Ltd.	PRC/Mainland China 17 November 1992	<b>RMB167</b>	RMB167	<b>20%</b>	20%	Property development provision and management services
Eastern Aviation Import & Export Co., Ltd. ("Eastern Import & Export")	PRC/Mainland China 9 June 1993	<b>RMB80</b>	RMB80	<b>45%</b>	45%	Provision of aviation equipment and purchase of spare parts
Eastern Aviation Advertising Service Co., Ltd. ("Eastern Advertising")	PRC/Mainland China 4 March 1986	<b>RMB200</b>	RMB200	<b>45%</b>	45%	Provision of aviation advertising agency services
Shanghai Collins Aviation Maintenance Service Co., Ltd. ("Collins Aviation")	PRC/Mainland China 27 September 2002	<b>USD7</b>	USD7	<b>35%</b>	35%	Provision of airline electronic product maintenance services
Shanghai Airlines Tours International (Group) Co., Ltd. ("Shanghai Airlines Tours")	PRC/Mainland China 29 August 1992	<b>RMB143</b>	RMB143	<b>35%</b>	35%	Tour operations, travel and air ticketing agency and transportation

Note:

In 2008, the Company entered into an agreement with United Technologies International Corporation ("Technologies International") to establish Shanghai P&W, in which the Company holds a 51% interest. According to the shareholder's agreement, Technologies International has the power to govern the financial and operating policies and in this respect the Company accounts for Shanghai P&W as an associate.

**22 Investments in Associates** (continued)

The following table illustrates the aggregate financial information of the Group's associates that were not individually material:

	2022 RMB million	2021 RMB million
Share of the associates' loss for the year	(147)	(97)
Share of the associates' other comprehensive income	–	(7)
Share of the associates' total comprehensive income	(147)	(104)
Aggregate carrying amount of the Group's interests in the associates	2,282	1,777

**23 Investments in Joint Ventures**

	2022 RMB million	2021 RMB million
Share of net assets	434	484

The movements in investments in joint ventures were as follows:

	2022 RMB million	2021 RMB million
At 1 January	484	594
Share of results	(50)	(44)
Dividend declared during the year	–	(12)
Disposal of joint ventures	–	(54)
At 31 December	434	484

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### 23 Investments in Joint Ventures (continued)

Particulars of the principal joint ventures, which are limited liability companies, are as follows:

Company name	Place of establishment and operation and date of establishment	Registered capital		Attributable equity interest		Principal activities
		2022	2021	2022	2021	
		million	million			
Shanghai Technologies Aerospace Co., Ltd. ("Technologies Aerospace") (note)	PRC/Mainland China 28 September 2004	<b>USD73</b>	USD73	<b>51%</b>	51%	Provision of repair and maintenance services
Eastern China Kaiya System Integration Co., Ltd. ("China Kaiya")	PRC/Mainland China 21 May 1999	<b>RMB10</b>	RMB10	<b>41%</b>	41%	Provision of computer system development and maintenance services
CAE Melbourne Flight Training Pty Ltd. ("CAE Melbourne")	Australia 9 March 2007	<b>AUD11</b>	AUD11	<b>50%</b>	50%	Provision of flight training services
Xi'an CEA SAFRAN Landing Systems Services Co., Ltd. ("XIESA")	PRC/Mainland China 12 July 2017	<b>USD40</b>	USD40	<b>50%</b>	50%	Provision of aircraft, engine and other related component maintenance services

Note:

Under a joint venture agreement with a joint venture partner of Technologies Aerospace dated 10 March 2003, the Group and the joint venture partner have agreed to share the control over the economic activities of Technologies Aerospace. Any strategic financial and operating decisions relating to the activities of Technologies Aerospace require the unanimous consent of the Company and the joint venture partner.

**23 Investments in Joint Ventures** (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that were not individually material:

	2022 RMB million	2021 RMB million
Share of the joint ventures' loss and total comprehensive income for the year	(50)	(44)
Aggregate carrying amount of the Group's interests in the joint ventures	434	484

**24 Equity Investments Designated at Fair Value Through Other Comprehensive Income**

	2022 RMB million	2021 RMB million
Listed equity investment, at fair value		
TravelSky Technology Limited	313	237
Unlisted equity investments, at fair value		
Aviation Data Communication Corporation Limited	118	137
Others	21	83
	139	220
	452	457

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Amounts recognised in profit or loss and other comprehensive income:

	2022 RMB million	2021 RMB million
Losses recognised in other comprehensive income, net of tax	4	247
Dividends from equity investments held at FVOCI recognised in profit or loss in other income	3	3

## Notes to the Consolidated Financial Statements

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### 25 Derivative Financial Instruments

	Assets		Liability	
	2022 RMB million	2021 RMB million	2022 RMB million	2021 RMB million
Interest rate swaps	95	—	—	46
Total	95	—	—	46
Less: current portion				
— Interest rate swaps	1	—	—	1
Non-current portion	94	—	—	45

#### Cash flow hedge — Interest rate risk

The Group entered into interest rate swap contracts to mitigate its interest rate risk. The interest rate swap contracts had been designated as cash flow hedge against the variability in market interest rates of lease liabilities. As at 31 December 2022, the notional principal of the outstanding interest rate swap contracts amounted to USD327 million (31 December 2021: USD495 million). These contracts would expire between 2023 and 2025.

### 26 Other Non-Current Assets

	2022 RMB million	2021 RMB million
Deferred pilot recruitment costs	1,910	2,088
Rebate receivables on aircraft acquisitions	1,241	1,134
Prepayment for acquisition of property, plant and equipment	211	286
Deposits relating to aircraft held under leases	125	140
Others	712	821
	4,199	4,469

## 27 Deferred Tax Assets and Liabilities

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

	2022 RMB million	2021 RMB million
Deferred tax assets	9,858	9,580
Deferred tax liabilities	—	—
Net deferred income tax assets	9,858	9,580

Movements in the net deferred tax assets were as follows:

	2022 RMB million	2021 RMB million
At 1 January	9,580	4,998
Credited to profit or loss (Note 13)	313	4,372
Charged to other comprehensive income	(35)	210
At 31 December	9,858	9,580

The deferred tax assets and liabilities (prior to the offsetting of balances within the same tax jurisdiction) were made up of the taxation effects of the following:

	2022 RMB million	2021 RMB million
Deferred tax assets:		
Loss available for offsetting against future taxable profits	8,391	8,323
Provision for lease return costs for aircraft and engines	1,488	1,190
Impairment provision for receivables	87	84
Impairment provision for flight equipment spare parts	79	65
Other payables and accrual	77	65
Safety equipment tax credit	53	41
Impairment provision for property, plant and equipment	27	61
Government grants related to assets	15	22
Financial asset at fair value through profit or loss	7	10
Derivative financial instruments	—	12
	10,224	9,873
Deferred tax liabilities:		
Lease liabilities/right-of-use assets	(264)	(214)
Equity investments designated at fair value through other comprehensive income	(78)	(79)
Derivative financial instruments	(24)	—
	(366)	(293)
	9,858	9,580

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 27 Deferred Tax Assets and Liabilities (continued)

Movements in the net deferred tax assets/(liabilities) of the Group for the year were as follows:

	At 1 January 2022 RMB million	Credited to/ (Charged) profit or loss RMB million	(Charged)/ credited to other comprehensive income RMB million	At 31 December 2022 RMB million
<b>For the year ended 31 December 2022</b>				
Provision for lease return costs				
for aircraft and engines	1,190	298	—	1,488
Impairment provision for				
flight equipment spare parts	65	14	—	79
Impairment provision for receivables	84	3	—	87
Impairment provision for property, plant and equipment	61	(34)	—	27
Derivative financial instruments	12	—	(12)	—
Financial asset at fair value through profit or loss	10	(3)	—	7
Other payables and accruals	65	12	—	77
Government grants related to assets	22	(7)	—	15
Loss available for offsetting against future taxable profits	8,323	68	—	8,391
Safety equipment tax credit	41	12	—	53
	<b>9,873</b>	<b>363</b>	<b>(12)</b>	<b>10,224</b>
Lease liabilities/right-of-use assets	(214)	(50)	—	(264)
Equity investments designated at fair value through other comprehensive income	(79)	—	1	(78)
Derivative financial instruments	—	—	(24)	(24)
	<b>(293)</b>	<b>(50)</b>	<b>(23)</b>	<b>(366)</b>
Net deferred tax assets	<b>9,580</b>	<b>313</b>	<b>(35)</b>	<b>9,858</b>

**27 Deferred Tax Assets and Liabilities** (continued)

Movements in the net deferred tax assets/(liabilities) of the Group for the year were as follows: (continued)

	At 1 January 2021 RMB million	(Charged)/ credited to profit or loss RMB million	(Charged)/ credited to other comprehensive income RMB million	At 31 December 2021 RMB million
<b>For the year ended 31 December 2021</b>				
Provision for lease return costs				
for aircraft and engines	1,109	81	—	1,190
Lease liabilities/right-of-use assets	94	(94)	—	—
Impairment provision for				
flight equipment spare parts	61	4	—	65
Impairment provision for receivables	80	4	—	84
Impairment provision for property, plant and equipment	115	(54)	—	61
Derivative financial instruments	36	—	(24)	12
Financial asset at fair value through profit or loss	7	3	—	10
Accrued salaries and other expenses not yet paid	70	(5)	—	65
Government grants related to assets	29	(7)	—	22
Loss available for offsetting against future taxable profits	3,699	4,624	—	8,323
Safety equipment tax credit	10	31	—	41
Aged payables	1	(1)	—	—
	5,311	4,586	(24)	9,873
Lease liabilities/right-of-use assets	—	(214)	—	(214)
Equity investments designated at fair value through other comprehensive income	(213)	—	134	(79)
Derivative financial instruments	(100)	—	100	—
	(313)	(214)	234	(293)
Net deferred tax assets	4,998	4,372	210	9,580

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 27 Deferred Tax Assets and Liabilities (continued)

As at the reporting date, the Group had the following balances in respect of which deferred tax assets have not been recognised:

	2022		2021	
	Deferred taxation RMB million	Temporary differences RMB million	Deferred taxation RMB million	Temporary differences RMB million
Tax losses carried forward	9,683	39,162	95	380
Other deductible temporary differences	25	101	8	33
<b>Total unrecognised deferred tax assets</b>	<b>9,708</b>	<b>39,263</b>	103	413

In accordance with the PRC tax law and relevant regulations, tax losses for the year 2020 can be carried forward for a period of eight years and other years' tax losses can be carried forward for a period of five years to offset against future taxable income. The Group's tax losses carried forward will expire between 2023 and 2028.

As at 31 December 2022, management carried out an assessment to determine whether future taxable profits will be available to utilise the tax losses and deductible temporary differences. The Group has recognised deferred tax assets of RMB8,391 million (2021: RMB8,323 million) for tax losses of RMB34,894 million (2021: RMB34,065 million) and RMB1,467 million (2021: RMB1,550 million) for deductible temporary differences.

### 28 Flight Equipment Spare Parts

	2022 RMB million	2021 RMB million
Flight equipment spare parts	1,947	2,059
Less: provision for spare parts	(321)	(260)
	<b>1,626</b>	1,799

Movements in the Group's provision for impairment of flight equipment spare parts were as follows:

	2022 RMB million	2021 RMB million
At 1 January	260	245
Accrual	97	21
Amount written off in relation to disposal of spare parts	(36)	(6)
<b>At 31 December</b>	<b>321</b>	260

## 29 Trade Receivables

The credit terms given to trade customers are determined on an individual basis.

	2022 RMB million	2021 RMB million
Trade receivables	836	1,051
Less: impairment	(82)	(77)
	<b>754</b>	974

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice/billing date and net of loss allowance, is as follows:

	2022 RMB million	2021 RMB million
Within 90 days	669	919
91 to 180 days	26	39
181 to 365 days	53	9
Over 365 days	6	7
	<b>754</b>	974

Balances with related parties included in trade receivables are summarised in Note 45(c)(i).

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB million	2021 RMB million
At 1 January	77	86
Impairment losses, net (Note 10)	5	3
Amount written off as uncollectible	—	(12)
At 31 December	<b>82</b>	77

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 29 Trade Receivables (continued)

The Group applies IFRS 9 simplified approach to measuring the expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

#### As at 31 December 2022

	Current	Past due			Total
		Less than 90 days	90 to 365 days	Over 365 days	
Expected credit loss rate (%)	1.24	1.64	1.75	92.31	9.77
Gross carrying amount (RMB million)	646	32	80	78	836
Expected credit losses (RMB million)	8	1	1	72	82

#### As at 31 December 2021

	Current	Past due			Total
		Less than 90 days	90 to 365 days	Over 365 days	
Expected credit loss rate (%)	0.70	3.67	5.36	90.79	7.37
Gross carrying amount (RMB million)	925	40	10	76	1,051
Expected credit losses (RMB million)	6	1	1	69	77

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

The net impacts of recognition and reversal of provisions for impaired receivables have been included in "Impairment losses on financial assets, net" in profit or loss (Note 10). Amounts charged to the allowance account are generally written off when there is no expectation of recovering.

### 30 Financial Asset at Fair Value Through Profit or Loss

	2022 RMB million	2021 RMB million
Listed equity investment, at fair value:		
Shanghai Pudong Development Bank Co., Ltd.	72	84

The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.

	2022 RMB million	2021 RMB million
Fair value losses on equity investments at FVPL charged to profit or loss	(12)	(11)

### 31 Prepayments and Other Receivables

	2022 RMB million	2021 RMB million
Value added tax recoverable	4,450	9,025
Subsidy receivable	1,156	1,493
Amounts due from related parties (Note 45(c)(i))	705	382
Advance to suppliers	311	158
Rebate receivables on aircraft acquisitions	163	299
Other deposits	151	237
Prepaid corporate income tax	92	85
Others	696	704
	<b>7,724</b>	12,383
Provision for impairment of other receivables	<b>(317)</b>	(294)
	<b>7,407</b>	12,089

Set out below are the movements of loss allowances measured at 12-month and lifetime expected credit losses for the financial assets included in other receivables.

	12-month ECLs	Lifetime ECLs		Total
		Stage 1	Stage 2	
As at 1 January 2022	29	68	197	294
Transferred — to stage 3	—	(6)	6	—
Transferred — to stage 2	(3)	3	—	—
(Reversal)/Accrual	(13)	30	6	23
As at 31 December 2022	13	95	209	317

	12-month ECLs	Lifetime ECLs		Total
		Stage 1	Stage 2	
As at 1 January 2021	36	122	111	269
Transferred — to stage 3	—	(71)	71	—
Transferred — to stage 2	(8)	8	—	—
Accrual	1	9	15	25
As at 31 December 2021	29	68	197	294

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 32 Cash and Cash Equivalents and Restricted Cash

	2022 RMB million	2021 RMB million
Cash at bank and on hand	17,553	12,962
Less: restricted cash (a)	(12)	(12)
Cash and cash equivalents(b)	17,541	12,950

(a) Details of restricted cash are as follows:

	2022 RMB million	2021 RMB million
Restricted bank deposits	12	12

(b) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB17,339 million (2021: RMB12,788 million). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks and financial institutions with no recent history of default.

### 33 Assets Classified as Held for Sale

The Group entered into agreements with China Aviation Supplies Co., Ltd. to dispose of certain flight equipment. None of the flight equipment was recognised as assets classified as held for sale by the Group as at 31 December 2022 (2021: RMB2 million), which are stated at the lower of their carrying amounts and their fair value less cost to sell.

### 34 Trade Payables and Bills Payable

An ageing analysis of the trade and bills payables as at the end of the reporting period was as follows:

	2022 RMB million	2021 RMB million
Within 90 days	2,116	2,338
91 to 180 days	35	6
181 to 365 days	51	16
1-2 years	40	15
Over 2 years	68	79
	2,310	2,454

Balances with related parties included in trade and bills payables are summarised in Note 45(c)(ii).

As at 31 December 2022, notes payable of the Group accounted to RMB752 million (2021: RMB748 million).

### 35 Contract Liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2022 RMB million	2021 RMB million
Sales in advance of carriage	2,233	2,128
Frequent flyer programme (Note 5)	1,228	1,492
Advances from customers	448	566
	<b>3,909</b>	4,186
Analysed into:		
Current portion	3,166	3,287
Non-current portion	743	899

### 36 Other Payables and Accruals

	2022 RMB million	2021 RMB million
Expenses related to aircraft overhaul conducted	2,649	2,541
Salaries, wages and benefits	2,566	2,757
Fuel cost	1,557	1,141
Payable for purchase of property, plant and equipment	1,426	1,722
Take-off and landing charges	1,403	2,150
Duties and levies payable	1,318	1,739
Payable for system services	878	1,060
Lease rentals	690	527
Other deposit	627	540
Other accrued operating expenses	487	426
Current portion of other long-term liabilities (Note 40)	362	293
Food and beverages	267	403
Deposits received from ticket sales agents	232	375
Pending output value added tax	215	216
Current portion of post-retirement benefit obligations (Note 39(b))	157	160
Amounts due to related parties (Note 45(c)(ii))	149	213
Others	2,879	2,482
Total	<b>17,862</b>	18,745

## Notes to the Consolidated Financial Statements

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### 37 Borrowings

	2022 RMB million	2021 RMB million
Non-current:		
Long-term bank borrowings		
— secured (note (a))	14,549	16,401
— unsecured	23,810	11,750
Guaranteed bonds (note (b))	4,084	8,648
Unsecured bonds (note (b))	15,496	13,993
	<b>57,939</b>	50,792
Current:		
Current portion of non-current borrowings		
— secured (note (a))	1,914	1,910
— unsecured	5,422	211
Current portion of guaranteed bonds (note (b))	5,025	1,828
Current portion of unsecured bonds (note (b))	2,418	3,436
Short-term bank borrowings		
— unsecured	49,229	37,614
	<b>64,008</b>	44,999
	<b>121,947</b>	95,791

The borrowings are repayable as follows:

	2022 RMB million	2021 RMB million
Within one year	64,008	44,999
In the second year	12,893	14,080
Between third and fifth years, inclusive	34,801	15,900
After the fifth year	10,245	20,812
	<b>121,947</b>	95,791

**37 Borrowings** (continued)

Notes:

- (a) As at 31 December 2022, the secured bank borrowings of the Group were secured by the related aircrafts with a net carrying amount of RMB20,512 million (2021: RMB23,129 million) (Note 16).
- (b) Detailed bonds are listed below:

	Issue date	Principal	Notes	Interest rate
Ten-year guaranteed bonds	2013/03/18	RMB4,800 million	(i)	5.05%
Ten-year corporate bonds	2016/10/24	RMB1,500 million	(ii)	3.30%
Three-year medium-term bonds	2019/03/05	RMB3,000 million	(iii)	3.70%
Five-year corporate bonds	2019/08/19	RMB3,000 million	(iv)	3.60%
Three-year corporate bonds	2019/12/06	KRW300,000 million	(v)	2.40%
Three-year corporate bonds	2020/04/24	RMB2,000 million	(vi)	2.39%
Ten-year corporate bonds	2021/03/11	RMB3,000 million	(vii)	3.95%
Six-year corporate bonds	2021/03/11	RMB6,000 million	(viii)	3.68%
Five-year credit enhanced bonds	2021/07/15	SGD500 million	(ix)	2.00%
Three-year medium-term bonds	2022/04/13	RMB2,000 million	(x)	2.92%
Three-year medium-term bonds	2022/04/19	RMB1,500 million	(xi)	2.92%

- (i) On 18 March 2013, the Company issued ten-year guaranteed bonds with a principal amount of RMB4,800 million at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 5.05% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 18 March 2023. CEA Holding has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds (Note 45(d)).
- (ii) On 24 October 2016, the Company issued ten-year corporate bonds with a total principal amount of RMB3,000 million, of which bonds of RMB1,500 million bear interest at the rate of 3.30% per annum. The bonds interest is payable annually. The principal of the bonds will mature and become repayable on 24 October 2026. CEA Holding has unconditionally and irrevocably guaranteed the due payment and performance of the above bonds (Note 45(d)).
- (iii) On 5 March 2019, the Company issued three-year medium-term bonds with a principal amount of RMB3,000 million, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 3.70% per annum, which is payable annually. The principal of the bonds matured and was repaid on 7 March 2022.
- (iv) On 19 August 2019, the Company issued five-year corporate bonds with a total principal amount of RMB3,000 million. The bonds bear interest at the rate of 3.60% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 20 August 2024.
- (v) On 6 December 2019, Eastern Air Overseas issued three-year corporate bonds with a principal amount of KRW300,000 million, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 2.40% per annum, which is payable annually. The principal of the bonds was repaid on 6 December 2022.
- (vi) On 24 April 2020, the Company issued three-year corporate bonds with a total principal amount of RMB2,000 million. The bonds bear interest at the rate of 2.39% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 28 April 2023.
- (vii) On 11 March 2021, the Company issued ten-year corporate bonds with a principal amount of RMB3,000 million. The bonds bear interest at the rate of 3.95% per annum which is payable annually. The principle of the bonds will mature and become repayable on 12 March 2031.
- (viii) On 11 March 2021, the Company issued six-year corporate bonds with a principal amount of RMB6,000 million. The bonds bear interest at the rate of 3.68% per annum which is payable annually. The principle of the bonds will mature and become repayable on 12 March 2027.
- (ix) On 15 July 2021, Eastern Air Overseas issued five-year credit enhanced bonds with a principal amount of SGD500 million. The bonds bear interest at the rate of 2.00% per annum which is payable semi-annually. The principle of the bonds will mature and become repayable on 15 July 2026. The bonds are secured by a standby letter of credit issued by Industrial and Commercial Bank of China Limited Shanghai Municipal Branch.

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 37 Borrowings (continued)

Notes: (continued)

(b) Detailed bonds are listed below: (continued)

- (x) On 13 April 2022, the Company issued three-year medium-term bonds with a principal amount of RMB2,000 million, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 2.92% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 13 April 2025.
- (xi) On 19 April 2022, the Company issued three-year medium-term bonds with a principal amount of RMB1,500 million, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 2.92% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 19 April 2025.

The terms of the long-term borrowings and bonds were summarised as follows:

Interest rate and final maturities		2022 RMB million	2021 RMB million
<b>Long-term bank borrowings</b>			
RMB denominated	Interest rates ranging from 2.00% to 3.55% with final maturities through 2045 (2021: 2.40% to 4.15%)	44,136	28,302
USD denominated	Interest rates ranging from 6-month LIBOR +0.70% to 6-month LIBOR +0.85% with final maturities through 2022 (2021: 6-month LIBOR +0.70% to 6-month LIBOR +0.85%)	—	13
EUR denominated	Interest rates at 3-month EURIBOR +0.5% with final maturities through 2026 (2021: 3 months EURIBOR +0.5%)	1,559	1,957
<b>Guaranteed bonds</b>			
RMB denominated	Interest rates ranging from 3.30% to 5.05% with final maturities through 2027 (2021: 3.03% to 5.05%)	6,502	6,499
SGD denominated	Interest rate at 2.00% with final maturities through 2026 (2021: 2.00%)	2,607	2,371
KRW denominated	Interest rate at 2.40% with final maturities through 2022 (2021: 2.40%)	—	1,606
<b>Unsecured bonds</b>			
RMB denominated	Interest rates ranging from 2.39% to 3.95% with final maturities through 2024 (2021: from 2.39% to 3.95%)	17,914	17,429
		<b>72,718</b>	<b>58,177</b>

Short-term borrowings of the Group are repayable within one year. As at 31 December 2022, the interest rates relating to such borrowings were 1.99% to 2.96% (2021: 2.00% to 3.00%).

### 38 Provision for Lease Return Costs for Aircraft and Engines

	2022 RMB million	2021 RMB million
At 1 January	7,270	6,990
Accrual	1,436	373
Utilisation	(238)	(93)
At 31 December	8,468	7,270
Less: current portion	(460)	—
Non-current portion	8,008	7,270

### 39 Post-Retirement Benefit Obligations

#### (a) Pension — defined contribution

The group companies participate in defined contribution retirement schemes organised by municipal governments of various provinces in which the group companies operate. Substantially all of the Group's PRC employees are eligible to participate in these defined contribution retirement schemes. Therefore, the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. In addition, the group companies have implemented an additional defined contribution retirement pension scheme for eligible employees since 2014.

As at 31 December 2022 and 31 December 2021, the Group cannot use forfeited contributions to reduce its contributions to the pension schemes.

#### (b) Post-retirement benefits

In addition to the above schemes, the Group provides eligible retirees with other post-retirement benefits, including retirement subsidies, transportation allowance as well as other welfare. The expected cost of providing these post-retirement benefits is actuarially determined and recognised by using the projected unit credit method, which involves a number of assumptions and estimates, including inflation rate, discount rate, annual increase rate of post-retirement medical expenses and mortality rate.

The plan is exposed to interest rate risk and the risk of changes in the life expectancy for pensioners.

The most recent actuarial valuation of the post-retirement benefit obligations was carried out at 31 December 2022 with assistance from a third-party consultant using the projected unit credit actuarial valuation method.

The post-retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	2022 RMB million	2021 RMB million
Post-retirement benefit obligations	2,369	2,527
Less: current portion include in other payables and accruals (Note 36)	(157)	(160)
Non-current portion	2,212	2,367

**39 Post-Retirement Benefit Obligations** (continued)**(b) Post-retirement benefits** (continued)

The principal actuarial assumptions utilised as at the end of the reporting period are as follows:

	2022	2021
Discount rates for post-retirement benefits	2.90%	2.85%
Mortality rate	<b>China Insurance Life Mortality Table (2010–2013). CL5 for Male and CL6 for Female</b>	China Insurance Life Mortality Table (2010–2013). CL5 for Male and CL6 for Female
Annual increase rate of post-retirement medical expenses	6.50%	6.50%
Inflation rate of pension benefits	2.50%	2.50%

A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

	Increase/ (decrease) in post-retirement benefit		Increase/ (decrease) in post-retirement benefit	
	Increase in rate %	obligations RMB million	Decrease in rate %	obligations RMB million
<b>2022</b>				
Discount rate for post-retirement benefits	0.25	(66)	0.25	66
Annual increase rate of pension benefits	1.00	221	1.00	(177)
Annual increase rate of medical expenses	1.00	22	1.00	(22)
<b>2021</b>				
Discount rate for post-retirement benefits	0.25	(66)	0.25	69
Annual increase rate of pension benefits	1.00	246	1.00	(211)
Annual increase rate of medical expenses	1.00	37	1.00	(31)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net post-retirement benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

**39 Post-Retirement Benefit Obligations** (continued)**(b) Post-retirement benefits** (continued)

Expected contributions to be made in the future years out of the post-retirement benefit obligations were as follows:

	2022 RMB million	2021 RMB million
Within the next 12 months	157	161
Between 2 and 5 years	616	635
Between 6 and 10 years	879	757
Over 10 years	1,810	1,998
<b>Total expected payments</b>	<b>3,462</b>	<b>3,551</b>

The average duration of the post-retirement benefit obligations at the end of 2022 was 11 years (2021: 11 years).

The movements in the post-retirement benefit obligations were as follows:

**2022**

	Pension cost charged to profit or loss				Remeasurement losses in other comprehensive income				Benefit settled	31 December 2022
	1 January 2022	Service cost	Net interest	Sub-total included in profit or loss	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Experience adjustments	Sub-total included in other comprehensive income		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Defined benefit obligations/ benefit liability	2,527	—	66	66	(18)	—	—	(18)	(206)	2,369

**2021**

	Pension cost charged to profit or loss				Remeasurement losses in other comprehensive income				Benefit settled	31 December 2021
	1 January 2021	Service cost	Net interest	Sub-total included in profit or loss	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Experience adjustments	Sub-total included in other comprehensive income		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Defined benefit obligations/ benefit liability	2,538	—	83	83	140	—	(56)	84	(178)	2,527

## Notes to the Consolidated Financial Statements

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### 40 Other Long-Term Liabilities

	2022 RMB million	2021 RMB million
Long-term duties and levies payable relating to finance leases	786	908
Deferred income relating to government grants	65	91
Provision for early retirement benefit obligations and other benefit obligations	302	315
Other long-term payables	1,115	1,227
	<b>2,268</b>	2,541
Less: current portion included in other payables and accruals (Note 36)	<b>(362)</b>	(293)
Non-current portion	<b>1,906</b>	2,248

### 41 Share Capital

	2022 RMB million	2021 RMB million
Registered, issued and fully paid of RMB1.00 each		
<b>A shares listed on the Shanghai Stock Exchange (“A Shares”)</b>	<b>17,114</b>	13,697
– Tradable shares with trading moratorium	<b>11,202</b>	3,889
– Tradable shares without trading moratorium	<b>5,912</b>	9,808
<b>H shares listed on the Stock Exchange of Hong Kong Limited (“H Shares”)</b>	<b>5,177</b>	5,177
– Tradable shares with trading moratorium	<b>5,177</b>	518
– Tradable shares without trading moratorium	–	4,659
Total	<b>22,291</b>	18,874

Pursuant to articles 50 and 51 of the Company’s articles of association, both the listed A shares and listed H shares are registered ordinary shares and carry equal rights.

According to the approval of the China Securities Regulatory Commission, the Company completed the non-public issuance of 3,417 million A shares to CEA Holding on 29 December 2022, raising a total of RMB14,971 million in net funds.

## 42 Reserves

	Share premium	Capital reserve (note (a))	Hedging reserve	Statutory reserve (note (b))	Other reserves	Retained earnings/ (accumulated losses)	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
<b>Balance at 1 January 2021</b>	37,070	(767)	182	782	(2,624)	5,227	39,870
Unrealised gains on cash flow hedges	–	–	(228)	–	–	–	(228)
Fair value movements in equity investments designated at fair value through other comprehensive income	–	–	–	–	(237)	–	(237)
Fair value changes of equity investments designated at fair value through other comprehensive income held by an associate	–	–	–	–	(7)	–	(7)
Actuarial gains on post-retirement benefit obligations	–	–	–	–	(79)	–	(79)
Loss for the year	–	–	–	–	–	(12,214)	(12,214)
Issue of ordinary shares, net of transaction costs and tax	8,325	–	–	–	–	–	8,325
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	–	–	–	–	(157)	157	–
Transactions with non-controlling interests	(689)	–	–	–	–	–	(689)
<b>At 31 December 2021</b>	44,706	(767)	(46)	782	(3,104)	(6,830)	34,741
<b>Balance at 1 January 2022</b>	44,706	(767)	(46)	782	(3,104)	(6,830)	34,741
Unrealised gains on cash flow hedges	–	–	106	–	–	–	106
Fair value movements in equity investments designated at fair value through other comprehensive income	–	–	–	–	(2)	–	(2)
Actuarial gains on post-retirement benefit obligations	–	–	–	–	18	–	18
Loss for the year	–	–	–	–	–	(37,386)	(37,386)
Issue of ordinary shares, net of transaction costs and tax	11,554	–	–	–	–	–	11,554
<b>At 31 December 2022</b>	56,260	(767)	60	782	(3,088)	(44,216)	9,031

Notes:

## (a) Capital reserve

Capital reserve mainly represents the difference between the fair value of the net assets injected and the nominal amount of the Company's share capital issued in respect of the Group restructuring carried out in June 1996 for the purpose of the Company's listing.

## (b) Statutory reserve

According to the PRC Company Law, the Company is required to transfer a portion of the profits to the statutory reserve. The transfer to this reserve must be made before distribution of dividends to shareholders and when there are retained profits at the end of the financial year.

**43 Notes to the Consolidated Statement of Cash Flows****(a) Cash generated from operations**

	2022 RMB million	2021 RMB million
Loss before income tax	(40,154)	(17,513)
Adjustments for:		
Depreciation of property, plant and equipment	8,392	9,490
Depreciation of right-of-use assets	12,514	12,389
Depreciation of investment properties	4	10
Amortisation of intangible assets	192	210
Amortisation of other non-current assets	697	619
Gain on disposal of property, plant and equipment and right-of-use assets	(4)	(719)
Gain on disposal of an investment in subsidiaries, associates and joint ventures	—	(142)
Dividend income from equity investments at fair value through other comprehensive income	(3)	(3)
Dividend income from a financial asset at fair value through profit or loss	(4)	(5)
Share of results of associates	147	97
Share of results of joint ventures	50	44
Net foreign exchange loss/(gains)	2,787	(1,506)
Fair value changes of financial asset at fair value through profit or loss	12	11
Impairment charges	97	22
Impairment losses on financial assets, net	29	28
Interest expense	6,129	5,812
<b>Operating (loss)/profit before working capital changes</b>	<b>(9,115)</b>	8,844
<b>Changes in working capital</b>		
Flight equipment spare parts	76	240
Trade receivables	215	159
Prepayments and other receivables	4,457	(916)
Contract liabilities	(319)	(805)
Trade and bills payables	(144)	(766)
Other payables and accruals	(883)	(1,686)
Other long-term liabilities	(491)	489
Post-retirement benefit obligations	(158)	(11)
Provision for lease return costs for aircraft and engines	(17)	280
<b>Cash (used in)/generated from operations</b>	<b>(6,379)</b>	5,828

**43 Notes to the Consolidated Statement of Cash Flows** (continued)**(b) Major non-cash transactions**

	2022 RMB million	2021 RMB million
Additions to right-of-use assets and lease liabilities	13,067	18,202
Additions to right-of-use assets and reserve	—	744
	<b>13,067</b>	<b>18,946</b>

**(c) Net debt reconciliation**

	2022 RMB million	2021 RMB million
Lease liabilities	(97,001)	(98,476)
Borrowings	(121,947)	(95,791)
Net debt	<b>(218,948)</b>	<b>(194,267)</b>

	Bank and other loans RMB million	Lease liabilities RMB million
At 1 January 2021	87,895	96,251
Changes from financing cash flows	7,778	(15,725)
Other addition	702	486
Foreign exchange movement	(584)	(738)
New leases	—	18,202
At 31 December 2021	95,791	98,476
At 1 January 2022	<b>95,791</b>	<b>98,476</b>
Changes from financing cash flows	<b>25,834</b>	<b>(16,217)</b>
Other reduction	<b>(36)</b>	<b>(96)</b>
Foreign exchange movement	<b>358</b>	<b>2,583</b>
New leases	—	<b>12,255</b>
At 31 December 2022	<b>121,947</b>	<b>97,001</b>

**43 Notes to the Consolidated Statement of Cash Flows** (continued)**(d) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB million	2021 RMB million
Within operating activities	(591)	(383)
Within investing activities	(1,627)	(1,516)
Within financing activities	(19,183)	(18,838)

**44 Commitments****(a) The Group had the following significant capital expenditure contracted for but not recognised as liabilities at the end of the reporting period:**

	2022 RMB million	2021 RMB million
Contracted for:		
– Aircraft, engines and flight equipment (note i)	66,968	24,922
– Other property, plant and equipment	4,589	2,980
– Investments	1,207	2,163
	72,764	30,065

Note:

- (i) Contracted expenditures for the above aircraft, engines and flight equipment, including deposits prior to delivery, subject to future inflation increase built into the contracts were expected to be paid as follows:

	2022 RMB million	2021 RMB million
Within one year	12,741	9,530
In the second year	27,851	8,018
In the third year	13,516	7,374
Over three years	12,860	–
	66,968	24,922

The above capital commitments represent the future outflows of cash or other resources.

- (b) The Group has various lease contracts that have not yet commenced as at 31 December 2022. The future lease payments for these non-cancellable lease contracts are RMB2,278 million (2021: RMB283 million) due within one year, RMB1,980 million (2021: RMB2,006 million) due in the second to fifth years and RMB3,761 million due over five years (2021: RMB3,730 million).

- (c) As at 31 December 2022, lease commitments for short-term leases amounted to RMB176 million (2021: RMB59 million).

## 45 Related Party Transactions

The Group is controlled by CEA Holding, which directly owns 39.06% of the Company's shares as at 31 December, 2022 (31 December, 2021: 40.10%). In addition, through CES Global Holdings (Hong Kong) Limited and CES Finance Holding Co., Limited, two wholly owned subsidiaries of CEA Holding, CEA Holding indirectly owns additional shares of the Company of approximately 11.78% and 2.05% respectively as at 31 December, 2022 (31 December, 2021: 13.91% and 2.42%).

The Company is a state-owned enterprise established in the PRC and is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with IAS 24 "Related Party Disclosures", government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include CEA Holding and its subsidiaries (other than the Group), other government-related entities and their subsidiaries ("Other State-owned Enterprises"), other entities and corporations over which the Company is able to control or exercise significant influence and key management personnel of the Company as well as their close family members.

For the purpose of the related party transaction disclosures, the directors of the Company believe that meaningful information in respect of related party transactions has been adequately disclosed.

### (a) Nature of related parties that do not control or controlled by the Group:

Name of related party	Relationship with the Group
Eastern Air Group Finance Co., Ltd. ("Eastern Air Finance Company")	Associate of the Company
Eastern Aviation Import & Export Co., Ltd. and its subsidiaries ("Eastern Import & Export")	Associate of the Company
Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd. ("Shanghai P&W")	Associate of the Company
Eastern Aviation Advertising Service Co., Ltd. and its subsidiaries ("Eastern Advertising")	Associate of the Company
Shanghai Collins Aviation Maintenance Service Co., Ltd. ("Collins Aviation")	Associate of the Company
Shanghai Airlines Tours International (Group) Co., Ltd. and its subsidiaries ("Shanghai Airlines Tours")	Associate of the Company
China Eastern Air Catering Investment Co., Limited and its subsidiaries ("Eastern Air Catering")	Associate of the Company
CAE Melbourne Flight Training Pty Limited ("CAE Melbourne")	Joint venture of the Company
Shanghai Technologies Aerospace Co., Ltd. ("Technologies Aerospace")	Joint venture of the Company
Eastern China Kaiya System Integration Co., Ltd. ("China Kaiya")	Joint venture of the Company
Xi An Cea Safran Landing Systems Services Co., Ltd. ("XIESA")	Joint venture of the Company
CEA Development Co., Limited and its subsidiaries ("CEA Development")	Controlled by the same parent company
Eastern Air Logistics Co., Ltd. and its subsidiaries ("Eastern Logistics")	Controlled by the same parent company
Shanghai Eastern Airlines Investment Co., Ltd. and its subsidiaries ("Eastern Investment")	Controlled by the same parent company
CES International Financial Leasing Corporation Limited and its subsidiaries ("CES Lease Company")	Controlled by the same parent company
TravelSky Technology Limited ("TravelSky")	A key management personnel of the Company is a director of Travelsky
Sichuan Airlines Co.,Ltd. ("Sichuan Air")	A key management personnel of the Company is a director of Sichuan Air
Air France-KLM Group ("AFK")	A key management personnel of the Company is a director of AFK
Juneyao Airlines Co., Ltd and its subsidiaries ("Juneyao Air")	Shareholder who hold more than 5% of the company's voting shares

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Year ended 31 December 2022

### 45 Related Party Transactions (continued)

#### (b) Related party transactions

Nature of transaction	Related party	Pricing policy and decision process	2022	2021
			RMB million	RMB million
<b>Purchase of goods and services</b>				
Payments on food and beverages	Eastern Air Catering	(i)	965	1,636
	Eastern Import & Export	(i)	33	62
Handling charges for purchase of aircraft, flight equipment, flight equipment spare parts, other property, plant and flight equipment and repairs for aircraft and engines	Eastern Import & Export	(i)	93	135
Repairs and maintenance expense for aircraft and engines	Shanghai P&W	(i)	1,724	973
	Technologies Aerospace	(i)	109	179
	XIESA	(i)	50	—
Payments on cabin cleaning services	Eastern Advertising	(i)	—	3
Advertising expense	Eastern Advertising	(i)	24	25
Payments on system services	China Kaiya	(i)	11	16
Equipment maintenance fee	Collins Aviation	(i)	22	36
	CEA Development	(i)	43	48
Automobile maintenance service, aircraft maintenance, providing transportation automobile and other products	CEA Development	(i)	3	2
Property management and green maintenance expenses	CEA Development	(i)	252	185
Payments on hotel accommodation service	CEA Development	(i)	125	120
	Shanghai Airlines Tours	(i)	35	40
Payments on construction and management agent	Eastern Investment	(i)	7	14
Payments on logistics services	Eastern Logistics	(i)	78	103
Civil aviation information network services*	TravelSky	(i)	234	230
Payments on aviation transportation cooperation and support services*	AFK	(i)	41	65
Payments on aviation transportation cooperation services	Juneyao Air	(i)	3	4

**45 Related Party Transactions** (continued)**(b) Related party transactions** (continued)

Nature of transaction	Related party	Pricing policy and decision process	2022	2021
			RMB million	RMB million
<b>Purchase of goods and services (continued)</b>				
Flight equipment spare parts maintenance and support services	AFK	(i)	29	22
Cargo terminal business support services	Eastern Logistics	(i)	260	369
Bellyhold container management	Eastern Logistics	(i)	15	13
<b>Sale of goods and provision of services</b>				
Exclusive operation transportation in relation to the passenger aircraft cargo business (note)	Eastern Logistics	(i)	7,770	8,309
Freight logistics support services	Eastern Logistics	(i)	172	192
Software system and support services	Eastern Logistics	(i)	15	14
Transfer of pilots	Eastern Logistics	(i)	73	29
Media royalty fee	Eastern Advertising	(i)	14	14
Aviation transportation cooperation and support services*	AFK	(i)	8	14
Aviation transportation cooperation services	Juneyao Air	(i)	8	16
Transfer of pilots	Juneyao Air	(i)	—	4
Flight equipment spare parts maintenance and support services	Juneyao Air	(i)	26	24
Aviation transportation cooperation services	Sichuan Air	(i)	5	10
	Eastern Investment	(i)	—	3
Sale of Goods	Eastern Air Catering	(ii)	20	48
Asset Transferring	CEA Development	(i)	398	—
<b>Rental income</b>				
Rental income for land and buildings under short-term leases	Eastern Air Catering	(ii)	26	48
	Sichuan Air	(ii)	19	9
	CEA Development	(ii)	3	5
	Juneyao Air	(ii)	3	4
	Eastern Import & Export	(ii)	3	3
	CEA Holding	(ii)	20	—
	Eastern Advertising	(ii)	1	—
Rental income for Intangible assets	Eastern Logistics	(ii)	5	5
Rental income for cargo terminal	Eastern Logistics	(ii)	94	81

## Notes to the Consolidated Financial Statements

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### 45 Related Party Transactions (continued)

#### (b) Related party transactions (continued)

Nature of transaction	Related party	Pricing policy and decision process	2022	2021
			RMB million	RMB million
<b>Lease Payments</b>				
Lease Payments for land and buildings	CEA Holding	(ii)	—	7
	Eastern Investment		107	210
	Eastern Air Catering		2	2
Lease payments for special vehicle and equipment	CEA Development		110	83
Settlements of lease liabilities on aircraft and engines	CES Lease Company		7,327	7,245
<b>Addition in right-of-use assets on new leases</b>				
Aircraft and engines	CES Lease Company	(ii)	2,301	11,061
Ground assets	CEA Development	(ii)	29	195
Land and buildings	Eastern Air Catering	(ii)	6	—
	Eastern Investment	(ii)	—	302
<b>Interest on lease liabilities</b>				
Aircraft and engines	CES Lease Company	(ii)	1,554	1,311
Ground assets	CEA Development	(ii)	10	9
Land and buildings	Eastern Investment	(ii)	10	31
<b>Interest expense</b>				
Interest expense on loans	CEA Holding	(iii)	176	41
	Eastern Air Finance Company	(iii)	42	21
	Eastern Investment		13	—
<b>Interest income</b>				
Interest income on deposits	Eastern Air Finance Company	(iii)	58	20
<b>Gains on disposal of equity</b>				
Disposal of certain aviation ground equipment	CEA Development	(i)	450	—
Dispose 100% equity of China Eastern Airlines Grand Hotel Co., Ltd.	Sichuan Air	(i)	—	97
Dispose 49% equity of Yunnan Civil Aviation Kaiya Information Co., Ltd.	TravelSky	(i)	—	8
Dispose 27.5% equity of Beijing Xinghang Aviation Property Co., Ltd.	Eastern Investment	(i)	—	29
Catering trolleys and aircraft on-board supplies	Eastern Air Catering	(i)	—	123

## 45 Related Party Transactions (continued)

### (b) Related party transactions (continued)

Note:

- (i) The Group's pricing policies on goods and services purchased from and provided to related parties are mutually agreed between contract parties.

To address the business competition between the passenger aircraft cargo business of the Company and the all-cargo aircraft business of China Cargo Airlines Co., Limited ("China Cargo Airlines"), a subsidiary of Eastern Logistics, the Company gave China Cargo Airlines a long term contractual operation to operate and manage the passenger aircraft bellyhold space cargo business with independence and autonomy from April 2018. Against the backdrop of COVID-19's immense impact on the aviation industry, in order to further clarify the passenger aircraft cargo business's related business scope and pricing methods under unconventional circumstances such as "passenger-to-cargo conversion", and taking into account certain limitations of adopting an evaluation-based pricing mechanism in the original passenger aircraft bellyhold space contractual operation transactions, the Company and China Cargo Airlines have negotiated and agreed to adjust and optimise the passenger aircraft cargo business's scope, pricing methods and settlement methods without altering, amongst others, the business entities, rights and obligations, and business procedures of both parties, and adjust the original passenger aircraft bellyhold space contractual operation proposal to an exclusive operation proposal for passenger aircraft cargo business, pursuant to which China Cargo Airlines will have exclusive operation to independently operate and manage the Group's passenger aircraft cargo business. The exclusive operation agreement was entered into by both parties on 29 September 2020 which was deemed to have become effective on 1 January 2020.

- (ii) The Group's pricing policies on related party lease payments are mutually agreed between contract parties.

- (iii) The Group's pricing policies on related party interest rates are mutually agreed based on benchmark interest rates.

- \* This related party transaction constitutes a continuing connected transaction pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

During the year ended 31 December 2022 and 2021, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government mainly include most of its bank deposits/borrowings and the corresponding interest income/expense and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the agreements governing these transactions or as mutually agreed.

**45 Related Party Transactions** (continued)**(c) Balances with related parties****(i) Amounts due from related parties**

	2022	2021
	RMB million	RMB million
<b>Trade receivables</b>		
Eastern Logistics	242	497
Juneyao Air	18	5
Eastern Air Catering	8	17
Others	2	2
	<b>270</b>	<b>521</b>
	2022	2021
	RMB million	RMB million
<b>Prepayments and other receivables</b>		
CEA Development	450	1
Eastern Air Catering	72	55
Eastern Air Finance Company	52	120
Eastern Import & Export	47	134
TravelSky	32	42
CEA Holding	20	10
Eastern Advertising	9	—
Juneyao Air	7	5
Technologies Aerospace	3	6
Others	13	9
	<b>705</b>	<b>382</b>
<b>Other Non-current Asset</b>		
TravelSky	72	—

**45 Related Party Transactions** (continued)**(c) Balances with related parties** (continued)**(ii) Amounts due to related parties**

	2022	2021
	RMB million	RMB million
<b>Trade and bills payables</b>		
Shanghai P&W	503	280
Eastern Air Catering	335	583
Eastern Import & Export	302	472
CEA Development	92	81
Technologies Aerospace	55	59
CEA Holding	39	23
XIESA	18	—
Eastern Investment	8	1
TravelSky	7	7
Eastern Advertising	4	6
Collins Aviation	3	8
Others	7	6
	<b>1,373</b>	<b>1,526</b>

	2022	2021
	RMB million	RMB million
<b>Other payables and accruals</b>		
Eastern Investment	75	61
CEA Development	36	15
CEA Holding	27	68
Eastern Air Catering	2	1
CES Lease Company	—	63
Others	9	5
	<b>149</b>	<b>213</b>

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 45 Related Party Transactions (continued)

#### (c) Balances with related parties (continued)

##### (ii) Amounts due to related parties (continued)

	2022 RMB million	2021 RMB million
<b>Lease liabilities</b>		
CES Lease Company	42,931	46,251
Eastern Investment	237	255
CEA Development	207	323
Eastern Air Catering	6	2
	<b>43,381</b>	46,831

	2022 RMB million	2021 RMB million
<b>Other long-term liabilities</b>		
Eastern Air Catering	66	64

Except for the amounts due to CES Lease Company, which are related to the aircraft under leases, all other amounts due to related parties are interest-free and payable within normal credit terms given by trade creditors.

##### (iii) Short-term deposits, loan and borrowings with related parties

	Average interest rate For the year ended 31 December		31 December 2022 RMB million	31 December 2021 RMB million
	2022	2021		
Short-term deposits (included in cash and cash equivalents)				
Eastern Air Finance Company	0.25%	0.23%	6,632	12,269
Short-term borrowings (included in borrowings)				
CEA Holding	2.00%	2.80%	18,500	11,000
Eastern Investment	2.00%	2.80%	7,500	7,700
Eastern Air Finance Company	2.80%	2.80%	2,800	6,000
Long-term borrowings (included in borrowings)				
CEA Holding	2.00%	—	10,000	—
Loan to a joint venture				
CAE Melbourne	—	8.00%	—	6

## 45 Related Party Transactions (continued)

### (d) Guarantees by the holding company

As at 31 December, 2022, bonds of the Group guaranteed by CEA Holding amounted to RMB6,500 million (31 December 2021: RMB7,800 million).

### (e) Key management compensation

The compensation paid or payable to key management for employee services mainly comprising salaries and other short-term employee benefits were analysed as follows:

	2022 RMB million	2021 RMB million
<b>Other payables and accruals</b>		
Directors and supervisors	3	2
Senior management	1	1
	4	3

## 46 Financial Instruments by Category

The group holds the following financial instruments:

	Note	2022 RMB million	2021 RMB million
<b>Financial assets</b>			
Financial assets at amortised cost			
Trade receivables	29	754	974
Prepayments and other receivables	31	2,269	2,397
Cash and cash equivalents	32	17,541	12,950
Restricted bank deposits	32	12	12
Financial assets included in other non-current assets		139	142
Equity investments designed at fair value through other comprehensive income			
	24	452	457
Financial assets at fair value through profit or loss			
	30	72	84
Derivative financial instruments			
	25	95	—
		21,334	17,016

	Note	2022 RMB million	2021 RMB million
<b>Financial liabilities</b>			
Liabilities at amortised cost			
Trade and bills payables	34	2,310	2,454
Financial liabilities included in other payables and accruals	36	13,232	13,484
Borrowings	37	121,947	95,791
Lease liabilities	18(b)	97,001	98,476
Derivative financial instruments			
	25	—	46
		234,490	210,251

Year ended 31 December 2022

## 47 Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, were as follows:

	2022		2021	
	Carrying amount RMB million	Fair value amount RMB million	Carrying amount RMB million	Fair value amount RMB million
<b>Financial assets</b>				
Equity investments designated at fair value through other comprehensive income	452	452	457	457
Financial asset at fair value through profit or loss	72	72	84	84
Derivative financial assets	95	95	—	—
Deposits relating to aircraft held under leases included in other non-current assets	125	124	140	139
<b>Total</b>	<b>744</b>	<b>743</b>	681	680
<b>Financial liabilities</b>				
Derivative financial liabilities	—	—	46	46
Long-term borrowings	57,939	56,212	50,792	49,971
Lease liabilities	78,387	78,240	82,126	81,232
<b>Total</b>	<b>136,326</b>	<b>134,452</b>	132,964	131,249

The Group has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, trade and bills payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals, short-term bank borrowings and short-term debentures approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the deposits relating to aircraft held under leases included in other non-current assets, long-term borrowings and lease liabilities have been measured using significant observable inputs and calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group enters into derivative financial instruments, including forward currency contracts, fuel hedging contracts and interest rate swaps with various counterparties, principally financial institutions with high credit ratings.

Derivative financial instruments are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the foreign exchange spot and forward rates, interest rate curves and fuel hedging price. The carrying amounts of forward currency contracts, fuel hedging contracts and interest rate swaps are the same as their fair values.

As at 31 December 2022, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

## 47 Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”) multiple and price to earnings (“P/E”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount for lack of marketability	20% (31 December 2021: 20%)	1% (31 December, 2021: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB3 million (31 December 2021: RMB3 million)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

**47 Fair Value and Fair Value Hierarchy of Financial Instruments** (continued)**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**Assets and liabilities measured at fair value:**

As at 31 December 2022	Fair value measurement using			Total RMB million
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB million	RMB million	RMB million	
Assets				
Equity investments designated at fair value through other comprehensive income	313	—	139	452
Derivative financial liabilities — Interest rate swaps	—	95	—	95
Financial asset at fair value through profit or loss	72	—	—	72
<b>Total</b>	<b>385</b>	<b>95</b>	<b>139</b>	<b>619</b>
As at 31 December 2021	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB million	RMB million	RMB million	RMB million
Assets				
Equity investments designated at fair value through other comprehensive income	237	—	220	457
Financial asset at fair value through profit or loss	84	—	—	84
<b>Total</b>	<b>321</b>	<b>—</b>	<b>220</b>	<b>541</b>
Liabilities				
Derivative financial liabilities — Interest rate swaps	—	46	—	46
<b>Total</b>	<b>—</b>	<b>46</b>	<b>—</b>	<b>46</b>

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2021: Nil) and no transfers into or out of Level 3 for both financial assets and financial liabilities during the year of 2022.

**47 Fair Value and Fair Value Hierarchy of Financial Instruments** (continued)

## Fair value hierarchy (continued)

Assets and liabilities measured at fair value: (continued)

The following table presents the changes in level 3 items for the year ended 31 December 2022:

	Equity investments designated at fair value through other comprehensive income RMB million
Opening balance as at 1 January 2022	220
(Losses) recognised in other comprehensive income	(81)
Closing balance as at 31 December 2022	139

Assets and liabilities for which fair values are disclosed:

As at 31 December 2022	Fair value measurement using			Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	
Assets				
Deposits relating to aircraft held under leases included in other non-current assets	—	124	—	124
Liabilities				
Long-term borrowings	—	56,212	—	56,212
Lease liabilities	—	78,240	—	78,240
	—	134,452	—	134,452

**47 Fair Value and Fair Value Hierarchy of Financial Instruments** (continued)

## Fair value hierarchy (continued)

## Assets and liabilities for which fair values are disclosed: (continued)

As at 31 December 2021	Fair value measurement using			Total RMB million
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	
<b>Assets</b>				
Deposits relating to aircraft held under leases included in other non-current assets	—	139	—	139
<b>Liabilities</b>				
Long-term borrowings	—	49,971	—	49,971
Lease liabilities	—	81,232	—	81,232
	—	131,203	—	131,203

**48 Financial Risk Management**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, fuel price risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage risk exposures whenever management considers necessary.

Risk management is carried out by a central treasury department (the "Group Treasury") under policies approved by the Board. The Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The overall risk management strategies, as well as written policies covering specific areas such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, were approved by the Board.

**48.1 Financial risk factors****(a) Market risk****(i) Foreign exchange risk**

The Group operates its business in many countries and territories. The Group generates its revenue in different currencies, and the amount of its foreign currency liabilities at the end of the period is much higher than that of its foreign currency assets. The Group's major liability items (mainly resulting from purchases of aircraft) are mainly priced and settled in foreign currencies, primarily USD. The Group is exposed to currency risks from fluctuations in various foreign currency exchange rates against RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

In addition, fluctuations in foreign currency exchange rates will affect the Group's future costs for purchases of aircraft, flight equipment and aviation fuel, and take-off and landing charges in foreign airports.

**48 Financial Risk Management** (continued)**48.1 Financial risk factors** (continued)**(a) Market risk** (continued)**(i) Foreign exchange risk** (continued)

The following tables detail the Group's exposure to major currency risk at the reporting date:

	2022		
	USD RMB million	EUR RMB million	SGD RMB million
Trade receivables	13	8	—
Cash and cash equivalents	90	29	28
Other receivables	13	3	—
Other non-current assets	1,393	—	—
Trade and other payables	(144)	(5)	—
Lease liabilities	(33,339)	(8)	(7)
Borrowings	—	(1,559)	(2,607)

	2021		
	USD RMB million	EUR RMB million	SGD RMB million
Trade receivables	11	5	—
Cash and cash equivalents	96	7	28
Other receivables	32	—	1
Other non-current assets	1,428	—	—
Trade and other payables	(118)	(12)	(1)
Lease liabilities	(30,710)	(10)	(6)
Borrowings	(13)	(1,957)	(2,371)

## 48 Financial Risk Management (continued)

### 48.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (i) Foreign exchange risk (continued)

The following tables indicate the approximate change in the Group's consolidated statement of profit or loss and other comprehensive income in response to a 1% appreciation or depreciation of the RMB against the following major currencies at the reporting date:

	2022		2021	
	Effect on profit or loss RMB million	Effect on other comprehensive income RMB million	Effect on profit or loss RMB million	Effect on other comprehensive income RMB million
If RMB (weakens)/strengthens against USD	(242)/242	—	(222)/222	—
If RMB (weakens)/strengthens Against EUR	(11)/11	—	(15)/15	—
If RMB (weakens)/strengthens against SGD	(19)/19	—	(18)/18	—

##### (ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings and lease liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and finance leases issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and finance leases issued at variable rates and fixed rates based on the market environment.

The Group's finance department has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings and finance leases issued at variable rates, which will further impact the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap variable rates into fixed rates. The interest rates and terms of repayment of borrowings made to the Group and interest rate swaps are disclosed in Notes 37 and 25 to the consolidated financial statements.

The following tables detail the interest rate profiles of the Group's interest-bearing financial instruments at the reporting date:

	2022 RMB million	2021 RMB million
<b>Floating rate instruments</b>		
Cash and cash equivalents	17,541	12,950
Restricted bank deposits	12	12
Borrowings	(28,753)	(26,146)
Lease liabilities	(59,201)	(62,406)
Interest rate swaps at notional amount	2,274	3,154

## 48 Financial Risk Management (continued)

### 48.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

	2022 RMB million	2021 RMB million
<b>Fixed rate instruments</b>		
Borrowings	(92,478)	(68,943)
Lease liabilities	(37,361)	(35,584)

The following table indicates the approximate change in the Group's profit or loss and other comprehensive income, taking the interest rate swap into consideration, if interest rate had been 25 basis points higher with all other variables held constant:

	2022		2021	
	Effect on profit or loss RMB million	Effect on other comprehensive income RMB million	Effect on profit or loss RMB million	Effect on other comprehensive income RMB million
Floating rate instruments	(132)	4	(142)	6

##### (iii) Fuel price risk

Jet fuel is a major component of the Group's operating expenses and the Group's results are significantly affected by the volatility in the price of jet fuel. For the year ended 31 December, 2022, if fuel price had been 5% lower/higher with all other variables held constant, the Group's fuel cost would have been RMB1,112 million lower/higher (2021: RMB1,030 million lower/higher).

##### (vi) Equity price risk

The Group is exposed to equity price risk arising from individual equity investments included in financial asset at fair value through profit or loss (Note 30) and equity investments designated at fair value through other comprehensive income (Note 24) as at 31 December 2022. The Group's listed investments are listed on the Hong Kong and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2022	High/Low 2022	31 December 2021	High/Low 2021
Hong Kong — Hang Seng Index	19,781	24,966/14,863	23,398	31,183/22,665
Shanghai — A Share Index	3,089	3,651/2,863	3,640	3,732/3,313

**48 Financial Risk Management** (continued)**48.1 Financial risk factors** (continued)**(a) Market risk** (continued)**(vi) Equity price risk** (continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments at fair value through other comprehensive income, the impact is deemed to be on the fair value reserve as at 31 December 2022.

	Carrying amount of equity investment RMB million	Increase/ (decrease) in profit or loss RMB million	Increase/ (decrease) in comprehensive income RMB million
<b>2022</b>			
Investments listed in:			
Hong Kong — Equity investment designated at fair value through other comprehensive income	313	—	23/(23)
Shanghai — Financial asset at fair value through profit or loss	72	5/(5)	—
Unlisted investments at fair value:			
— Equity investment designated at fair value through other comprehensive income	139	—	10/(10)
<b>2021</b>			
Investments listed in:			
Hong Kong — Equity investment designated at fair value through other comprehensive income	237	—	18/(18)
Shanghai — Financial asset at fair value through profit or loss	84	6/(6)	—
— Equity investment designated at fair value through other comprehensive income	220	—	17/(17)

## 48 Financial Risk Management (continued)

### 48.1 Financial risk factors (continued)

#### (b) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, deposits and derivative financial instruments with banks and financial institutions, as well as credit exposures to sales agents.

A significant portion of the Group's air tickets is sold by sales agents participating in the Billing and Settlements Plan ("BSP"), a clearing system between airlines and sales agents organised by the International Air Transportation Association. The balance due from BSP agents amounted to approximately 187 million as at 31 December, 2022 (2021: approximately RMB185 million). The credit risk exposure to BSP agents and the remaining trade receivables are maintained by the Group on an on-going basis and the allowance for impairment of doubtful debts is within management's expectations.

The Group's cash management policy is to deposit cash and cash equivalents mainly in state-owned banks and other reputable banks and financial institutions. The Group also deposits cash and cash equivalents in an associate financial institution owned by its holding company (Note 45(c)(iii)). Management does not expect any loss to arise from non-performance by these banks and the financial institution.

Transactions in relation to derivative financial instruments are only carried out with reputable banks and financial institutions. The Group has policies that limit the amount of credit exposure to any bank and financial institution. Management does not expect any losses from non-performance by these banks and financial institutions.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

#### ***Maximum exposure and year-end staging***

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

Year ended 31 December 2022

**48 Financial Risk Management** (continued)**48.1 Financial risk factors** (continued)**(b) Credit risk** (continued)**Maximum exposure and year-end staging** (continued)**As at 31 December 2022**

	12-month ECLs	Lifetime ECLs			Total RMB million
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB million	RMB million	RMB million	RMB million	
Trade receivable*	—	—	47	707	754
Financial assets included in prepayments and other receivables					
— Normal **	1,867	385	17	—	2,269
Restricted bank deposits					
— Not yet past due	12	—	—	—	12
Cash and cash equivalents					
— Not yet past due	17,541	—	—	—	17,541

**As at 31 December 2021**

	12-month ECLs	Lifetime ECLs			Total RMB million
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB million	RMB million	RMB million	RMB million	
Trade receivable*	—	—	40	934	974
Financial assets included in prepayments and other receivables					
— Normal **	2,202	271	232	—	2,705
Restricted bank deposits					
— Not yet past due	12	—	—	—	12
Cash and cash equivalents					
— Not yet past due	12,950	—	—	—	12,950

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 29 to the financial statements, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 29 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

## 48 Financial Risk Management (continued)

### 48.1 Financial risk factors (continued)

#### (c) Liquidity risk

The Group's primary cash requirements are for day-to-day operations, additions of and upgrades to aircraft, engines and flight equipment and repayments of related borrowings. The Group finances its working capital requirements through a combination of funds generated from operations and borrowings including bank loans, debentures and bonds (both short-term and long-term). The Group generally finances the acquisition of aircraft through leases or bank loans.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than			Over	Total
	1 year	1 to 2 years	2 to 5 years	5 years	
	RMB million	RMB million	RMB million	RMB million	RMB million
At 31 December 2022					
Borrowings	66,109	14,562	37,030	12,390	130,091
Lease liabilities	20,861	19,357	43,602	27,018	110,838
Trade, bills and other payables	15,540	—	—	—	15,540
<b>Total</b>	<b>102,510</b>	<b>33,919</b>	<b>80,632</b>	<b>39,408</b>	<b>256,469</b>
At 31 December 2021					
Borrowings	46,633	15,668	18,490	22,306	103,097
Derivative financial instruments	1	—	45	—	46
Lease liabilities	19,025	17,320	43,259	31,192	110,796
Trade, bills and other payables	15,939	—	—	—	15,939
<b>Total</b>	<b>81,598</b>	<b>32,988</b>	<b>61,794</b>	<b>53,498</b>	<b>229,878</b>

## 48 Financial Risk Management (continued)

### 48.2 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

The Group monitors capital on the basis of the debt ratio, which is calculated as total liabilities divided by total assets. The debt ratios as at the end of the reporting periods were as follows:

	31 December 2022 RMB million	31 December 2021 RMB million
Total liabilities	255,641	231,638
Total assets	287,984	288,790
Debt ratio	89%	80%

## 49 Statement of Financial Position of the Company

(a) Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2022 RMB million	31 December 2021 RMB million
<b>Non-current assets</b>		
Property, plant and equipment	59,690	61,637
Investment properties	188	59
Right-of-use assets	87,704	83,695
Intangible assets	11,603	11,654
Advanced payments on acquisition of aircraft	13,970	12,165
Investments in subsidiaries	18,210	12,960
Investments in associates	2,529	1,854
Investments in joint ventures	428	428
Financial assets at fair value through other comprehensive income	401	398
Derivative financial instruments	94	—
Deferred tax assets	5,233	5,397
Other non-current assets	4,843	4,355
	<b>204,893</b>	194,602
<b>Current assets</b>		
Flight equipment spare parts	2	16
Trade receivables	518	725
Prepayments and other receivables	53,619	54,605
Financial assets at fair value through profit or loss	71	84
Derivative financial instruments	1	—
Restricted bank deposits	12	12
Cash and cash equivalents	17,314	12,841
	<b>71,537</b>	68,283
<b>Total assets</b>	<b>276,430</b>	262,885
<b>Current liabilities</b>		
Trade and bills payables	2,822	4,312
Other payables and accruals	24,470	23,117
Contract liabilities	2,661	2,761
Current portion of borrowings	73,009	59,094
Current portion of Lease liabilities	12,278	10,323
Derivative financial instruments	—	1
	<b>115,240</b>	99,608
<b>Net current liabilities</b>	<b>(43,702)</b>	(31,325)
<b>Total assets less current liabilities</b>	<b>161,190</b>	163,277

## Notes to the Consolidated Financial Statements

Year ended 31 December 2022

### 49 Statement of Financial Position of the Company (continued)

(a) Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	31 December 2022 RMB million	31 December 2021 RMB million
<b>Non-current liabilities</b>		
Borrowings	55,357	48,443
Lease liabilities	55,999	55,209
Provision for lease return costs for aircraft and engines	3,711	3,114
Contract liabilities	338	453
Derivative financial instruments	—	45
Post-retirement benefit obligations	1,743	1,864
Other long-term liabilities	1,041	1,271
	<b>118,189</b>	110,399
<b>Net assets</b>	<b>43,001</b>	52,878
<b>Equity</b>		
Capital and reserves		
— Share capital	22,291	18,874
— Reserves (b)	20,710	34,004
<b>Total equity</b>	<b>43,001</b>	52,878

**49 Statement of Financial Position of the Company** (continued)

(b) A summary of the Company's reserves is as follows:

	Share premium RMB million	Capital reserve RMB million	Hedging reserve RMB million	Statutory reserve RMB million	Other reserves RMB million	Retained earnings/ (accumulated losses) RMB million	Total RMB million
Balance at 1 January 2021	37,596	(720)	182	752	(2,014)	(2,917)	32,879
Unrealised gains on cash flow hedges	—	—	(228)	—	—	—	(228)
Fair value movements in equity investments designated at fair value through other comprehensive income	—	—	—	—	(229)	—	(229)
Actuarial gains on post-retirement benefit obligations	—	—	—	—	(63)	—	(63)
Loss for the year	—	—	—	—	—	(6,680)	(6,680)
Issue of ordinary shares, net of transaction costs and tax	8,325	—	—	—	—	—	8,325
Others	—	—	—	—	(149)	149	—
At 31 December 2021	45,921	(720)	(46)	752	(2,455)	(9,448)	34,004
Balance at 1 January 2022	<b>45,921</b>	<b>(720)</b>	<b>(46)</b>	<b>752</b>	<b>(2,455)</b>	<b>(9,448)</b>	<b>34,004</b>
Unrealised gains on cash flow hedges	—	—	106	—	—	—	106
Fair value movements in equity investments designated at fair value through other comprehensive income	—	—	—	—	2	—	2
Actuarial gains on post-retirement benefit obligations	—	—	—	—	6	—	6
Loss for the year	—	—	—	—	—	(24,962)	(24,962)
Issue of ordinary shares, net of transaction costs and tax	<b>11,554</b>	—	—	—	—	—	<b>11,554</b>
At 31 December 2022	<b>57,475</b>	<b>(720)</b>	<b>60</b>	<b>752</b>	<b>(2,447)</b>	<b>(34,410)</b>	<b>20,710</b>

## Supplementary Financial Information

The following consolidated financial information is extracted from the consolidated financial statements of the Group, prepared under the PRC Accounting Standards.

### Significant Differences Between IFRSs and PRC Accounting Standards

The Group's accounting policies adopted in the financial statements prepared by management in accordance with IFRSs differ in certain aspects from those adopted in the financial statements prepared by management in accordance with the PRC Accounting Standards. The aforesaid differences which have a significant effect on the consolidated profit attributable to equity holders of the Company and consolidated net assets attributable to equity holders of the Company are summarised as follows:

	2022 RMB million	2021 RMB million
<b>Consolidated (loss)/profit attributable to equity holders of the Company</b>		
As stated in accordance with PRC Accounting Standards	(37,386)	(12,214)
<b>As stated in accordance with IFRSs</b>	(37,386)	(12,214)

	2022 RMB million	2021 RMB million
<b>Consolidated net assets attributable to equity holders of the Company</b>		
As stated in accordance with the PRC Accounting Standards	29,080	51,373
Impact of IFRSs and other adjustments:		
— Intangible assets (goodwill) (a)	2,242	2,242
<b>As stated in accordance with IFRSs</b>	31,322	53,615

(a) The recognition and measurement of the fair values of the acquisition costs and identifiable assets and liabilities of Shanghai Airlines acquired are different under IFRSs and the PRC Accounting Standards, which result in a difference in the intangibles/goodwill recognised arising from the acquisition.

(b) This difference results from the influence of the above items on non-controlling interests.



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