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

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

(Stock code: 00670)

CONNECTED TRANSACTION

ACQUISITION OF EQUITY INTERESTS OF EASTERN ADVERTISING BY EASTERN E-COMMERCE

ACQUISITION OF EQUITY INTERESTS OF EASTERN ADVERTISING BY EASTERN E-COMMERCE

On 14 December 2023, the 27th ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution in relation to the acquisition of 55% equity interests of Eastern Advertising by Eastern E-Commerce and the Board unanimously agreed that Eastern E-Commerce shall acquire 55% equity interests of Eastern Advertising held by CEA Holding by way of non-public agreement. The purchase price shall be determined based on the valuation of the assets filed with the superior state-owned assets regulatory authority.

On 24 January 2024, Eastern E-Commerce, a wholly-owned subsidiary of the Company, entered into the Contract with CEA Holding, and Eastern E-Commerce shall acquire 55% equity interests of Eastern Advertising held by CEA Holding at a consideration for the equity acquisition of RMB126.2030 million.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Eastern E-Commerce is a wholly-owned subsidiary of the Company, and CEA Holding is the controlling Shareholder of the Company, holding 53.8794% equity interests in the Company. Therefore, CEA Holding is a connected person of the Company within the meanings of the Hong Kong Listing Rules. The transaction contemplated under the Contract constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Contract exceeds 0.1% but is less than 5%, the transaction contemplated under the Contract is subject to the reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

A. BACKGROUND

On 14 December 2023, the 27th ordinary meeting of the ninth session of the Board of the Company considered and approved the resolution in relation to the acquisition of 55% equity interests of Eastern Advertising by Eastern E-Commerce and the Board unanimously agreed that Eastern E-Commerce shall acquire 55% equity interests of Eastern Advertising held by CEA Holding by way of non-public agreement. The purchase price shall be determined based on the valuation of the assets filed with the superior state-owned assets regulatory authority.

On 24 January 2024, Eastern E-Commerce, a wholly-owned subsidiary of the Company, entered into the Contract with CEA Holding, and Eastern E-Commerce shall acquire 55% equity interests of Eastern Advertising held by CEA Holding at a consideration for the equity acquisition of RMB126.2030 million.

B. THE CONTRACT

On 24 January 2024, Eastern E-Commerce entered into the Contract with CEA Holding. The principal terms of the Contract are set out as follows:

Date:	24 January 2024
Parties:	(1) Eastern E-Commerce (as transferee); and (2) CEA Holding (as transferor)
Subject matter:	55% equity interests of Eastern Advertising
Consideration and basis of determination:	The consideration for the equity acquisition under the Contract is RMB126.2030 million, which was determined after arm's length negotiations between the parties with reference to the value of the entire shareholders' equity of Eastern Advertising as at 30 June 2023 (the " Valuation Benchmark Date ") (i.e. RMB229.4600 million) as set out in the assets valuation report (the " Assets Valuation Report ") prepared by Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司) (the " Valuer "), an independent qualified valuer, using the income approach.
Payment method and term:	The payment of the consideration for the equity acquisition shall be in cash. Eastern E-Commerce shall settle over the counter within 5 business days from the effective date of the Contract, and pay all consideration for the equity acquisition in a lump sum to the bank account designated by CEA Holding.

Delivery or transfer schedule:

From the date when the Contract takes effect, Eastern E-Commerce becomes the legal holder of the subject of the transaction, and shall be entitled to shareholders' rights and assume shareholders' obligations. CEA Holding shall, within 10 business days from the effective date of the Contract and the receipt of full payment, procure the subject company to complete the registration procedures in relation to the change of ownership of the subject, and Eastern E-Commerce shall provide with necessary cooperation.

Conditions for taking effect of the Contract:

The Contract shall come into effect on the date when the following conditions are fulfilled: (1) upon the affixing of signatures and official seals or special seals for contractual uses by the legal representatives of both parties or their authorised representatives; (2) the transaction under the Contract having been approved by the competent state-owned assets supervision and administration commission and the asset evaluation results have been filed with such authority; (3) the relevant internal and external consideration and approval procedures having been completed by both parties for the signing and performance of the Contract in accordance with the articles of association then in effect and applicable legal requirements; (4) the relevant internal consideration and approval procedures having been completed by the subject company in respect of the equity acquisition in accordance with its articles of association then in effect and applicable legal requirements; (5) other prior approval for the equity acquisition having been obtained and the registration of equity acquisition having been completed (if any).

Liabilities of default:

If any party violates its obligations and commitments under the Contract and causes loss to the other party, the defaulting party shall make compensation to the other party; if the defaulting party's acts cause a material adverse impact on the subject matter of the equity transaction or the subject company, resulting in the failure to achieve the purpose of the Contract, the non-defaulting party shall have the right to terminate the Contract and claim compensation from the defaulting party.

C. VALUATION AND PROFIT FORECAST

Valuation method adopted by the Valuer and the reasons for its selection

In the Assets Valuation Report, the Valuer has adopted both the income approach and the asset-based approach for the valuation of the value of the entire shareholders' equity of Eastern Advertising, and has selected the income approach as the final valuation conclusion. The differences between the two valuation results are set out in the table below:

Unit: RMB'0,000

Valuation method	Appraised value	Increase amount	Appreciation rate
Asset-based approach	22,474.44	3,342.72	17.47%
Income approach	22,946.00	3,814.28	19.94%
Valuation difference	471.56	—	—

The income approach is a valuation method that capitalises or discounts the expected income of the valued target to determine its value. The discounted cash flow approach within the income approach is adopted to indirectly arrive at the value of total shareholders' equity through the assessment of the whole value of the enterprise.

The asset-based approach is a valuation method that determines the value of the valued target based on the valuation of on-balance sheet and identifiable off-balance sheet assets and liabilities of the valued enterprise based on the balance sheet of the valued target as at the Valuation Benchmark Date.

The asset-based approach reflects the value of an enterprise from the perspective of asset replacement, and its valuation results can hardly accurately reflect the future comprehensive profitability and risk of the assets and liabilities of an enterprise as a whole, while the market value of an enterprise is usually not based on the cost of re-acquiring and constructing such assets but on the expectation of market participants for the future earnings of the enterprise. The income approach reflects the value of an enterprise from the perspective of predicting the future earnings of the enterprise. Compared with the asset-based approach, the income approach not only takes into account the impact on the value of the entire shareholders' equity of the enterprise of factors such as whether each item of assets is reasonably and fully utilized in the enterprise, and whether the combination of assets plays its due contribution, but also takes into account the impact on the value of the total shareholders' equity of the various preferential policies enjoyed by the enterprise, customer resources, internal control and management, core technology, industry competitiveness, the company's management level, human resources, and factor synergies. Accordingly, the income approach has been adopted for this valuation report, which means that the value of the total shareholders' equity of Eastern Advertising is RMB229.4600 million.

PROFIT FORECAST

As the valuation report of the assets underlying the determination of the purchase price of the equity interests was prepared based on the income approach, the relevant valuation is regarded as a profit forecast under Rules 14.61 and 14A.06 of the Hong Kong Listing Rules.

Baker Tilly Hong Kong Limited (天職香港會計師事務所有限公司), the reporting accountant of the Company, has reviewed the arithmetical accuracy of the calculations of the relevant income approach projections of the valuation (without involving a review of the adoption of accounting policies and the appropriateness and validity of assumptions). The Board of Directors confirmed that the profit forecasts for the equity interests in Eastern Advertising used in the Assets Valuation Report have been made after due and careful enquiry.

Pursuant to the Hong Kong Listing Rules, an extract of the Assets Valuation Report containing, among other things, the principal assumptions, valuation model and inputs used in the preparation of such valuation, is set out in Appendix I to this announcement. The letter on profit forecast issued by Baker Tilly Hong Kong Limited under the Rules 14.60A(2) and 14A.68(7) of the Hong Kong Listing Rules and the letter on profit forecast issued by the Board under the Rule 14.60A(3) of the Hong Kong Listing Rules are set out in Appendices II and III to this announcement, respectively.

The qualifications of the expert who has given opinions in this announcement, are as follows:

Name	Qualification	Dates of Opinions
Baker Tilly Hong Kong Limited	Certified Public Accountant in Hong Kong	24 January 2024

As at the date of this announcement, the aforesaid expert was not interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for any securities in any member of the Group.

As at the date of this announcement, the aforesaid expert has given and has not withdrawn its consent to the issue of this announcement with the inclusion herein of its letter and reference to its name and letter, where applicable, in the form and context in which it appears.

D. REASONS FOR AND BENEFITS OF THE ACQUISITION OF EQUITY INTEREST

Eastern E-Commerce's acquisition of equity interest of Eastern Advertising is conducive to the Company's future development through the deep integration of online and offline media, traditional and emerging media in the digital era. Relying on the construction of the large e-commerce platform of CEA Holding, the Company will set a clear positioning of the official on-line direct sales platform of CEA Holding, accelerate the digital transformation of traditional media, meet various consumption needs of passengers in high-frequency application scenarios, improve members' activity and loyalty, achieve the marketing objectives of online sales of air tickets and auxiliary products through its own channels, and continue to promote CEA Holding to build itself into a world-class enterprise.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that this transaction is carried out upon arm's length negotiations between both parties, conducted on normal commercial terms, entered into in the ordinary course of business of the Company, being fair and reasonable and in the interests of the Company and the Shareholders as a whole.

E. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Eastern E-Commerce is a wholly-owned subsidiary of the Company, and CEA Holding is the controlling Shareholder of the Company, holding 53.8794% equity interests in the Company. Therefore, CEA Holding is a connected person of the Company within the meanings of the Hong Kong Listing Rules. The transaction contemplated under the Contract constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio of the transaction contemplated under the Contract exceeds 0.1% but is less than 5%, the transaction contemplated under the Contract is subject to the reporting, announcement and annual review requirements but is exempted from the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Certain Directors (namely Mr. Wang Zhiqing, Mr. Li Yangmin, Mr. Tang Bing, Mr. Lin Wanli and Mr. Jiang Jiang) are the directors of CEA Holding, which may be deemed to have material interests in this connected transaction. Therefore, they have abstained from voting at the Board meeting convened for approving the Acquisition of Equity Interest. Save for those disclosed above, no Director has any material interests in the Acquisition of Equity Interest.

F. GENERAL INFORMATION

Information in relation to the Group

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

Information in relation to CEA Holding

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

As at the date of this announcement, the controlling shareholder and the actual controller of CEA Holding is SASAC of the State Council, and CEA Holding is owned by the following parties:

- (i) as to 68.42% by SASAC of the State Council;
- (ii) as to 11.21% by China Life Investment Management Company Limited (國壽投資保險資產管理有限公司), which is directly wholly-owned by China Life Insurance (Group) Company (中國人壽保險(集團)公司) and is ultimately wholly-owned by the State Council of the PRC;
- (iii) as to 10.19% by Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司), which is directly wholly-owned by Shanghai SASAC;
- (iv) as to 5.09% by China Reform Asset Management Co., Ltd. (中國國新資產管理有限公司), which is directly wholly-owned by China Reform Holdings Corporation Ltd. (中國國新控股有限責任公司) and is ultimately wholly-owned by SASAC of the State Council; and
- (v) as to 5.09% by China Tourism Group Co., Ltd. (中國旅遊集團有限公司), which is directly wholly-owned by SASAC of the State Council.

Information in relation to Eastern E-Commerce

Eastern E-Commerce is primarily engaged in sales of airline tickets through its own channel, the operation of non-aviation points consumption business of “Eastern Miles” points obtained and consumed other than through airline tickets, integrated products (Airline Ticket + X), and the operation and management of in-flight WIFI business.

Information in relation to Eastern Advertising

Eastern Advertising is primarily engaged in the publicity of CEA Holding's corporate culture, provision of in-flight entertainment information services, aviation media advertising marketing, creative planning, design and production, exhibition services, the provision of agency service to CEA Holding in advertising communication and marketing business, sales of CEA Holding's cultural and creative products and in-flight duty-free goods, etc.

As at the date of this announcement, Eastern Advertising is owned as to 55% by CEA Holding and 45% by the Company, respectively.

The table below sets out the audited financial data of Eastern Advertising for the years ended 31 December 2022 and 31 December 2021 and the six months ended 30 June 2023 in accordance with the China Accounting Standards for Business Enterprises:

Unit: RMB'0,000

	For the six months ended 30 June 2023	For the years ended 31 December	
		2022	2021
Net profit/(loss) before tax and extraordinary items	(4,576.55)	(1,513.33)	(80.81)
Net profit/(loss) after tax and extraordinary items	(4,576.55)	(2,424.49)	(48.46)

Based on the audited financial accounts of Eastern Advertising as at 30 June 2023, the total assets and net assets of Eastern Advertising were RMB235.8635 million and RMB191.3172 million, respectively.

Upon completion of this transaction, Eastern Advertising will become a wholly-owned subsidiary of Eastern E-Commerce and be consolidated in the financial statements of the Company. As this transaction involves a business combination under common control within the Group company, the Company is required to make retrospective adjustments to the financial statements of 2022. The operating income in 2022 is expected to increase by RMB42.05 million, and the net profit attributable to the parent company is expected to increase by RMB33.16 million.

G. DEFINITIONS

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

“Acquisition of Equity Interest”	means the acquisition of 55% equity interests of Eastern Advertising held by CEA Holding by Eastern E-Commerce
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	means the board of Directors of the Company
“CEA Holding”	means 中國東方航空集團有限公司(China Eastern Air Holding Company Limited), the controlling Shareholder of the Company
“Company”	means 中國東方航空股份有限公司(China Eastern Airlines Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Contract”	means the Equity Transaction Contract dated on 24 January 2024 entered into between Eastern E-Commerce and CEA Holding, pursuant to which, Eastern E-Commerce shall acquire 55% equity interests of Eastern Advertising held by CEA Holding at a consideration for the equity acquisition of RMB126.2030 million
“Director(s)”	means the director(s) of the Company
“Eastern Advertising”	means 東方航空傳媒股份有限公司(Eastern Aviation Advertising Service Co., Ltd.), as at the date of this announcement, it is owned as to 55% by CEA Holding and 45% by the Company, respectively.
“Eastern E-Commerce”	means 東方航空電子商務有限公司(China Eastern Airlines E-Commerce Co., Ltd.), a wholly-owned subsidiary of the Company
“Group”	means the Company and its subsidiaries

“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Shareholders”	means the Shareholders, excluding CEA Holding and its associates
“PRC”	means the People’s Republic of China
“RMB”	means Renminbi, the lawful currency of the PRC
“SASAC”	means the State-owned Assets Supervision and Administration Commission
“Shareholders”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“%”	means per cent

By order of the Board
CHINA EASTERN AIRLINES CORPORATION LIMITED
Wang Jian
Company Secretary
Shanghai, the People’s Republic of China
24 January 2024

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

APPENDIX I — SUMMARY ASSETS VALUATION REPORT

Valuation Assumption

In compliance with Rule 14.60A(1) of the Hong Kong Listing Rules, the Company discloses the details of the major assumptions (including business assumptions) on which the profit forecast in the assets valuation report is based as follows:

(i) General assumptions

- (i) It is assumed that there will be no material changes to the relevant prevailing laws, regulations and policies, and in the macroeconomic trend of the PRC; there is no material change in political, economic and social environment of the regions where the parties to this transaction are in;
- (ii) In respect of the actual status of the assets on the Valuation Benchmark Date, it is assumed that the enterprise operates in ongoing concern;
- (iii) It is assumed that there will be no significant changes in the interest rates, exchange rates, tax bases, tax rates and policy-based levies relating to the valued unit following the Valuation Benchmark Date, except for known events;
- (iv) It is assumed that the management of the valued unit is responsible and stable, and is capable of performing its duties after the Valuation Benchmark Date;
- (v) Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;
- (vi) It is assumed that there are no force majeure factors and unforeseeable factors that have a significant adverse impact on the valued unit after the Valuation Benchmark Date.

(ii) Special assumptions

- (i) It is assumed that the accounting policies adopted by the valued unit following the Valuation Benchmark Date will be consistent in material aspects with those adopted in the preparation of this Assets Valuation Report;
- (ii) It is assumed that the scope and method of business of the valued unit following the Valuation Benchmark Date will be consistent with those in existence on the basis of the existing management model and level;

- (iii) It is assumed that the cash inflow of the valued unit is the average inflow and the cash outflow is the average outflow after the Valuation Benchmark Date;
- (iv) It is assumed that the proposed merger of subsidiaries and the divestiture and transfer of investment companies can be carried out smoothly;
- (v) It is assumed that the lease of the operating site can be renewed under the same market conditions upon expiry and that there is no leasing barrier.

Valuation Model and Input Parameters

(i) Valuation Model

The valuation model under the income approach is discounted free cash flow to firm. The discounted cash flow approach within the income approach is adopted to indirectly arrive at the value of total shareholders' equity through the assessment of the whole value of the enterprise. The value of an enterprise consists of the values of operating assets arising from normal operating activities and non-operating assets unrelated to that are not an output of the operating activities.

(ii) Operating Income

Eastern Aviation Advertising Service Co., Ltd. is exclusively responsible for the development and operation of media resources of Eastern Airlines, its principal business is airline media operating as well as provides professional communication services for the brand promotion of Eastern Airlines. The principal business includes three types: advertising business, design business and promotional items business.

(i) Advertising media, planning and design business

The principal business of the Company was advertising media as well as design and planning in the previous years. Since 2020, the Company has both suffered the new industry status of digital media and COVID-19 epidemic, resulting in a decrease trend of revenue compared to the previous years. The Company followed the adjustment of structures of domestic economy, actively deplored and expanded its potential ability, put contents in priority to create an excellent media platform and tempered the brand value of Eastern Advertising. The Company plans to deeply develop the customer resources it seized and integrate all kinds of media of Eastern Advertising to integrate marketing, promote the transformation of digital media, develop business platforms such as in-flight WIFI entertainment information platform and enhance the ability of creative design.

Advertising media business refers to aviation media business mainly operated in aviation industry, including media development and operation in various ways, such as Connections, Eastern Mall, boarding passes of Eastern Airlines, headrest covers, on-board TV, in-flight Internet service platform, aircraft painting, etc. Planning and design business mainly include advertising planning, public relation planning and creative production planning. For now, it mainly provides relevant exhibition planning and design service for CEA Holding and its subsidiaries. According to the data disclosed by the CTR Media Intelligence, affected by the macro environment both domestic and abroad in 2022, the demand for advertising was weak, and the whole industry showed a year-on-year decline, the annual advertising market was reduced by 11.8%. Under the challenges of economic fluctuations and complex and severe market environment both domestic and abroad, the revenue of traditional outdoor and newspaper advertising has declined obviously, while Internet advertising performed strongly with fluctuations. For the monthly performance, the market has continued to decline since the beginning of the year, the quarter-on-quarter decline is more obvious. Although the overall market has resumed in the second half of the year, it has entered a volatile stage due to the serious impact of economic fluctuations in some cities at the end of the year, which affected the delivery of many types of advertising channels. As of December, the advertising market has returned to growth month-on-month. The cost of advertising market in March 2021 increased by 52.3% year-on-year and 4.1% month-on-month. The recovery growth after the epidemic is still continuing, and the advertising spending of each channel has increased differently compared with the same period last year. For the advertising media and planning and design business, the Company expects that the business income will gradually recover to the pre-epidemic level in the coming years as the impact of the epidemic factors weakens and the aviation industry recovers.

(ii) Promotional items business

The promotional items business mainly consists of the cultural and creative products provided by Eastern Advertising for the publicity service needs of CEA Holding and its subsidiaries, and the cultural and creative products provided by Eastern Advertising for the demand of various marketing, exhibition and communication business. This business accounts for a small proportion of historical annual revenue, and is expected to increase in the coming years with the gradual recovery of the revenue from principal, such as advertising media.

(iii) Operating Cost

Cost of principal business in the previous years mainly included cost of design and production, purchase cost and amortization cost of the utilization of media resources, the total gross profit margin of sale in the previous years are as follows:

Type	2019	2020	2021	2022
Total gross profit margin	71.06%	35.17%	62.03%	23.66%

For the purpose of operation and calculation model of the Company, cost of principal business is relevant cost of the respective principal business. This valuation amortized the utilization fees of media resources according to the existing accounting policy and predicted other revenue by referring to the gross profit margin in the previous years.

(iv) Discount Rate

According to the principle that the income should be consistent with the discount rate, the income in the valuation is based on the net cash flow for firm, and the discount rate is the weighted average capital costs.

(i) Determination of risk-free rate of return

Treasury bond yields are generally considered risk-free because the risk of treasury bonds defaulting on maturity is low enough to be negligible. According to the information disclosed by the WIND information system, the annual yield to maturity of the 10-year treasury bond on the Valuation Benchmark Date as at 30 June 2023 is 2.64%. This valuation report applies 2.64% as risk-free rate of return.

(ii) Determination of risk coefficient of equity system

Based on the business characteristics of the valued unit, the Valuer checked the original β of the comparable companies which mainly engaged in advertising and marketing businesses in the media industry on the Valuation Benchmark Date through WIND information system, and translated the original β into β_u (excluding financial leverage) based on the capital structure of the listed companies, applicable income tax and other data, the average of which shall be the β_u of the valued unit. The detailed data are as follows:

No.	Stock Code	Abbreviation	β_u
1	000607.SZ	Huamei Holding	0.6133
2	002027.SZ	Focus Media	1.5001
3	600386.SH	Beijing Bashi Media	0.7647
Average β_u			0.8944

According to the analysis of enterprise's operating characteristics, it has no borrowings, the capital structure D/E of the target company in this valuation is 0.00%. The enterprise income tax rate is calculated based on the predicted income tax of each company annually during the forecast period.

After calculation, $\beta_L=0.8944$

(iii) Determination of market risk premium

The market risk premium is the rate of return required by investors for a well-diversified market portfolio that is higher than the risk-free rate. The market risk premium for the valuation is 6.84% according to the information announced by the research and development department of China Enterprise Appraisals.

(iv) Determination of regulation coefficient of specific risks of the enterprise

The regulation coefficient of individual risks of the enterprise is based on the advantages and disadvantages differences between the enterprise to be valued and the selected comparable enterprise in special operational environment, the date of incorporation, the size of the enterprise, operation and management, anti-risk ability and special factors. Having considered various circumstances of existing governance structure, the level of management and anti-industry risk, the regulation coefficient of specific risks of the valued unit was determined to be 3.05%.

(v) Calculation of discount rates for the forecast period

Calculation of cost of equity capital

These parameters determined above are substituted in the calculation formula of cost of equity capital and the cost of equity capital for the valued unit was calculated. As calculated on an individual basis, K_e was calculated to be 11.80%.

Calculation of weighted average cost of capital

The valued unit had no interest-bearing debts on the Valuation Benchmark Date. According to enterprise's operational characteristics and development plans, the K_d of this valuation was determined as 3.55% based on the latest one-year LPR as of the Valuation Benchmark Date. These parameters determined above are substituted in the calculation formula of weighted average cost of capital and the weighted average cost of capital for the valued unit was calculated to be 11.80%.

(vi) Calculation of discount rates subsequent to the forecast period

The discount rate subsequent to the forecast period will be 11.80% based on the abovementioned calculation.

APPENDIX II — LETTER FROM BAKER TILLY HONG KONG LIMITED REGARDING PROFIT FORECAST

The following is the full text of the letter prepared by Baker Tilly Hong Kong Limited, a Certified Public Accountant in Hong Kong, dated 24 January 2024 for incorporation in this announcement.

Independent assurance report on the calculations of discounted cash flow forecast in connection with the valuation of 100% equity interests in 東方航空傳媒股份有限公司 (Eastern Aviation Advertising Service Co., Ltd.) and its subsidiaries (together referred to as the “Target Group”)

To the Board of Directors of China Eastern Airlines Corporation Limited (the “Company”)

Dear Sir/Madam,

We have examined the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation prepared by Pan-China Appraisal Co., Ltd. dated 16 January 2024 in respect of the appraisal of the fair value of the Target Group as at 30 June 2023 (the “**Valuation**”) is based. The Valuation, prepared based on the Forecast, is regarded as a profit forecast under Rule 14.61 and Rule 14A.06 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Valuation will be included in the Company’s announcement dated 24 January 2024 (the “**Announcement**”).

Directors’ Responsibilities

The directors of the Company (the “**Directors**”) are responsible for the preparation of the Forecast in accordance with the bases and assumptions determined by the Directors as set out in the Valuation (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the Forecast for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to form an assurance conclusion on the arithmetical accuracy of the calculations of the Forecast on which the Valuation is based and to report solely to you, as a body, as required by Rules 14.60A(2) and 14A.68(7) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations of the Forecast are concerned, the Directors have properly compiled the Forecast based upon the Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the arithmetical accuracy of the calculations of the Forecast are concerned, the Forecast has been properly compiled, in all material aspects, based upon the Assumptions.

Other Matter

The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from those used in the Valuation and the variation may be material. Our opinion is not qualified in respect of this matter.

For the purpose of this engagement, we do not review the accounting policies for the Valuation as the Valuation relates to discounted future cash flows and no accounting policies have been adopted in the preparation of the Valuation. We are not reporting on the appropriateness and validity of the Assumptions on which the Valuation is based and our work does not constitute any valuation of the Target Group or an expression of an audit or review opinion on the Valuation.

Yours faithfully,

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 24 January 2024

Chan Sai Ho

Practising certificate number P07705

APPENDIX III — LETTER FROM THE BOARD REGARDING PROFIT FORECAST

The following is the full text of the letter prepared by the Board dated 24 January 2024 for incorporation in this announcement.

To: The Stock Exchange of Hong Kong Limited

Listing Division

12/F, Two Exchange Square,

8 Connaught Place, Central,

Hong Kong

Dear Sir/Madam,

Company: China Eastern Airlines Corporation Limited (the “**Company**”)

Re: Profit Forecast – Letter of Confirmation under the Rule 14.60A(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)

Reference is made to the announcement of the Company dated 24 January 2024, which mentioned the valuation reports of Eastern Aviation Advertising Service Co., Ltd. dated 16 January 2024 (the “**Valuation Reports**”) prepared by Beijing China Enterprise Appraisals Co., Ltd.(the “**Valuer**”) using the income approach.

The Board of the Company has reviewed the bases and assumptions of the valuation and discussed the same with the Valuer and Baker Tilly China Certified Public Accountants, the reporting accountant of the Company (the “**Reporting Accountant**”). The Board of the Company has also considered the letter of confirmation issued by the Reporting Accountant on 24 January 2024 in relation to the calculations of the profit forecast in the Valuation Reports.

In accordance with the Rule 14.60A(3) of the Hong Kong Listing Rules, the Board of the Company confirmed that the profit forecast used in the aforementioned Valuation Reports has been made after due and careful enquiry.

**The Board of
China Eastern Airlines Corporation Limited**

24 January 2024