中國東方航空
CHINA EASTERN

世界品位 东方魅力

日出東方
再次起航

2023
ANNUAL REPORT

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

Stock Code : A Share : 600115 I H Share : 00670

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Definitions

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

Traffic capacity

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

Traffic scale

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
Weight of freight carried	means the actual weight of freight carried

Traffic efficiency

Freight load factor	means the ratio of freight traffic volume to AFTK
Overall load factor	means the ratio of total traffic volume to ATK
Passenger load factor	means the ratio of passenger traffic volume to ASK

Unit revenue

Freight tonne-kilometres yield	means the ratio of the sum of freight transportation and related revenue to freight traffic volume
Passenger-kilometres yield	means the ratio of the sum of passenger traffic and related revenue to passenger traffic volume
Revenue tonne-kilometres yield	means the ratio of the sum of transportation and related revenue to total traffic volume

Abbreviation

AFK	means Air France-KLM. Official website: https://www.airfranceklm.com/
Airbus	means Airbus S.A.S. Official website: https://www.airbus.com/en
Articles of Association	means the Articles of Association of the Company currently in force
Board	means the board of directors of the Company
Boeing	means the Boeing Company. Official website: https://www.boeing.com/
CAAC	means the Civil Aviation Administration of China. Official website: http://www.caac.gov.cn/
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
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
COMAC	means 中國商用飛機有限責任公司 (Commercial Aircraft Corporation of China, Ltd.). Official website: http://www.comac.cc/
CSRC	means the China Securities Regulatory Commission. Official website: http://www.csrc.gov.cn/

Delta	means Delta AirLines Inc (IATA Code: DL), a shareholder of the Company. Official website: https://www.delta.com/
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
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 Logistics	means 東方航空物流股份有限公司 (Eastern Airline Logistics Co., Limited*), a controlled subsidiary of CEA Holding 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
End of the Reporting Period	means 31 December 2023
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, and the shares of H share investors are deposited in HKSCC
Hong Kong Stock Exchange	means The Stock Exchange of Hong Kong Limited. Official website: http://www.hkex.com.hk/
IATA	means the International Air Transport Association, a major international organisation 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: http://www.iata.org/
Japan Airlines	means Japan Airlines Co., Ltd (IATA Code: JL). Official website: http://www.jal.com/
Juneyao Airlines	means 上海吉祥航空股份有限公司 (Juneyao Airlines Co., Ltd) (IATA Code: HO), a connected person of the Company. Official website: http://www.juneyaoair.com/
Juneyao Group	means 上海均瑤(集團)有限公司 (Shanghai Juneyao (Group) Co., Ltd.), the controlling shareholder of Juneyao Airlines and a connected person of the Company
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 and a connected person of the Company

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
Regional	means Hong Kong, China; Macau, China; and Taiwan, China, per routes categorization
Reporting Period	means from 1 January 2023 to 31 December 2023
Shanghai Airlines	means 上海航空有限公司 (Shanghai Airlines 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 and a connected person of the Company
Shanghai Stock Exchange	means the Shanghai Stock Exchange. Official website: http://www.sse.com.cn/
SkyTeam Airline Alliance	means the SkyTeam Alliance, one of the three major international airline alliances in the world. Official website: http://www.skyteam.com/

Company Introduction

Headquartered in Shanghai, the Group 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.

The Company has been listed on Shanghai and Hong Kong stock markets. It operates a modernized fleet of approximately 800 aircrafts and boasts the largest-scale widebody fleet with leading commercial and technical models in China. As a member of SkyTeam Airline Alliance, the Group boasts an aviation transport network covering 1,050 destinations in 166 countries and regions around the world. 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 the 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 "Precise, Exquisite, Refined and Wonderful" 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	Wang Zhiqing

Basic Profile

Registered address of the Company	66 Airport Street, Pudong International Airport, Pudong New District, 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 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	021-22330932
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
	Signatory accountant	楊旭東, 劉玉玉
International auditor engaged by the Company	**Name**	PricewaterhouseCoopers
	Office address	22nd Floor, Prince's Building, Central, Hong Kong
	Signatory accountant	Mang, Kwong Fung Frederick
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

AS OF 31 DECEMBER 2023

DIRECTORS

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)
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)
Zhou Qimin (Vice President, Chief Financial Officer)
Feng Dehua (Vice President)
Cheng Guowei (Vice President)
Liu Tiexiang (Vice President)
Wan Qingchao (Vice President)
Wang Jian (Board Secretary, Company Secretary)

COMPANY SECRETARY

Wang Jian

AUTHORISED REPRESENTATIVES

Wang Zhiqing
Wang Jian

LEGAL ADVISERS

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

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
17M 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

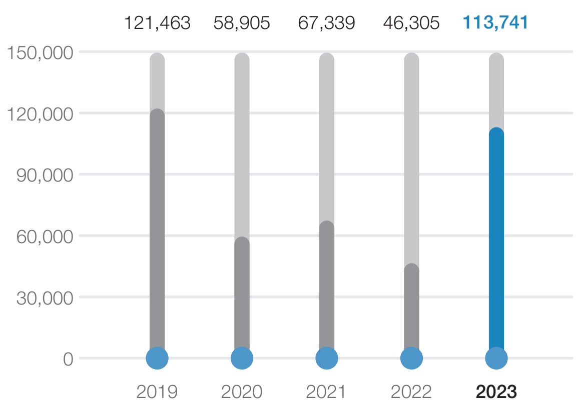
Expressed in RMB Million

	2019 (Restated)	2020 (Restated)	2021 (Restated)	2022 (Restated)	2023
Year ended 31 December					
Revenues	121,463	58,905	67,339	46,305	**113,741**
Other operating income and gains	7,234	5,658	6,043	3,613	**5,429**
Operating expenses	(118,413)	(78,345)	(86,880)	(81,506)	**(121,089)**
Operating profit/(loss)	10,257	(13,755)	(13,498)	(31,588)	**(1,919)**
Financial income/(costs), net	(6,072)	(2,510)	(3,816)	(8,321)	**(6,487)**
Profit/(loss) before income tax	4,494	(16,386)	(17,408)	(40,114)	**(8,278)**
Net profit/(loss) for the year attributable to the equity holders of the Company	3,324	(11,774)	(12,149)	(37,356)	**(8,168)**
Earnings/(loss) per share attributable to the equity holders of the Company (RMB)[1]	0.21	(0.72)	(0.72)	(1.98)	**(0.37)**
As at 31 December					
Cash and cash equivalents	1,652	8,148	13,373	18,015	**11,741**
Net current liabilities	(58,198)	(76,944)	(57,506)	(78,503)	**(80,601)**
Non-current assets	265,288	262,051	260,739	260,390	**259,070**
Non-current borrowings, including current portion	(31,137)	(39,429)	(58,177)	(72,718)	**(71,410)**
Lease liabilities, including current portion	(110,275)	(96,251)	(98,482)	(97,007)	**(84,175)**
Equity attributable to the equity holders of the Company	69,339	56,491	53,920	31,658	**42,852**

(1) 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. The calculation of loss per share for 2023 is based on the net loss attributable to the equity holders of the Company divided by the weighted average number of 22,291,295,570 ordinary share in issue.

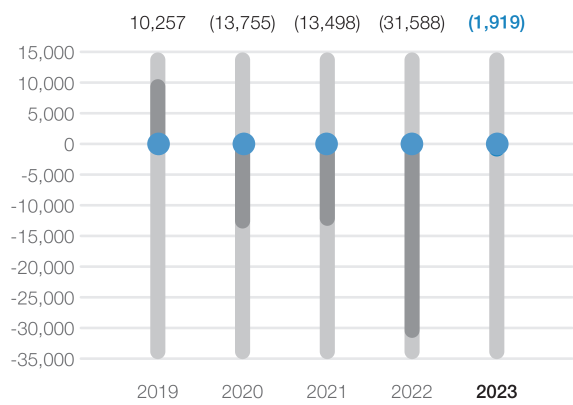
Revenues

(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 2023

(RMB Million)

	2023
Net loss	(8,614)
Loss from main operations, net	(318)
Income from other operations, net	1,598
Gain from investments	142
Non-operating income, net	266

Major Accounting Data & Financial Indicators

(RMB Million)

		2022 (Restated)	2023
1.	Operation revenue	46,305	113,741
2.	Net loss attributable to the equity holders of the Company	(37,356)	(8,168)
3.	Total assets	286,189	282,491
4.	Shareholders' equity	30,436	41,221
5.	Loss per share (RMB)	(1.98)	(0.37)
6.	Equity attributable to ordinary shareholders of the Company per share (RMB)	1.32	0.92

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 ordinary shareholders of the Company per share = equity attributable to ordinary shareholders 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		
	2023	2022	Change
Passenger transportation data			
ASK (available seat-kilometres) *(millions)*	244,960.45	96,210.85	154.61%
— Domestic routes	199,818.68	92,204.39	116.71%
— International routes	40,338.30	3,577.88	1,027.44%
— Regional[1] routes	4,803.47	428.58	1,020.78%
RPK (passenger traffic volume, revenue passenger-kilometres) *(millions)*	182,299.38	61,287.67	197.45%
— Domestic routes	149,930.96	59,030.04	153.99%
— International routes	28,846.07	2,019.22	1,328.57%
— Regional routes	3,522.35	238.41	1,377.43%
Number of passengers carried *(thousands)*	115,617.54	42,510.46	171.97%
— Domestic routes	106,286.04	42,027.14	152.90%
— International routes	6,820.46	322.69	2,013.63%
— Regional routes	2,511.04	160.63	1,463.24%
Passenger load factor *(%)*	74.42	63.70	10.72pts
— Domestic routes	75.03	64.02	11.01pts
— International routes	71.51	56.44	15.07pts
— Regional routes	73.33	55.63	17.70pts
Passenger-kilometres yield *(RMB)*[Note]	0.593	0.602	-1.50%
— Domestic routes	0.582	0.549	6.01%
— International routes	0.629	2.100	-70.05%
— Regional routes	0.792	1.040	-23.85%

1 In order to facilitate data statistics and analysis, the business is divided into “domestic routes”, “international routes” and “regional routes” in conjunction with industry practices. Among them, the term “regional” refers to Hong Kong, China; Macau, China; and Taiwan, China.

Summary of Major Operating Data

	For the twelve months ended 31 December		
	2023	2022	Change
Freight transportation data			
AFTK (available freight tonne-kilometres) ***(millions)***	7,479.14	6,349.11	17.80%
— Domestic routes	4,107.63	1,356.56	202.80%
— International routes	3,183.17	4,948.43	-35.67%
— Regional routes	188.34	44.11	326.98%
RFTK (freight traffic volume, revenue freight tonne-kilometres) ***(millions)***	2,504.35	2,608.93	-4.01%
— Domestic routes	886.40	524.67	68.94%
— International routes	1,600.16	2,074.95	-22.88%
— Regional routes	17.80	9.31	91.19%
Weight of freight carried ***(million kg)***	842.15	652.39	29.09%
— Domestic routes	585.48	352.17	66.25%
— International routes	241.32	290.88	-17.04%
— Regional routes	15.35	9.34	64.35%
Freight load factor ***(%)***	33.48	41.09	-7.61pts
— Domestic routes	21.58	38.68	-17.10pts
— International routes	50.27	41.93	8.34pts
— Regional routes	9.45	21.10	-11.65pts
Freight tonne-kilometres yield ***(RMB)***[Note]	1.451	2.978	-51.28%
— Domestic routes	0.705	1.031	-31.62%
— International routes	1.829	3.414	-46.43%
— Regional routes	4.663	15.682	-70.27%

	For the twelve months ended 31 December		
	2023	2022	Change
Consolidated data			
ATK (available tonne-kilometres) ***(millions)***	29,525.58	15,008.09	96.73%
— Domestic routes	22,091.31	9,654.96	128.81%
— International routes	6,813.62	5,270.44	29.28%
— Regional routes	620.65	82.69	650.57%
RTK (total traffic volume, revenue tonne-kilometres) ***(millions)***	18,522.83	8,025.31	130.81%
— Domestic routes	14,063.03	5,743.18	144.86%
— International routes	4,133.89	2,251.73	83.59%
— Regional routes	325.91	30.39	972.43%
Overall load factor ***(%)***	62.73	53.47	9.26pts
— Domestic routes	63.66	59.48	4.18pts
— International routes	60.67	42.72	17.95pts
— Regional routes	52.51	36.75	15.76pts
Revenue tonne-kilometres yield ***(RMB)***[Note]	6.037	5.567	8.44%
— Domestic routes	6.249	5.739	8.89%
— International routes	5.098	5.029	1.37%
— Regional routes	8.815	12.965	-32.01%

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

Fleet Structure

In recent years, the Group implements its green development philosophy while continuing to optimise its fleet structure. In 2023, the Group centred around the new major models, introduced a total of 22 aircraft and retired 15 aircraft. The Group's fleet age structure continues to remain young. As the world's first user of the domestic C919 passenger aircraft, the Company officially launched the world's first commercial passenger flight of the C919 on 28 May 2023. As at 31 December 2023, the Group operated a total of 782 aircraft.

Fleet structure as at 31 December 2023

(Units)

No.	Model	Manufacturer	Net increase in 2023	Sub-total	Self-owned	Under finance lease	Under operating lease	Average fleet age (years)
1	B777 Series	Boeing	0	20	10	10	0	7.9
2	B787 Series	Boeing	0	10	3	7	0	4.9
3	A350 Series	Airbus	5	20	7	13	0	2.6
4	A330 Series	Airbus	0	56	32	19	5	10.1
Total number of wide-body aircraft			**5**	**106**	**52**	**49**	**5**	**7.8**
5	A320 Series	Airbus	7	379	134	127	118	9.1
6	B737 Series	Boeing	-8	276	104	70	102	9.1
7	C919 Series	COMAC	3	4	3	1	0	0.4
Total number of narrow-body aircraft			**2**	**659**	**241**	**198**	**220**	**9**
8	ARJ Series	COMAC	0	17	8	9	0	1.8
Total number of regional passenger aircraft			**0**	**17**	**8**	**9**	**0**	**1.8**
Total number of aircraft			**7**	**782**	**301**	**256**	**225**	**8.7**

Notes:

1. A350 Series include A350-900 and other aircraft models;
2. A330 Series include A330-200, A330-300 and other aircraft models;
3. A320 Series include A319, A320, A320NEO, A321 and other aircraft models;
4. B787 Series include B787-9 and other aircraft models;
5. B777 Series include B777-300ER and other aircraft models;
6. B737 Series include B737-700, B737-800, B737-8 and other aircraft models;
7. C919 Series include C919 and other aircraft models;
8. ARJ Series include ARJ21 and other aircraft models.

Major Operations

Model	Passenger traffic volume (10 thousand)	Passenger load factor (%)	Overall load factor (%)	Daily utilization (hours)
B777 Series	220.98	74.25	57.87	8.19
B787 Series	172.41	68.08	52.57	9.37
A350 Series	276.63	71.78	50.14	8.69
A330 Series	1,021.88	72.38	48.15	8.27
A320 Series	5,532.90	76.39	68.00	8.12
B737 Series	4,253.04	73.42	70.68	8.38
C919 Series	8.17	77.03	79.18	5.03
ARJ Series	75.74	75.75	75.71	3.85

Fleet Plan

Introduction and Retirement Plan of Aircraft for 2024 to 2026

(Units)

	2024		2025		2026	
Model	Introduction	Retirement	Introduction	Retirement	Introduction	Retirement
C919 Series	6	–	10	–	10	–
ARJ Series	16	–	2	–	–	–
Total number of COMAC aircraft	22	–	12	–	10	–
A350 Series	–	–	–	–	–	–
A320 Series	21	14	31	22	34	16
Total number of Airbus aircraft	21	14	31	22	34	16
B787 Series	5	–	4	–	7	–
B737 Series	8	1	–	14	9	10
Total number of Boeing aircraft	13	1	4	14	16	10
Total number of aircraft	**56**	**15**	**47**	**36**	**60**	**26**

Notes:

1. According to confirmed orders, the Group plans to introduce 26 aircraft and retire 26 aircraft in 2027;

2. The Group has optimised and adjusted the introduction of certain aircraft, and the Group does not rule out that the aircraft introduction and retirement plans will be adjusted in a timely manner based on changes in the external market environment and the capacity planning of the Group.

2023 Milestones

Orderly resumption of flights and launch of new routes to build the "Silk Road in the Sky"

In 2023, the Company orderly resumed flights and launched new routes. The Company successively launched new routes under the "Belt and Road" Initiative, including Istanbul and Cairo.

A large order of 100 C919 aircraft followed by its maiden commercial flight

On 28 May 2023, the Company successfully made its maiden commercial flight of the world's first C919. On 28 September 2023, the Company ordered an additional 100 C919 aircraft, becoming the world's largest C919 user.

Hosting the 2023 North Bund International Aviation Forum at a high level

On 22 September 2023, the Company hosted the 2023 North Bund International Aviation Forum at a high level and announced several significant achievements, including the construction of an integrated air and ground travel network in the Yangtze River Delta Economic Zone and the guide to a healthy travel by air.

Embarking on a new journey with China Eastern Airlines

From 10 October 2023 to 13 October 2023, the Company organized a seminar. The confidence and determination of"embarking on a new journey with China Eastern Airlines" were growing with each passing day as we were striving to create the next decade of glory for the Company.

Enhancing strategic cooperation with Shanghai

Upon signing the strategic cooperation framework agreement with the Shanghai Municipal People's Government, the Company has focused on its main responsibilities and main businesses and has been striving to be a super carrier in aviation industry.

Ensuring the successful organization of China International Import Expo with our services

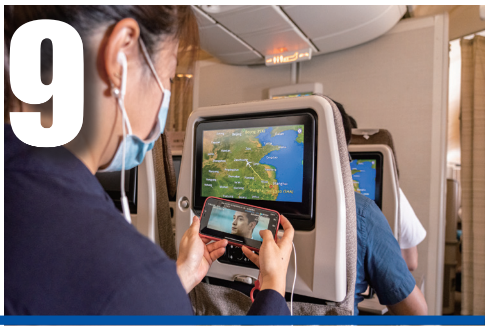
In 2023, the Company participated in the China International Import Expo again as the "core supporting enterprise", "designated air carrier", "purchaser", and "service provider" to serve and ensure the successful organization of the China International Import Expo. The brand services of the Company were widely recognized.

Raising RMB20 billion perpetual bonds from the controlling shareholder

On 21 November 2023, the Company raised RMB20 billion in perpetual bonds from its controlling shareholder, CEA Holding, to further enhance its capital structure, reduce the asset-to-liability ratio, and strengthen its risk resistance and financial stability.

Providing immediate assistance to the earthquake-stricken area in Gansu

On 19 December 2023, the Company provided immediate assistance to the earthquake-stricken areas in Gansu, fulfilling its responsibilities as a central enterprise. In 2023, the Company released its 15th Corporate Social Responsibility Report/ESG Report, demonstrating its attitude and effectiveness in fulfilling its responsibilities to the public.



New breakthrough in in-flight Wi-Fi

In August 2023, the "in-flight Wi-Fi" service technology of the Company became the first in China to achieve full Wi-Fi coverage from takeoff to landing of the aircraft.

Winning multiple awards for information disclosure and annual report

In 2023, the performance of information disclosure by the Company was awarded A Grade for tenth consecutive year, which is the highest grading for companies listed on the main board of the Shanghai Stock Exchange. the Company 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 - Gold Award (ARC航空公司傳統年報金獎) for its 2022 Annual Report.


Chengdu
Time at Departure:

Chairman's Statement

Dear shareholders,

I am pleased to present the report of the Group for the year ended 31 December 2023. On behalf of the entire staff of the Group, I would like to extend my sincere thanks to the shareholders of the Company.

Chairman

Wang Zhiqing

Business Review

In 2023, affected by unexpected factors such as the external environment and geopolitical issues, the global economic growth remained slow. According to the World Economic Outlook released by the International Monetary Fund (IMF) in January 2024, the estimated global economic growth rate in 2023 was approximately 3.1%, lower than the historical (2000-2019) average annual growth rate of 3.8%. As the world's largest developing economy, China withstood external pressures and overcame internal difficulties in the face of a complex and challenging international environment and daunting domestic tasks of reform, development and stability, and achieved national economic recovery. According to preliminary estimates by the National Bureau of Statistics, China's GDP for the full year of 2023 increased by approximately 5.2% compared to the previous year, demonstrating robust economic resilience.

As the national economy rebounded, China's civil aviation industry also ushered in a crucial year for consolidating the foundation, cultivating new growth, and resuming development after the transition in COVID-19 prevention and control. In 2023, the industry as a whole completed a total traffic volume of 118.83 billion tonne-kilometres and served 620 million passengers, representing a year-on-year increase of 98.3% and 146.1%, respectively, and recovering to 91.9% and 93.9% of the levels in 2019, respectively. Over the past year, the Company forged ahead against headwinds, seized market recovery opportunities, resumed safe production in an orderly manner, continuously improved operational quality, accelerated reform and innovation, continuously enhanced governance efficiency, and proactively fulfilled social responsibilities, thereby promoting solid, high-quality and stable growth. In 2023, the Company completed a total traffic volume of 18.52 billion tonne-kilometres, served 120 million passengers, and achieved operating income of RMB113.74 billion, representing a year-on-year increase of 130.8%, 172.0% and 145.6% respectively compared to 2022. The net loss attributable to the shareholders of the Company in 2023 was RMB8.17 billion, representing a year-on-year decrease in loss of RMB29.19 billion.

Review of Operations

Safe Operation

The Group resolutely implemented the spirits of the important instructions to ensure "Two Absolute Safeties", always regarding safety as a top priority. As flights rapidly recovered, the Group maintained overall stability in safety conditions. Throughout the year, the Group completed a total of 2.282 million hours of safe flights and 954,000 take-offs and landings.

The Group advanced safety system construction to consolidate the foundation of safe production. The Group persistently advanced the construction of the "four major systems": safety management, production and operation, flight training, and aircraft maintenance. The Group implemented the "Safety Management Strengthening Year" campaign, focusing on enhancing the capability of the safety management team. The Group optimised production organisational models to establish organic and coordinated operational processes across capacity, fleet, and crew. The Group established a quality evaluation system for flight simulator training to continuously improve flight training quality. The Group intensified supervision and inspection on the safety of the aircraft maintenance system, improved fault management and control systems and mechanisms, and systematically strengthened standardised management.

The Group identified and rectified risks and hazards, firmly guarding the safety bottom line. The Group advanced the special investigation and rectification actions for major safety hazards in 2023, focusing on preventing potential hazards arising from aspects such as rapid flight recovery, temporary adjustments, initial operation of C919, and personnel skill deterioration. The Group organised comprehensive safety inspections, special inspections during seasonal transitions, fire hazard rectification, and special rectification of airport terminals and agents, etc. The Group strengthened safety awareness education to cultivate a "strict, meticulous, refined, and practical" work style and enhance the safety awareness of all staff members.

The Group comprehensively coordinated production organisation to enhance operational support capabilities. The Group coordinated standardised operations and centralised resource allocation and developed a visualised platform to resolutely prevent operations exceeding capacity and standards. Adhering to the principles of "strict organisation, scientific arrangements, acting within capacity, and striving to do best" in production organisation, the Group promptly planned work arrangements such as Spring Festival travel rush, orderly flight recovery, peak season production, and seasonal transition of fights. The Group strengthened communication with aircraft manufacturers, enhanced personnel training, and carried out initial commercial operation of C919 and performance improvement of ARJ21, thereby ensuring the safe and smooth operation of domestically produced civil aircraft.

Market Expansion, Revenue Increase, Cost Reduction, Efficiency Improvement

The Group adhered to the general principle of "seeking progress while maintaining stability". The production and operation steadily returned to normal, with operating income and passenger traffic recovering to over RMB100 billion and 100 million, respectively. The Group adopted a multi-pronged approach to reduce costs and expenses, resulting in a significant year-on-year reduction in losses.

The Group closely monitored the pace of market recovery to scientifically allocate transportation capacity. The Group dynamically tracked market changes and rapidly increased investment in key domestic markets to expand market share. The Group scientifically analysed the characteristics of peak seasons to plan, deploy, took action early and adjusted the flight scheduling of Spring Festival and summer peak season accordingly. The Group dynamically carried out mid-season route adjustments, effectively increasing slot utilisation. The Group continuously optimised the route network structure based on market demand, built the "Air Silk Road" adapted to high-quality development, and opened more than 20 international routes along the "Belt and Road" such as Shanghai Pudong-Istanbul, Shanghai Pudong-Cairo, and Ningbo – Budapest. Throughout the year, ASK in domestic, international and regional market recovered to 116.4%, 43.8% and 75.0% of 2019 levels, respectively. Domestic, international and regional passenger transport volumes recovered to 97.5%, 38.8% and 67.7% of 2019 levels, respectively.

The Group continuously optimised marketing strategies and implemented multi-pronged measures to increase profits. The Group actively seized slot resources to further consolidate its market share advantage. The Group steadily resumed alliance cooperation to vigorously foster the recovery of international flights. The Group continued to strengthen transits, enhanced the design of transit products, optimised route connections to increase transit opportunities, and increased sales efforts for transit connecting flights. The Group strengthened the integration of passenger and cargo services, focusing on improving the profitability of international long-haul routes. The Group actively promoted the placement and sales of ancillary products and priority products across all channels. In 2023, the total revenue from ancillary products of the Group amounted to RMB6.86 billion, representing a year-on-year increase of 80.4%.

The Group comprehensively strengthened cost management and control and enhanced quality and efficiency through refined management. The Group deepened comprehensive budget management, consistently revitalised existing resources, and implemented cost control for significant cost items and large-amount projects, refining projects such as business and finance integration and quality and efficiency improvement. Throughout the year, the Group completed 160 quality and efficiency improvement projects, resulting in a cumulative efficiency increase of approximately RMB1.31 billion. The value creation role of business and finance integration further manifested. The Group accurately analysed changes in costs of 56 overseas stations and 153 domestic stations, resulting in significant decreases in take-off and landing fees, flight delay fees, and baggage compensation fees compared to 2019.

Service Enhancement and Brand Building

Taking the opportunities of the CAAC's themed activity of "Civil Aviation Service Assisting Industry Recovery Year" in 2023, the Group continuously enhanced service quality. In addition, the Group actively advanced the central enterprise brand leadership campaign as well as the benchmarking efforts in brand building to extensively strengthening brand building.

The Group optimised airline service processes with continuous improvement in operational indicators. The Group continued to advance the construction of a management and control platform for the entire service process. Based on the Service Manual, the Group identified 32 travel nodes from over 100 perspectives to upgrade the service panorama. The Group enhanced online service capabilities, establishing comprehensive customer communication channels through PC, App, and telephone terminals. The Group strengthened management and control of the service process, with excellent performance indicators in check-in and boarding services, baggage services, in-flight services, and services for special passengers. Satisfaction with meal supply services increased year by year. The flight on-time rate for the year reached 87.4%.

The Group broadened aviation service scenarios with new iterations of featured products. The Group continued to develop the "Punctual, Swift, and Superior" "Air Express" brand, introducing new marketing products such as "Eastern Air Value (惠享東方)", "C919 Priority (C919 優享)" and "New Joy (新有所享)", with full Wi-Fi coverage for wide-body aircraft. The Group introduced featured Wi-Fi products such as annual cards, multi-use cards, and "Star Packages (星享包)". Air-rail combined transportation products covered 46 cities and reached 710 train stations, achieving bilateral intermodal transportation between air segments and 1,240 train segments, meeting the public's increasing demand for enjoyable travel.

The Group intensively enriched its brand connotation, showcasing the characteristics of China Eastern Airlines brand. The promotional campaign for the maiden flight of C919 accumulated over 1 billion views and was recognised as an outstanding communication case for 2023 by the China Public Relations Association. The Group carried out a series of promotion campaigns for the tenth anniversary of the "Belt and Road" initiative, amplifying the narrative of China through the voice of China Eastern Airlines. The Group continued to provide "Four-in-One" service support for the sixth China International Import Expo, deepening the brand leadership of the "Four Fines" services, and leveraging the China Eastern Airlines brand to enhance the oriental charm at the Expo. We entered into a strategic cooperation agreement with the Shanghai Municipal Government to jointly build a super carrier in aviation transportation, promote the construction of a world-class aviation hub, and contribute to the establishment of the "Shanghai Service" brand with the strength of China Eastern Airlines. In 2023, the Company was ranked among the top 50 "BrandZ Most Valuable Chinese Brands" of the global brand communication group WPP, ranked 7th in "2023 Top 50 Global Airline Brand Value" of Brand Finance and received a variety of awards such as the Golden Bee 2023 Excellent Corporate Social Responsibility Report – Longevity Award.

Reform, Innovation, and Corporate Governance

Focusing on accelerating the construction of a world-class enterprise, the Group initiated and implemented actions to deepen and enhance the state-owned enterprise reform and promote innovation in key areas. The Group continued to improve corporate governance of state-owned enterprises with Chinese characteristics, promoted the transformation of institutional advantages into governance effectiveness, and continuously optimised system construction such as internal control, risk management, and compliance management.

The Group reaped results of reform and innovation and steadily improved the level of digitisation. The Group initiated and implemented a new round of actions to deepen and enhance the state-owned enterprise reform, further optimising management control in business lines such as flight, operation control, and aircraft maintenance. The Group continued to optimise and adjust its industrial layout, making the principal business positioning of the Group more prominent. The Group continued to improve its scientific and technological innovation system by issuing special development plans for scientific and technological innovation and accelerating the construction of the China Eastern Airlines' scientific and technological innovation sector. A research centre under the Company was rated Excellent in "Demonstration Enterprise for Scientific and Technological Reform". Innovative applications were launched and became effective, with several projects such as the Aircraft Release Monitoring System granted with patent authorisation, and innovative applications such as the Digital Twin Aircraft Maintenance receiving awards. Various projects such as the "Ground Service Transparent Apron", "Boarding Gate Workstation", and "Aircraft Towing Collision Avoidance" were piloted and advanced.

The Group continued to improve its institutional mechanisms, steadily improving its governance. The Group implemented the reform spirit of the independent director system, systematically amended more than 10 important regulations and systems such as the Articles of Association and Rules of Procedures for Shareholders' General Meeting, further improving the Group's governance system. The Group conducted the affairs as a listed company in compliance with regulations and received an A-level evaluation for information disclosure on the Shanghai Stock Exchange for the tenth consecutive year. With the support of the controlling shareholder, the Group successfully issued perpetual bonds at a fair interest rate, lowering the asset-liability ratio by nearly 6 percentage points. The Group attached great importance to the market value management as a listed company and promoted the A+H share increasing project by CEA Holding. The Group scientifically formulated investment plans, optimised fund allocation in a stringent and prudent manner, and reasonably advanced capacity reserves. The Group strengthened the construction of the internal control system, established a risk indicator database, and enhanced dynamic risk monitoring and defect governance. The Group deepened the construction of the compliance system, further improved the compliance management system, continued to address compliance concerns, strengthened overseas legal risk prevention, enhanced intellectual property management, and comprehensively promoted passenger information protection work.

Social Responsibilities

With a high sense of social responsibility, the Group implements the ecological development concept of "low carbon flight and protect environment with technology", and makes dedicated efforts to help rural revitalisation and continuously improve the happiness of employees.

The Group practiced environmental protection concepts and adhered to low-carbon emission operations. The Group formulated action plans to achieve carbon peaking and implemented market-oriented emission reduction mechanisms to promote the construction of energy conservation and environmental protection systems. The Group continued to promote the electrification of ground vehicles and the application of auxiliary power units (APUs) in aircraft to the fullest extent possible, changing or replacing plastic material for a total of 53 aircraft on-board supplies throughout the year. The Group advanced the deployment and application of sustainable aviation fuel (SAF), with SAF-blended fuel being used in more than 20 Airbus aircraft for delivery flights throughout the year. The Group actively participated in the SkyTeam Airline Alliance's "Sustainable Flight Challenge", marking the first time that SAF fuel is used for commercial flights of the Group.

The Group fulfilled its responsibilities as a central enterprise and contributed to rural revitalisation. The Group, together with its controlling shareholder, CEA Holding, diligently fulfilled the social responsibilities of central enterprises and persistently carried out targeted assistance work. For five consecutive years, the Group received the highest rating in the assessment of targeted assistance for central units. The Group fully leveraged the advantages of the aviation industry, operating over 3,500 flights by connecting the assisted areas, transporting more than 320,000 passengers, and contributing over RMB570 million to local GDP through air routes. The Group's assistance case "MU Tea (東航那杯茶)" was selected as a demonstration project in the Blue Book on Central State-owned Enterprises' Contribution to Rural Revitalisation (2022) 《中央企業助力鄉村振興藍皮書(2022)》". The assistance project of the Group supporting the beekeeping industry in Cangyuan was honoured as an outstanding case of rural revitalisation by the China Association for Public Companies.

The Group implemented practical employee care and built a happy China Eastern Airlines family. The Group steadily advanced the "Caring for the Employees" initiative and promoted the implementation of ten practical projects such as the "Affordable Rental Housing Project for Employees" and the "Employee Health Care Project". The Group showed care for employees at frontline positions, initiating the renovation and reconstruction plan for heartwarming stations for outdoor workers, with a total of 234 heartwarming stations completing registration. The Group earnestly cared for female employees, organizing activities including legal education, mental and physical health seminars, thematic reading sessions, and Happy China Eastern Airlines Family Day events.

OUTLOOK FOR 2024

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 2024 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.

Firmly Holding the Bottom Line of Safety

The Company will reinforce the safety risk management and control at source, and improve the standards, working mechanism and data model for identifying risks and hidden dangers; enhance the building of the "four systems" for safety, and promote the production safety accountability system for all staff at place. In addition, we will intensify the building of safety practice by warning all cadres and staff to stay alert to the fact that "the overarching priority lies in safety"; we also will enhance the competence in flight, maintenance and operation in domestic civil aircraft, and promote the dual enhancement in the scale and quality of operation for domestic civil aircrafts.

Constantly Improving Operating Efficiency

The Company will improve the hub competitiveness by expediting the building of a route network structure benchmarking the function and positioning of the super carrier, pooling favourable resources to improve the hub accessibility, and strengthening the international transit; we will also improve the product competitiveness by actively acquiring time slot resources, constantly improving service quality, and placing innovative service products with precision. Under the premises of improving market competitiveness, the Company will arrange in advance the peak season market by flexibly allocating resources such as air network, flights and aircraft types, and broaden the consumer market in the travel chain by leveraging the large e-commerce platform to increase revenue from auxiliary products; in addition, the Company will improve the lean operation capability to enhance fine management in the aspects such as revenue generation and diversification, cost and expenditure reduction and asset revitalisation, and expand the coverage for industry and finance integration, so as to minimise the cost with great efforts.

Deepening Branding of Services

The Company will improve the key contact service level by giving full play to the "Four Fines" brand effects, poising itself on passenger demand, strengthening the ability to handle irregular flights and passenger satisfaction, and further optimising member privilege services. In addition, we will upgrade the service management level, reinforce the normalised and collaborative mechanism for marketing and operation by facilitating the flow of operational information on the business units and terminals, so as to improve the closed-loop in the service standard system. Also, the Company will enhance the CEA brand strength by means of intensifying the brand building in a comprehensive manner, in an effort to build an outstanding brand coupled with global strength and presence.

Resolutely Advancing Digital Transformation

We insist on the philosophy of innovation-driven development by perfecting the management system covering science and technology innovation and digital transformation, promoting the pooling of competitive resources into strategic emerging industries. Beyond focusing on key areas to quicken the digital transformation, we will improve the intelligence level for flight arrangement and schedule, revenue management and marketing by means of big data and other technologies so as to promote the landing and application of innovative outcomes.

Preventing and Addressing Major Risks

The Company will intensify risk prevention by staying close to key areas such as safe operation, overseas operation, aviation fuel fluctuation and exchange rate and interest rate fluctuation, and enhance its capability to forecast and mitigate major risks. Other than this, the Company will improve its financial management system, strengthen debt risk monitoring and liquidity management to ensure liquidity security with view to further promoting the compliance management, fostering the combination of our business with laws and regulations, as well as further strengthening the personal information protection and data security management.

Management's Discussion and Analysis

Vice Chairman, President

Li Yangmin

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 782 passenger aircraft with an average fleet age of 8.7 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 2023, the total volume of global air passenger traffic (calculated by revenue passenger kilometers or RPKs) increased by 36.9% compared with 2022, and recovered to 94.1% in 2019 according to IATA data. Domestic passenger traffic volume increased by 30.4% year-on-year, 3.9% higher than the annual level in 2019. Although international passenger traffic volume increased by 41.6% year-on-year which was higher than the domestic passenger traffic volume, the total volume only reached 88.6% of the level in 2019. It can be seen that global air travel demand maintained a recovery trend in 2023, while showing a stronger domestic recovery than the international situation.

In 2023, the overall recovery pattern of China's civil aviation remained similar to that of global civil aviation. The industry recorded a passenger traffic volume of 620 million passengers for the year, an increase of 146.1% over the same period last year, recovering to 93.9% of the level in 2019. By the end of 2023, China's scheduled international passenger flights had resumed to about 4,782 flights per week (each flight being a round-trip flight), which was only 62.8% of the level seen in 2019. Generally speaking, China's civil aviation experienced steady recovery in transport production, but the recovery of international passenger transport is still slower than expected due to the aggregate effects of a variety of factors such as continuing international geopolitical tensions, global economic development trend, and limited recovery of civil aviation capacity in some countries and regions.

Landscape and Trend of the Industry

The International Monetary Fund updated its forecast in January 2024 that the global economic growth rate in 2024 is expected to be 3.1%, 0.2 percentage points higher than the previous forecast, because the United States and some large emerging markets and developing economies have shown greater resilience than expected, and China remains the largest engine of global economic growth. China's economic development provides strong momentum for the world. However, it cannot be ignored that the world economy is still growing slowly, and frequent geopolitical conflicts have expedite the trend of deglobalisation, resulting in high oil prices and interruption to supply chains, which restricted the recovery and profitability of global civil aviation. IATA predicts that the aviation industry in the Asia-Pacific region is expected to return to profit by the end of 2024.

China's sustained economic development provides an ideal macro environment for the development of civil aviation. After a steady and gradual recovery in 2023, the domestic civil aviation's productive operation returned to normal which laid the bedrock for further development. According to the Civil Aviation Administration, China's civil aviation industry is still in an important period of strategic opportunity, and transportation production of the industry will return to natural growth in 2024. With the continuous optimisation and adjustment of China's visa policy and the continuous improvement of the level of customs clearance and facilitation, the intention for cross-border travel is expected to be further enhanced. In 2024, the total transport turnover and passenger traffic volume of the whole industry are expected to exceed the level before 2019.

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, and adheres to the development vision of "employee passion, customer preference, shareholder satisfaction and social trust", striving to become a world-class intelligent air travel integrated service provider that focuses on coordinated advancement in sustained safety, innovative development, high quality and efficiency and environmental protection.

In the face of the new situation and new demands, the Group put forward the proposal of "Embarking on a new journey with China Eastern Airlines", which also gives a new connotation of "building a world-class and happy CEA". In general, we aim at achieving seven goals: high safety standard, high operational efficiency, good service quality, excellent business composition, solid economic returns, healthy growth momentum, and strong employee satisfaction.

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, 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". 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 Group has the biggest market share in Shanghai Hongqiao International Airport and Shanghai Pudong International Airport, and its development will benefit from the implementation of the national "Yangtze River Delta Integration" strategy, the construction of Shanghai's five international "economic, financial, shipping, trade, science and technology innovation" centers and the continuous promotion of the overall plan for the construction of Hongqiao International Open Hub. The Jiangsu and Zhejiang branches of China Eastern Airlines under the Group have a strong presence and brand influence in Jiangsu and Zhejiang provinces, respectively. The Group actively builds and optimizes the route network with Shanghai as the core hub, and combines with the operation of Pudong Airport hub to continuously improve the transit efficiency and service capability of the Group, so as to continuously expand its impact in the air transportation market in Shanghai and the Yangtze River Delta. The Group will actively participate in global cooperation, accelerate the development of the Group into a globally competitive super carrier of air transportation, and strongly support China in building itself into a leading global player in transportation and civil aviation as well as promoting Shanghai to become an international shipping center.

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

   As a member of SkyTeam Airline Alliance, the Group boasts an aviation transport network covering 1,050 destinations in 166 countries and regions around the world. 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 the SkyTeam Airline Alliance member airlines across the world.

   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.

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. Green and Efficient Fleet Structure

The Group has always strived on practicing the concept of green and low carbon development as well as updating and optimizing the fleet structure. The Group operates a modern fleet of nearly 800 aircraft and owns the largest wide-body fleet with leading business and technology models in China providing in-flight Internet access. It is China's first civil aviation company to allow the use of portable devices such as mobile phones. By the end of 2023, the average age of the fleet is 8.7 years. The Group continued to optimise fleet deployment and fleet performance by digital means to achieve better match between aircraft and the route network and improve operational efficiency of the fleet.

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, refined and wonderful" cabin services through continuously optimising service processes and innovating service products, thereby bringing a wonderful travel experience to passengers.

The Group has won many awards in areas such as operational quality, service experience and social responsibility. In 2023, the Company was ranked among the top 50 "BrandZ Most Valuable Chinese Brands" of the global brand communication group WPP, ranked 7th in "2023 Top 50 Global Airline Brand Value" of Brand Finance.

5. High Quality Customer Cluster and Outstanding Partners

The Group has always maintained a high service quality and keeps enhancing the travel experience of its passengers. The Company's "Eastern Miles" frequent flyers reached 57 million.

The Group actively promotes cooperation with SkyTeam Airline Alliance, and 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 Group actively promoted cooperation with alliance partners such as JAL, Korean Air and Saudia in cooperative marketing and code sharing, and eagerly coordinated and carried out projects in the alliance regarding seamless check-in, lounges, frequent flyers, group customers and women's leadership. In the domestic aviation industry, through carrying out strategic cooperation using the "equity + business" model with Juneyao Airlines, the competitiveness 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 cooperates with China National Railway Group Co., Ltd. to realise one-stop booking of "air ticket + train ticket" and also cooperates with Alipay and other online payment platforms. The cooperation with large hotel groups and car platforms has been expanded to make travelling more convenient for passengers. Eastern Airlines Wallet's cooperations with China UnionPay as well as major airport hubs are strengthened to enrich the functions of Eastern Airlines Wallet, and further enhance the ecology based on Eastern Airlines credit points.

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 practices the concept of sustainable development (ESG), continuously improves the working system of ESG, strengthens ESG practice, and improves the level of ESG governance and performance. Under the guidance of the Aviation Safety and Environment Committee of the Board, the Company has formulated an annual work plan for environmental and sustainable development, specially prepared the "Carbon Peak Action Plan", promoted the deployment and application of sustainable aviation fuels (SAF), and actively participated in the "Sustainable Flight Challenge" organised by SkyTeam Airline Alliance. The Company has published a high-quality social responsibility and ESG reports every year since 2009.

RISK ANALYSIS

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

The aviation industry is closely connected to the economic and trade environment. The civil aviation 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 have a relatively significant impact on the demand for 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 Group's operating results and financial condition. Public health emergencies may have a great impact on the demand for air travel and normal operation of the Group.

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 Company is a public company listed in Shanghai and Hong Kong, the changes in the securities regulatory laws and regulations of the places of listing may have impact and bring uncertainties on the shareholder structure, liquidity, price and continuity of the shares of the Company.

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 may place air transportation enterprises under the risk of insufficient reserves in air traffic rights and time slot resources at important domestic and overseas destinations, as well as core resources such as management personnel in key positions and professional technical personnel, which may constrain the efforts of the Group to achieve its projected development goals or have a material adverse impact on the production and operations of the Group.

The Group reserves core market time slot resources by actively negotiating with regulators regarding domestic and overseas air traffic rights and time slot resources and actively participating in the market-based competition for time slot resources. The Group has proactively developed a core backup workforce through promoting the building of corporate culture of "Love at CEA", improving its incentive scheme for core technical staff, providing training programs to a pool of multi-tier backup management personnel and launching a core technical staff recruitment scheme.

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 aviation 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, and steadily improved and consolidated its market share in the hubs and core markets. Through improving service quality and enhancing flight punctuality rates, 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 airlines. Significant fluctuations of international oil prices will significantly impact jet fuel prices and the Company's revenue from fuel surcharge, and accordingly the Company's operating results.

Without considering adjustment in fuel surcharge and other factors and on the basis of the fuel consumption of flights operated in 2023, if the average jet fuel price increases or decreases by 5%, jet fuel costs of the Company will increase or decrease by approximately RMB2,055 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 Company will proactively analyse the trend of oil prices, and, as authorised by the Board, prudently conduct jet fuel hedging activities. Exposure to jet fuel price fluctuations may be partially offset by the implementation of fuel surcharge mechanism in China's civil aviation industry.

7. **Exchange Rate Fluctuation Risk**

The Company has sizeable currency liabilities. As the Company'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 Company's profit for that period and result in a relatively great impact on the Company's operating results.

As at 31 December 2023, if USD had strengthened or weakened by 1% against RMB with all other variables held constant, the effect on the Company's total profit and other comprehensive income would have been as follows:

Unit: RMB million

	Effect on total profit		Effect on other comprehensive income	
	Appreciation	Depreciation	Appreciation	Depreciation
USD exchange rates	-297	297	—	—

In 2023, the Company paid close attention to the exchange rate market and further optimised the mix of currency denomination of the Company's debts by means of issuing super short-term debentures and corporate bonds and acquiring RMB borrowings, so as to reduce exchange rate volatility risks. Against the backdrop of the Company's expansion into the international market and the promotion of international business, it may be exposed to the risk of significant fluctuations in the currency exchange rates in certain countries, however, at present, the impact on the Company is relatively small due to the low percentage of revenue from such type, with overall risk being manageable, and the Company will also adopt various measures, such as local income and expenditure currency matching in the overseas market, to further minimise the impact arising from exchange rate fluctuations on the Company's operations.

8. Interest Rate Fluctuation Risk

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

As at 31 December 2023, assuming all other variables remain constant, if the interest rate had increased or decreased by 25 basis points, the effect on the Company's total profit and other comprehensive income would have been as follows:

Unit: RMB million

	Effect on total profit		Effect on other comprehensive income	
	Increase	Decrease	Increase	Decrease
Floating rate instruments	-231	231	3	-3

The Company launches transactions in derivatives to further optimise the Company's proportion of floating-rate debts to the USD-denominated debts in the future. At the same time, the Company 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 Group 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.

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 expanding into new international markets, conducting 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 its expansion into new international markets, commencement of external investments, mergers and acquisitions and restructuring existing businesses and assets.

11. Supply Chain Risk

Air transportation enterprises require essential facilities and equipment including aircraft, engines and aviation equipment, as well as flight, maintenance and operation systems that are suitable for operation and core technologies for their normal operations. If there is any abnormality in the operation of the Group's suppliers for essential facilities and equipment and core technologies in the supply chain, 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 supply chain of 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 in respect of the supply chain.

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 Company'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 Company 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 Company has strengthened the communication between capital markets and various investors, paid close attention to the Company's share price performance and media coverage, gave timely response to the market and strove to avoid abnormal fluctuations in the Company's share price.

13. Risk Associated with the Changes in Environmental Policy

The increasing importance attached to environmental policies including carbon emissions and noise control globally 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 industry is highly sensitive to external factors. Apart from above-mentioned risks, natural disasters and the navigational or personnel restrictions imposed by countries may also 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 the relevant losses and protect the interests of the shareholders.

Operating Revenues

In 2023, the Group's passenger revenue amounted to RMB104,576 million, representing an increase of 198.75% from last year, and accounted for 96.64% of the Group's traffic revenue. The passenger traffic volume was 182,299.38 million passenger-kilometres, representing an increase of 197.45% from last year.

The passenger revenue of domestic routes amounted to RMB83,986 million, representing an increase of 174.72% from last year, and accounted for 80.31% of the passenger revenue. The passenger traffic volume was 149,930.96 million passenger-kilometres, representing an increase of 153.99% from last year.

The passenger revenue of international routes amounted to RMB17,825 million, representing an increase of 325.93% from last year, and accounted for 17.05% of the passenger revenue. The passenger traffic volume was 28,846.07 million passenger-kilometres, representing an increase of 1,328.57% from last year.

The passenger revenue of regional routes amounted to RMB2,765 million, representing an increase of 1,014.92% from last year, and accounted for 2.64% of the passenger revenue. The passenger traffic volume was 3,522.35 million passenger-kilometres, representing an increase of 1,377.43% from last year.

In 2023, the Group's cargo and mail traffic revenue amounted to RMB3,634 million, representing a decrease of 53.23% from last year, and accounted for 3.36% of the Group's traffic revenue. The cargo and mail traffic volume was 2,504.35 million tonne-kilometres, representing a decrease of 4.01% from last year.

In 2023, the Group's other revenue amounted to RMB5,531 million, representing an increase of 56.64% from last year.

Operating Expenses

In 2023, the Group's total operating expenses was RMB121,089 million, representing an increase of 48.56% from last year. As air passenger traffic rebounded at a steady pace coupled with a healthy growth in passenger traffic volume and the number of passengers carried, a number of the Group's costs, including take-off and landing charges, catering supply expenses, depreciation and amortisation, increased year on year. In 2023, the 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 2023, the Group's aircraft fuel cost was RMB41,102 million, representing an increase of 84.89% from last year, and was mainly due to increase in the number of flights of the Group. The volume of refuelling increased by 104.23% from the same period last year, leading to an increase in aircraft fuel costs by RMB23,171 million. As crude oil prices decreased, the average price of aircraft fuel decreased by 9.47% from the same period last year, leading to a decrease in aircraft fuel cost by RMB4,299 million.

In 2023, the Group's take-off and landing charges amounted to RMB14,558 million, representing an increase of 132.82% from last year, and was primarily due to the increase in the number of flight take-offs and landings driven by recovery of demand for air passenger transportation.

In 2023, the Group's depreciation and amortisation amounted to RMB25,023 million, representing an increase of 14.73% from last year, and was primarily due to the increase in the traffic volume and the increase in the depreciation of components.

In 2023, the Group's wages, salaries and benefits amounted to RMB23,613 million, representing an increase of 15.27% from last year, and was primarily due to the increase in the traffic volume, leading to the increase in the flight hour fees of aircrew members.

In 2023, the Group's aircraft maintenance expenses amounted to RMB4,542 million, representing an increase of 35.34% from last year, and was primarily due to the increase in the traffic volume, and the increase in the aircraft and daily engine maintenance expenses.

In 2023, the Group's catering supply expenses amounted to RMB2,993 million, representing an increase of 190.58% from last year, and was primarily due to the increase in the number of passengers carried, leading to an increase in meals and on-board supplies.

In 2023, the Group's sales and marketing expenses amounted to RMB2,932 million, representing an increase of 249.46% from last year, and was primarily due to the increase in the number of passengers, leading to an increase in the administration expenses of the agency business and system reservation fees.

In 2023, the Group's contribution to the civil aviation development fund of the CAAC amounted to RMB1,056 million, representing an increase of 118.18% from last year, and was primarily due to the recovery of the aviation passenger transportation market and the increase in the Company's traffic volume.

Other Operating Income and Gains

In 2023, the Group's other operating income and gains amounted to RMB5,429 million, representing an increase of 50.26% from last year, and was primarily due to the increase in the number of passengers, increased investment in transportation capacity and the increase in income from co-operation routes.

Finance Income/Costs

In 2023, the Group's finance income amounted to RMB495 million, representing a decrease of 3.32% from last year. Finance costs amounted to RMB6,982 million, representing a decrease of 20.96% from last year, and was primarily due to the decrease in the exchange losses.

Net Loss during the Year

In 2023, net loss attributable to equity holders of the Company amounted to RMB8,168 million. In the same period in 2022, net loss attributable to equity holders of the Company amounted to RMB37,356 million. In 2023, the loss per share attributable to equity holders of the Company was RMB0.37. In 2022, the loss per share attributable to equity holders of the Company was RMB1.98.

Liquidity and Capital Structure

As at 31 December 2023, the Group had total assets of RMB284,733 million, representing a decrease of 1.28% from 31 December 2022. Its asset-to-liability ratio was 84.74%, representing a decrease of 3.93 percentage points from 31 December 2022. This ratio is calculated as total liabilities divided by total assets.

In particular, the Group's total current assets amounted to RMB25,663 million, which accounted for 9.01% of the total assets and represented a decrease of 8.48% from 31 December 2022. The Group's non-current assets amounted to RMB259,070 million, which accounted for 90.99% of the total assets and represented a decrease of 0.51% from 31 December 2022.

As at 31 December 2023, the Group had total liabilities of RMB241,270 million, comprising current liabilities of RMB106,264 million which accounted for 44.04% of total liabilities, and non-current liabilities of RMB135,006 million which accounted for 55.96% of total liabilities.

Among the current liabilities, interest-bearing liabilities (short-term bank borrowings, long-term bank borrowings due within one year, bonds payable due within one year and lease liabilities due within one year) amounted to RMB72,097 million, representing a decrease of 12.33% from 31 December 2022.

Among the non-current liabilities, interest-bearing liabilities (long-term bank borrowings, bonds payable and lease liabilities) amounted to RMB122,991 million, representing a decrease of 10.49% from 31 December 2022.

In 2023, 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 2023, the breakdown of the Group's interest-bearing obligations by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent As at 31 December 2023 Amount	As at 31 December 2023 Proportion (%)	As at 31 December 2022 Amount	As at 31 December 2022 Proportion (%)	Movement (%)
RMB	160,214	82.13	182,428	83.06	-12.18
USD	30,945	15.86	32,840	14.95	-5.77
Others	3,929	2.01	4,366	1.99	-10.01
Total	195,088	100.00	219,634	100.00	-11.18

As at 31 December 2023, the Group's interest-bearing liabilities included long-term and short-term bank borrowings and bonds payable equivalent to RMB110,541 million, representing a decrease of 8.82% from RMB121,231 million as at 31 December 2022. The breakdown by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent As at 31 December 2023	As at 31 December 2022	Movement (%)
RMB	106,694	117,094	-8.88
SGD	2,681	2,582	3.83
EUR	1,166	1,555	-25.02
Total	110,541	121,231	-8.82

As at 31 December 2023, the lease liabilities in the Group's interest-bearing liabilities amounted to RMB84,547 million, representing a decrease of 14.08% from RMB98,403 million as at 31 December 2022. The breakdown by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent As at 31 December 2023	As at 31 December 2022	Movement (%)
RMB	53,520	65,334	-18.08
USD	30,945	32,840	-5.77
HKD	19	172	-88.95
JPY	31	12	158.33
SGD	4	6	-33.33
Others	28	39	-28.21
Total	84,547	98,403	-14.08

Interest Rate Fluctuation

The interest-bearing liabilities of the Group include short-term interest-bearing liabilities and long-term interest-bearing liabilities, of which the proportion of interest-bearing liabilities with fixed interest rates is 50.28%, and the proportion of interest-bearing liabilities with floating interest rates is 49.72%. The Group's total interest-bearing liabilities as at 31 December 2023 and 31 December 2022 were equivalent to RMB195,088 million and RMB219,634 million (including long-term and short-term bank borrowings, lease liabilities, bonds payable and super short-term debentures), of which short-term interest-bearing liabilities accounted for 36.96% and 37.44%, respectively.

The Group's interest-bearing liabilities were primarily denominated in USD and RMB. As at 31 December 2023 and 31 December 2022, the Group's interest-bearing liabilities denominated in USD accounted for 15.86% and 14.95%, respectively, of total interest-bearing liabilities while the Group's interest-bearing liabilities denominated in RMB accounted for 82.13% and 83.06%, respectively, of total interest-bearing liabilities. Fluctuations in the USD and RMB interest rates have a relatively significant impact on the Group's finance costs. Through interest rate swap contracts, the Group may lock in interest rates to reduce the exposure to fluctuations in floating rate of the USD-denominated debts.

In 2023, the Group made careful assessments based on the derivatives market conditions and did not enter into any new interest rate swap contract transactions. As at 31 December 2023, the outstanding interest rate swap contracts held by the Group amounted to a notional amount of approximately USD189 million, which will expire between 2024 and 2025. As at 31 December 2022, such amount was approximately USD327 million.

Exchange Rate Fluctuation

As at 31 December 2023, the Group's total interest-bearing liabilities denominated in foreign currencies amounted to RMB34,874 million, of which interest-bearing liabilities denominated in USD accounted for 88.73% of all interest-bearing liabilities denominated in foreign currencies. In the case of significant fluctuations in the USD exchange rate, USD assets and liabilities will generate a larger amount of foreign exchange gains and losses, which will affect the Group's profitability and assets and liabilities. The Group can lock the exchange rate through forward currency contracts to hedge against the impact of fluctuations in the USD exchange rate.

In 2023, the Group made careful assessments based on the derivatives market conditions and did not carry out any foreign exchange hedging transactions. As at 31 December 2023, the Group had no outstanding foreign exchange forward contracts.

Fluctuation of Jet Fuel Prices

As one of the largest operating costs of the Group, the fluctuation of jet fuel prices has a significant impact on the efficiency of the Group. The Group can lock in jet fuel costs through crude oil swap contracts, crude oil call options, collar options portfolios, crude oil futures contracts etc., to reduce the adverse impact of jet fuel price fluctuations.

In 2023, the Group made careful assessments based on the derivatives market conditions and did not carry out any jet fuel hedging transactions. As at 31 December 2023, the Group had no outstanding jet fuel hedging contracts.

Pledges on Assets and Contingent Liabilities

As at 31 December 2023, the value of the Group's assets used to secure certain bank loans was RMB31,669 million, and as at 31 December 2022, the value of the Group's assets used to secure certain bank loans was RMB31,629 million, representing a year-on-year increase of 0.13%.

As at 31 December 2023, the Group had no significant contingent liabilities.

Capital Expenditure

According to the agreements that have been entered into in relation to aircraft and engines, as at 31 December 2023, the Group expected its capital expenditures for the coming three years on aircraft and engines to be approximately RMB63,215 million in total, including the expected capital expenditure of approximately RMB21,202 million, RMB22,347 million and RMB19,666 million for each year from 2024 to 2026, 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 Group 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 2023, the overseas assets of the Group amounted to RMB833 million, representing 0.29% of the total assets.

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 investment	Investment amount	Share holdings	Whether to consolidate	Accounting item	Source of capital	Progress as of balance sheet date	Whether involved in litigation	Disclosure date
Sichuan Air	Airline operations	No	Capital increase	600	10%	No	Equity investment designated at fair value through other comprehensive income	Daily operating capital	50% of capital increase completed	No	29 December 2023
CEA Import & Export	Import & export agency	No	Acquisition	430	100%	Yes	Investments in subsidiaries	Daily operating capital	Acquisition completed	No	21 December 2023
Total	/	/	/	1,030	/	/	/	/	/	/	/

2. Financial assets measured at fair value

Unit: RMB million

Type of assets	Amount at the beginning of the period	Profit and loss from changes in fair value in the period	Cumulative fair value changes included in equity	Impairment provision for the period	Purchase during the period	Sale/redemption during the period	Other changes	Amount at the end of the period
Derivative financial instruments	94.34	-45.66	48.68	–	–	–	–	48.68
Financial assets at fair value through profit or loss	71.76	-6.63	–	–	–	–	–	65.13
Equity investment designated at fair value through other comprehensive income	451.59	8.03	323.44	–	600.00	2.46	–	1,057.16
Total	617.69	-44.26	372.12	–	600.00	2.46	–	1,170.97

3. Investment in Securities

Unit: RMB million

Type of securities	Stock code	Stock abbreviation	Initial investment cost	Source of capital	Carrying amount at the beginning of the period	Profit and loss from changes in fair value in the period	Cumulative fair value changes included in equity	Investment profit and loss for the period	Carrying amount at the end of the period	Accounting Item
Share	00696	TravelSky	18.50	Equity acquisition	312.62	-53.14	–	1.54	259.48	Equity investments designated at fair value through other comprehensive income
Share	600000	Pudong Development Bank	122.14	Equity replacement	71.28	-6.47	–	3.13	64.81	Financial Assets at fair value through profit or loss
Share	600221	Hainan Airlines Holding	0.07	Debt-to equity swap	0.07	-0.02	–	–	0.05	Financial Assets at fair value through profit or loss
Total	/	/	140.71	/	383.97	-59.63	–	4.67	324.34	/

4. Analysis on major subsidiaries and affiliates

Unit: RMB million

Name of company	Date of establishment	Registered capital (RMB100 million)	Revenue	Net profit (losses are presented in "-")	Total assets	Net assets	Gearing ratio (%)
Eastern Air Jiangsu	1993	20.00	9,437	-522	13,324	-2,518	118.89
Eastern Air Wuhan	2002	17.50	4,016	-102	6,725	1,539	77.12
Eastern Air Yunnan	2010	36.62	9,851	-594	15,524	3,538	77.21
Shanghai Airlines	2010	55.00	10,337	-2,045	21,101	-3,922	118.59
China United Airlines	1984	13.20	7,111	1	11,962	2,284	80.90
OTT Airlines	2008	15.00	487	-585	2,594	184	92.89
Eastern Technology	2014	38.88	9,886	68	7,896	1,542	80.47

1 · **Eastern Air Jiangsu**

The headquarters of Eastern Air Jiangsu is located in Nanjing, Jiangsu Province, with Nanjing Lukou International Airport as the main operation base, which plays an important role within the Group in securing the Jiangsu market and developing the Shanghai hub of the Group. Eastern Air Jiangsu has long been deeply integrated into the national Yangtze River Delta integration and development strategy, and has built a regional hub route network with Nanjing as the core covering major provincial capitals in China and destinations in Japan, South Korea, Southeast Asia, Europe, America and Australia. By the end of 2023, Eastern Air Jiangsu had 104 routes, including 90 domestic routes, 7 international routes and 7 regional routes. In 2023, Eastern Air Jiangsu recorded revenue of RMB9,437 million, representing a 130.33% increase from last year. Its net loss amounted to RMB522 million, as compared to RMB3,041 million in the same period in 2022. Passenger traffic volume was 16,917.36 million passenger-kilometres, representing a 120.9% increase from last year. Number of passengers carried was 11,586,500, representing a 125.13% increase from last year. As of the end of 2023, Eastern Air Jiangsu operated a total of 73 A320 series aircraft.

2 · **Eastern Air Wuhan**

Headquartered in Wuhan, Hubei Province, and taking Wuhan Tianhe International Airport as its main operating base, Eastern Air Wuhan is the largest airline in the central region. Eastern Air Wuhan is committed to supporting the national policy of building an inland economy with a new height of openness, and offering high-quality express flights aiming at the Wuhan market. With a view to perfecting flight connections between "trunk and branch lines" to achieve free transits, it has built a route network that covers the whole province, radiates across the country and offer services to international destinations. By the end of 2023, Eastern Air Wuhan had 96 routes, including 2 international routes and 3 regional routes. In 2023, Eastern Air Wuhan recorded revenue of RMB4,016 million, representing a 180.78% increase from last year. Its net loss amounted to RMB102 million, as compared to RMB1,285 million in the same period in 2022. Passenger traffic volume was 6,932.36 million passenger-kilometres, representing a 160.51% increase from last year. Number of passengers carried was 6,179,500, representing a 155.56% increase from last year. As of the end of 2023, Eastern Air Wuhan operated a total of 34 B737 series aircraft.

3 · **Eastern Air Yunnan**

Headquartered in Kunming, Yunnan Province, with Kunming Changshui International Airport as its main operating base, Eastern Air Yunnan has built an international route network centered on Kunming and radiating to Southeast Asia, South Asia and West Asia. As of the end of 2023, Eastern Air Yunnan operated 112 routes, including 90 domestic routes and 20 international routes. The Group is the largest carrier based in Yunnan, and has all-inclusive functions covering service, security, operation, marketing, cargo, and aircraft maintenance, staying at the forefront in terms of route network and hub operation capability. In 2023, Eastern Air Yunnan recorded revenue of RMB9,851 million, representing a 113.05% increase from last year. Its net loss amounted to RMB594 million, as compared to RMB2,417 million in the same period in 2022. Passenger traffic volume was 15,920.37 million passenger-kilometres, representing a 120.52% increase from last year. Number of passengers carried was 11,361,500, representing a 102.72% increase from last year. As of the end of 2023, Eastern Air Yunnan operated 76 B737 series and B787 series aircraft in aggregate.

4 · **Shanghai Airlines**

Headquartered in Shanghai, Shanghai Airlines takes Shanghai Hongqiao International Airport and Shanghai Pudong International Airport as its main operating bases. With the guiding principle of "based in Shanghai, serving Shanghai", Shanghai Airlines focuses on the regions of Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hongkong-Macao, Chengdu-Chongqing to strengthen its main routes and create high-quality featured routes, forming an effective synergy with airline network of the Group. By the end of 2023, Shanghai Airlines operated 142 routes, including 115 domestic routes, 23 international routes and 4 regional routes. In 2023, Shanghai Airlines recorded revenue of RMB10,337 million, representing a 175.32% increase from last year. Its net loss amounted to RMB2,045 million, as compared to RMB4,469 million in the same period in 2022. Passenger traffic volume was 16,767.17 million passenger-kilometres, representing a 195.94% increase from last year. Number of passengers carried was 11,307,300, representing a 188.26% increase from last year. As of the end of 2023, Shanghai Airlines operated 86 B737 series and B787 aircraft in aggregate.

5 · **China United Airlines**

Headquartered in Beijing, China United Airlines takes Beijing Daxing International Airport as its main operation base and has built a "diamond-shaped" network around the Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong – Hongkong-Macao regions. Positioned as an innovative economic airline, China United Airlines is the main carrier of the Group's dual-brand strategy. By the end of 2023, China United Airlines served 84 cities nationwide and fly 119 routes. In 2023, China United Airlines recorded revenue of RMB7,111 million, representing a 241.47% increase from last year. Its net profit amounted to RMB1 million, as compared to a net loss of RMB1,946 million in the same period in 2022. Passenger traffic volume was 14,814.35 million passenger-kilometres, representing a 247.14% increase from last year. Number of passengers carried was 10,214,000, representing a 233.02% increase from last year. As of the end of 2023, China United Airlines operated 56 B737 series aircraft in aggregate.

6 · **OTT Airlines**

Headquartered in Shanghai, OTT Airlines takes Shanghai Pudong International Airport as its main operation base, and builds a "regional network" by opening up routes to nearby third- and fourth-tier cities which can provide good traffic volume and integrating with the Group's route network, in order to provide passengers with high-coverage transportation services. By the end of 2023, OTT Airlines operated flights to destinations for 20 cities nationwide and flying 24 routes. In 2023, OTT Airlines recorded revenue of RMB487 million, representing a 158.81% increase from last year. Its net loss amounted to RMB585 million, as compared to RMB407 million in the same period in 2022. Passenger traffic volume was 758.15 million passenger-kilometres, representing a 316.82% increase from last year. Number of passengers carried was 757,400, representing a 289.64% increase from last year. As of the end of 2023, OTT Airlines operated 17 ARJ series aircraft in aggregate.

Human Resources

As at 31 December 2023, the Group had 81,781 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	81,781
Number of staff of the parent company	44,956
Number of staff of major subsidiaries	36,825
Number of retired staff whose expenses are committed by the parent company and major subsidiaries	10,142

Composition of professionals

Category of professionals	Number of professionals
Pilots	10,559
Flight attendants and other aircrew	21,051
Maintenance personnel	13,029
Ground services and others	27,803
Operation control	1,613
Information technology	1,096
Sales and marketing	3,329
Management	3,301
Total	**81,781**

Education level

Category of education level	Number of staff
Master's degree and above	2,917
Bachelor's degree	42,352
Non-degree tertiary	26,255
Others	10,257
Total	**81,781**

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 2023, the proportion of female employees in the Company has reached 36.65%.

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 legitimate rights of the employees and the Company. 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, enhance the Group's market-based operation and business modernisation level, and taking into account the need for corporate growth and actual business conditions, 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 multiform 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 from entry-level to middle management.

Management Training

In 2023, the Group continued to carry out capability enhancement training for key management teams, such as middle and senior leaders, newly promoted managers and outstanding young talents, with courses covering management philosophy, leadership development, innovative thinking and other aspects, to comprehensively enhance the overall management capacity. During the year, a total of 147 sessions and 6,361 person-times of training have been completed.

The Group attaches great importance to the construction of the talent team, and has gradually perfected the training methods and trainer qualification system applied to outstanding young talents, with the "Swallow Program" and "Wings Program" as the mainstay. The Group efficiently undertook thematic management talent training and established a series of targeted training on service system enhancement. Innovative and optimizing ideas are added to the "Yangfan Plan" to continuously improve the overall competence and quality of middle and basic management cadres in a high-efficiency and highly interactive manner.

Core technician training

The Group has continuously optimised and improved flight, cabin, marketing and machine maintenance related training, enhanced the pertinence of on-the-job training, and strengthened the effectiveness of training. The Group continues to build the C919 flight training talent echelon, improve the flight training system of domestic civil aircraft, and implement the civil aviation ground service special vehicle trainer project based on VR technology. The Group has also organised regular vocational skill competitions for pilots and maintenance personnel to further enhance the core job skills of employees.

Reserve talent 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 2023.

Group Results

Further discussion and analysis on the business of the Group for the year ended 31 December 2023, 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 27 to 44 of this annual report.

The results of the Group for the year ended 31 December 2023 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	90,143	90,143
Regional (Hong Kong, Macau and Taiwan)	2,848	2,848
International	20,750	20,750
Total	113,741	113,741

Critical Accounting Policies

Critical accounting policies are defined as those which reflect significant judgements 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 material accounting policies are disclosed in the notes to the relevant financial line items or transactions in our audited consolidated financial statements and other accounting policies are set out in the summary in Note 49 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 judgements made in the preparation of these financial statements are identified and set forth in note 3 to our audited consolidated financial statements.

Dividend

On 28 March 2024, the Board considered and approved the 2023 profit distribution proposal at the second regular meeting in 2024, and recommended the Company not to distribute profit for 2023.

The aforesaid profit distribution proposal is subject to consideration at the 2023 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

1. As at 31 December 2023, the shareholding structure of the Company is set out as follows:

			Total number of shares	Approximate percentage in shareholding (%)
I	**A shares**		17,114,518,793	76.78
	1.	Listed shares with trading moratorium	3,633,883,040	16.30
	2.	Listed shares without trading moratorium	13,480,635,753	60.48
II	**H shares**		5,176,777,777	23.22
	1.	Listed shares with trading moratorium	–	–
	2.	Listed shares without trading moratorium	5,176,777,777	23.22
III	**Total number of shares**		22,291,296,570	100.00

Note:

As at 31 December 2023, the total number of A shares of the Company amounted to 17,114,518,793 shares, of which, 3,633,883,040 shares were listed shares with trading moratorium, 13,480,635,753 shares were listed shares without trading moratorium. The total number of H shares of the Company was 5,176,777,777 shares, of which, 0 share was listed shares with trading moratorium, 5,176,777,777 shares were listed shares without trading moratorium. The total number of shares issued by the Company amounted to 22,291,296,570 shares.

Total Number of Shareholders

As at 31 December 2023, the total number of registered shareholders of the Company was 187,312.

Non-public Offering of A Shares

In 2022, the Company has non-publicly issued 3,416,856,492 A shares, and the total amount of funds raised was approximately RMB15,000 million. 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. 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 2023, the Company utilized proceeds of RMB9.002 billion during the year. The accumulated amount of utilized proceeds was RMB13.502 billion. The unused balance of proceeds is RMB1.496 billion. The unused proceeds will be used for the introduction of 38 aircraft. The Company will pay for the aircraft according to the introduction pace in the future and is expected to be utilized by the end of 2025. The difference between the unused balance of proceeds and the balance of the fundraising account as of 31 December 2023 represents the interest on bank deposits of RMB150 million received. For details, please refer to the Company's announcement published on the website of the Hong Kong Stock Exchange dated 28 March 2024.

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

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

Substantial Shareholders

So far as the Directors are aware, as at 31 December 2023, 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	8,820,552,003(L)Note 2	Beneficial owner	51.54%(L)	39.57%(L)
		457,317,073(L)Note 2	Interests of controlled corporation	2.67%(L)	2.05%(L)
	H shares	2,717,386,000(L)Note 3	Interests of controlled corporation	52.49%(L)	12.19%(L)
CES Global	H shares	2,717,386,000(L)Note 3	Beneficial owner	52.49%(L)	12.19%(L)
Juneyao Group	A shares	77,958,002(L)Note 4	Beneficial owner	0.46%(L)	0.35%(L)
		808,441,233(L)Note 4	Interests of controlled corporation	4.72%(L)	3.63%(L)
	H shares	565,705,777(L)Note 5	Interests of controlled corporation	10.93%(L)	2.54%(L)
Juneyao Airlines	A shares	219,400,137(L)Note 4	Beneficial owner	1.28%(L)	0.98%(L)
		589,041,096(L)Note 4	Interests of controlled corporation	3.44%(L)	2.64%(L)
		77,958,002(L)Note 4	Others	0.46%(L)	0.35%(L)
	H shares	12,000,000(L)Note 5	Beneficial owner	0.23%(L)	0.05%(L)
		554,705,777(L)Note 5	Interests of controlled corporation	10.72%(L)	2.49%(L)
Juneyao Hong Kong	H shares	554,705,777(L)Note 5	Beneficial owner	10.72%(L)	2.49%(L)
Shanghai Jidaohang	A shares	589,041,096(L)Note 4	Beneficial owner	3.44%(L)	2.64%(L)
Wang Junjin	A shares	886,399,235(L)Note 4	Interests of controlled corporation	5.18%(L)	3.98%(L)
	H shares	566,705,777(L)Note 5	Interests of controlled corporation	10.79%(L)	2.51%(L)
Wang Han	A shares	886,399,235(L)Note 4	Interests of controlled corporation	5.18%(L)	3.98%(L)
	H shares	566,705,777(L)Note 5	Interests of controlled corporation	10.79%(L)	2.51%(L)
Ye Jinqi	A shares	886,399,235(L)Note 4	Interests of spouse	5.18%(L)	3.98%(L)
	H shares	566,705,777(L)Note 5	Interests of spouse	10.79%(L)	2.51%(L)

Notes:

1. 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) and by China Securities Depository and Clearing Corporation Limited.

2. 8,820,552,003 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.

3. CES Global directly held 2,717,386,000 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 2,717,386,000 H shares held directly by CES Global.

   As at 31 December 2023, CES Global had pledged 2,370,000,000 H shares. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 18 July 2023.

4. Based on the information provided by China Securities Depository and Clearing Corporation Limited, 77,958,002 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 77,958,002 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 886,399,235 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 all 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.

5. Juneyao Airlines directly held 12,000,000 H shares; and Juneyao Hong Kong directly held 554,705,777 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 554,705,777 H shares held directly by Juneyao Airlines and Juneyao Hong Kong; Juneyao Airlines is deemed to be interested in 554,705,777 H shares held directly by Juneyao Hong Kong; and Ms. Ye Jinqi is deemed to be interested in 566,705,777 H shares held indirectly by Mr. Wang Junjin.

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	39.57	8,820,552,003	113,746,036	3,633,883,040	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	21.10	4,702,910,775	268,890	–	Unknown
China National Aviation Fuel Holding Company	State-owned legal person	3.28	730,389,827	–	–	Nil
Shanghai Jidaohang Enterprise Management Company Limited	Domestic non-state owned legal person	2.64	589,041,096	–	–	Nil
DELTA AIRLINES INC	Overseas legal person	2.09	465,910,000	–	–	Nil
Shanghai Licheng Information Technology Consulting Co., Limited	Domestic non-state owned legal person	2.09	465,838,509	–	–	Nil
CES Finance Holding Co., Ltd.	State-owned legal person	2.05	457,317,073	–	–	Nil
China Securities Finance Corporation Limited	State-owned legal person	1.93	429,673,382	–	–	Nil
China State-owned Enterprises Mixed Ownership Reform 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	–	–	Nil
Hong Kong Securities Clearing Company Ltd.	Overseas legal person	1.11	247,941,819	59,046,336	–	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	5,186,668,963	RMB-denominated ordinary shares	5,186,668,963
HKSCC NOMINEES LIMITED	4,702,910,775	Overseas listed foreign shares	4,702,910,775
China National Aviation Fuel Holding Company	730,389,827	RMB-denominated ordinary shares	730,389,827
Shanghai Jidaohang Enterprise Management Company Limited	589,041,096	RMB-denominated ordinary shares	589,041,096
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 State-owned Enterprises Mixed Ownership Reform 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	RMB-denominated ordinary shares	341,685,649
Hong Kong Securities Clearing Company Ltd.	247,941,819	RMB-denominated ordinary shares	247,941,819

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 2023.
Description of any related party or concert party relationship among the above shareholders	CES Finance is 100% held by CEA Holding. Among the 4,702,910,775 shares held by HKSCC NOMINEES LIMITED, 2,717,386,000 shares were held by CES Global in the capacity of beneficial owner. CES Global was 100% held by CEA Holding. Among the 4,702,910,775 shares held by HKSCC NOMINEES LIMITED, 554,705,777 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 2,370 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 Date for listing and trading	 Number of shares newly available for listing and trading	Lock-up conditions
1	China Eastern Air Holding Company Limited	2,494,930,875	9 November 2024	–	Non-public issue, lock-up period of 36 months
		1,138,952,165	12 July 2024	–	Non-public issue, lock-up period of 18 months
Description of any related party or concert party relationship among the above shareholders		None			

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
CEA Holding	1,138,952,165	–	–	1,138,952,165	Non-public issuance of A shares from the Company	12 July 2024
CEA Holding	2,494,930,875	–	–	2,494,930,875	Non-public issuance of A shares from the Company	9 November 2024
UBS AG	358,314,350	358,314,350	–	–	Non-public issuance of A shares from the Company	12 July 2023
China State-owned Enterprises Mixed Ownership Reform 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	341,685,649	–	–	Non-public issuance of A shares from the Company	12 July 2023
China National Aviation Fuel Holding Company	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.)	182,232,346	182,232,346	–	–	Non-public issuance of A shares from the Company	12 July 2023
China Mobile Capital Holding Co., Ltd.	161,025,065	161,025,065	–	–	Non-public issuance of A shares from the Company	12 July 2023
Guotai Junan Assets (Asia) Ltd.	136,059,225	136,059,225	–	–	Non-public issuance of A shares from the Company	12 July 2023

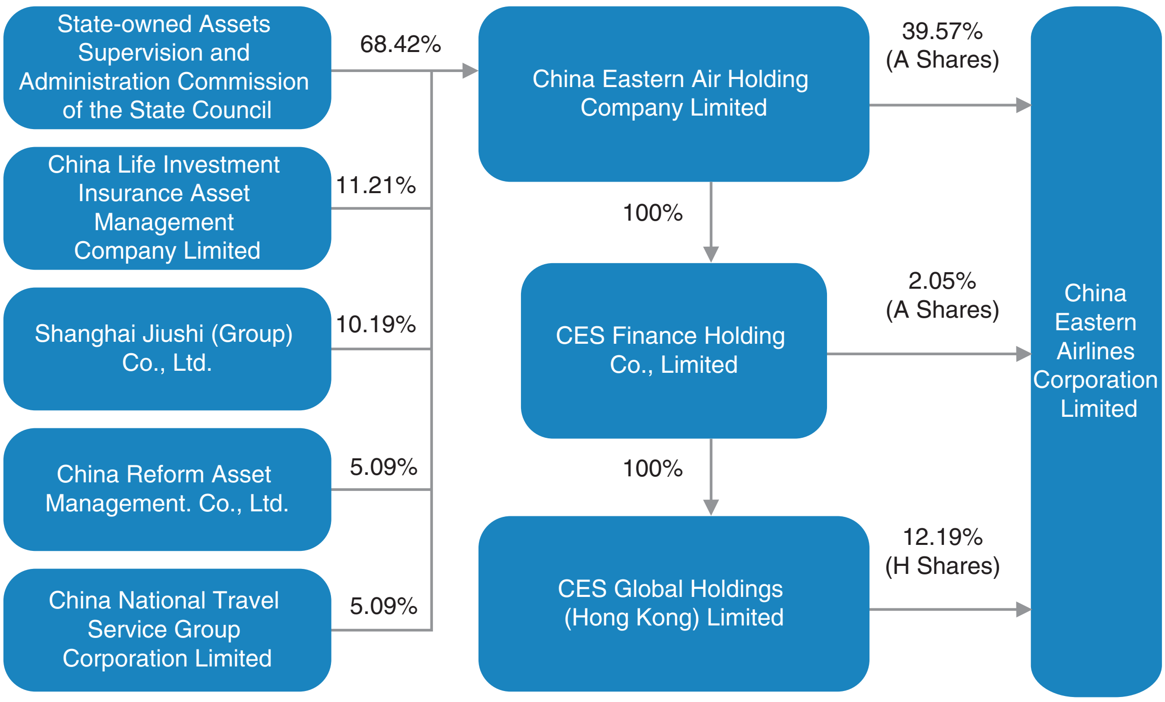
Name of Shareholders	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of shares with trading moratorium released during the Reporting Period	Number of additional shares subject to trading moratorium during the Reporting Period	Number of shares subject to trading moratorium at the End of the Reporting Period	Reason for trading moratorium	Expiry date of trading moratorium
AVIC Industry-Finance Holdings Co., Ltd.	113,872,437	113,872,437	–	–	Non-public issuance of A shares from the Company	12 July 2023
GF Fund Management Co., Ltd.	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.	102,505,694	102,505,694	–	–	Non-public issuance of A shares from the Company	12 July 2023
Nuode Asset Management Company Limited	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.	68,337,129	68,337,129	–	–	Non-public issuance of A shares from the Company	12 July 2023
Shanghai Alliance Investment Ltd.	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)	56,947,608	56,947,608	–	–	Non-public issuance of A shares from the Company	12 July 2023
Gf Securities Co., Ltd.	50,113,895	50,113,895	–	–	Non-public issuance of A shares from the Company	12 July 2023
Lombarda China Fund Management Co., Ltd.	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))	45,558,086	45,558,086	–	–	Non-public issuance of A shares from the Company	12 July 2023
Taikang Assets Management Co, Ltd.	45,558,086	45,558,086	–	–	Non-public issuance of A shares from the Company	12 July 2023
呂強	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)	45,558,086	45,558,086	–	–	Non-public issuance of A shares from the Company	12 July 2023
Total	5,911,787,367	2,277,904,327	–	3,633,883,040	/	/

Controlling Shareholder and De Facto Controller

Name	China Eastern Air Holding Company Limited
Person in charge or legal representative	Wang Zhiqing
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 13.16% equity of Juneyao Airlines (stock code 603885.SH); Indirectly holds 0.13% equity of Trip.com Group (stock code 09961.HK); Indirectly holds 4.58% equity of Air France-KLM (stock code AF.PA); Indirectly holds 0.13% 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 as of 31 December 2023 is as follow:



Purchase, Sale or Redemption of Securities

During the year ended 31 December 2023, 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 D2 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 2023 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: Actual amount received in 2023 (RMB10,000)	Total pre-tax remuneration received from the Company during the Reporting Period: 2022 Annual Salary Redemption (RMB10,000)	Whether remuneration is received from related parties
Wang Zhiqing	Chairman of the Board	Male	57	20 November 2023	29 April 2024	–	–	–	–	–	Yes
Li Yangmin	Vice Chairman President	Male	60	31 December 2019	29 April 2024	3,960 (A shares)	3,960 (A shares)	–	–	–	Yes
Tang Bing	Director	Male	56	31 December 2019	29 April 2024	–	–	–	–	–	Yes
Lin Wanli	Director	Male	62	23 June 2021	29 April 2024	–	–	–	–	–	No
Cai Hongping	Independent Director	Male	69	31 December 2019	29 April 2024	–	–	–	20	–	No
Dong Xuebo	Independent Director	Male	69	31 December 2019	29 April 2024	–	–	–	10	–	No
Sun Zheng	Independent Director	Male	66	23 June 2021	29 April 2024	–	–	–	20	–	No
Lu Xiongwen	Independent Director	Male	57	23 June 2021	29 April 2024	–	–	–	20	–	No
Jiang Jiang	Employee representative Director	Male	59	28 December 2020	29 April 2024	–	–	–	–	–	Yes
Guo Lijun	Chairman of the Supervisory Committee	Male	52	29 March 2021	29 April 2024	–	–	–	74.79	41.47	No
Fang Zhaoya	Supervisor	Male	55	31 December 2019	29 April 2024	–	–	–	–	–	Yes
Zhou Huaxin	Employee representative Supervisor	Male	52	10 December 2020	29 April 2024	–	–	–	57.22	20.07	No
Zhou Qimin	Chief Financial Officer	Male	56	28 August 2020	29 April 2024	–	–	–	–	–	Yes
	Vice President			18 January 2021	29 April 2024						
Feng Dehua	Vice President	Male	58	31 December 2019	29 April 2024	–	–	–	–	–	Yes
Cheng Guowei	Vice President	Male	53	15 January 2020	29 April 2024	–	–	–	–	–	Yes
Liu Tiexiang	Vice President	Male	57	29 April 2020	29 April 2024	–	–	–	–	–	Yes
Wan Qingchao	Vice President	Male	52	28 September 2023	29 April 2024	–	–	–	–	–	Yes
Wang Jian	Board Secretary	Male	50	31 December 2019	29 April 2024	–	–	–	74.73	40.16	No
Xi Sheng	Vice President	Male	60	18 January 2021	21 April 2023	–	–	–	–	–	Yes
Total	/	/	/	/	/	**3,960 (A shares)**	**3,960 (A shares)**		**276.74**	**101.70**	/

Note: The total remuneration before tax in 2023 refers to the remuneration before tax actually received by the directors, supervisors and senior management during their terms of office in 2023 and the annual salary in 2022.

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

Mr. Wang Zhiqing, aged 57, is currently the chairman and secretary of Party Committee of the Company, the chairman and secretary of Party Leadership Group of CEA Holding, a holder of PhD in management, and a representative of the 20th National Congress of the Communist Party of China. Mr. Wang joined the civil aviation industry in 1988 and served as the deputy director of the Department of Planning, Development and Finance and the deputy director of Department of Planning and Development of the Civil Aviation Administration of China, the director of the General Office and the director of the Department of General Affairs of the Civil Aviation Administration of China, and the secretary of Party Committee and deputy director, director and deputy secretary of Party Committee of the Northwest Regional Administration of Civil Aviation of China. He served as the deputy director and a member of Party Leadership Group of the Civil Aviation Administration of China from March 2014 to February 2019. He served as a member of Party Leadership Group and the chief planner and the director of the General Planning Department of the Ministry of Transport from February 2019 to February 2021. He served as a member of Party Leadership Group and the deputy director of the Ministry of Transport from February 2021 to November 2021. He served as the deputy secretary-general of the State Council and a member of Party Leadership Group of the State Council from November 2021 to October 2023. He has been the chairman, the secretary of Party Leadership Group of CEA Holding and the secretary of Party Committee of the Company since October 2023. He has served as the chairman of the Company since November 2023. Mr. Wang also serves as a member of the Standing Committee of the 16th Shanghai Municipal People's Congress. Mr. Wang graduated from the Department of Road and Transportation Engineering of Tongji University and graduated from Nanjing University of Aeronautics and Astronautics, majoring in management science and engineering.

Mr. Li Yangmin, aged 60, 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. 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, aged 56, 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 (a company listed on the Hong Kong Stock Exchange (stock code: 01055) and on the Shanghai Stock Exchange (stock code: 600029)). 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, aged 62, is currently a Director of the Company. 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, an external director of central state-owned enterprise and an Independent Director of the Company. Mr Lin has been an external director of CEA Holding from December 2020 to March 2024 and a Director of the Company since June 2021. 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, aged 69, 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. (a company listed on the Shanghai Stock Exchange, stock code: 600000) and BYD Company Limited (a company listed on the Shenzhen Stock Exchange, stock code: 002594), and an external director of China Merchants Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600036). Mr. Cai graduated from Fudan University, majoring in mass communications.

Mr. Dong Xuebo, aged 69, 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, 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 and China National Machinery Industry Corporation. Since December 2019, Mr. Dong has served as an Independent Director of the Company. Mr. Dong obtained a postgraduate degree.

Mr. Sun Zheng, aged 66, is currently an Independent Director of the Company, a senior professor at Shanghai University of Finance and Economics China. Mr. Sun was the vice president of Shanghai University of Finance and Economics. 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. (a company listed on the Shanghai Stock Exchange, stock code: 601229) and SAIC Motor Corporation Limited (a company listed on the Shanghai Stock Exchange, stock code: 600104) and an external supervisor of Industrial Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601166). 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, aged 57, 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. (a company listed on the Shanghai Stock Exchange, stock code: 600019), 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, aged 59, 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, aged 52, 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 from April 2021 to January 2024. Since July 2023, he has been acting as the general manager of Eastern Airline Logistics Co., Limited. Since November 2023, he has also served as the chairman of Eastern Airline Logistics Co., Limited. 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, (former name: Fang Zhaoya as 方召亞), aged 55, 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, aged 52, 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 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. Zhou Qimin, aged 56, 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 researcherlevel senior accountant.

Mr. Feng Dehua, aged 58, 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. From February 2020 to November 2023, has served as the chairman of Eastern Logistics (a company listed on the Shanghai Stock Exchange, stock code: 601156). Since August 2023, he has been a director of Juneyao Airlines Co., Ltd. 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, aged 53, 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 professorate senior engineer.

Mr. Liu Tiexiang, aged 57, 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", a company listed on the Hong Kong Stock Exchange (stock code: 00753) and on the Shanghai Stock Exchange (stock code: 601111)). 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. Wan Qingchao, aged 52, is currently a vice president and party member of the Company and a vice president and party member of CEA Holding. Mr. Wan joined the civil aviation industry in 1995 and served as the operation director of the operation control center and senior manager of operation management of Air China, etc. Mr. Wan served as the deputy general manager of the operation control center, the party member and the operating officer of Air China from March 2011 to March 2017, the party secretary and vice president of Air China Inner Mongolia Co., Ltd from March 2017 to April 2018, the president and vice party secretary of Air China Inner Mongolia Co., Ltd from April 2018 to May 2023, the safety director of Air China Inner Mongolia Co., Ltd. from March 2017 to January 2019, the director, president and vice party secretary of Shenzhen Airlines Co., Ltd. from May 2023 to August 2023. He has been a member of the party leadership group of CEA Holding since August 2023 and the vice president and party member of the Company and the vice president of CEA Holding since September 2023. Mr. Wan graduated from the School of Management Engineering of Tianjin University, majoring in industrial management, and Guanghua School of Management of Peking University with a postgraduate degree in business administration and is a qualified senior engineer.

Mr. Wang Jian, aged 50, 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 (a company listed on the Hong Kong Stock Exchange (stock code: 01055) and on the Shanghai Stock Exchange (stock code: 600029)). 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 of Eastern Airlines Industry Investment Company Limited from November 2016 to January 2024. He served as a director of Eastern Logistics (a company listed on the Shanghai Stock Exchange, stock code: 601156) from June 2017, and also served as a director of AFK (a company listed on the Euronext Paris, Amsterdam, stock code: AF.PA) 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. Xi Sheng, aged 60, 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, the general manager of audit department of the Company and CEA Holding from November 2018 to May 2020, a party member of CEA Holding from January 2018 to March 2023, and a vice president of CEA Holding from January 2018 to April 2023. From January 2021 to April 2023, he served as a vice president 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).

Changes in the Members of the Board and Management Personnel

Appointment

Name	Date of Appointment	Reason for Change	Position
Wang Zhiqing	20 November 2023	Elected by the Board	Chairman of the Board
	20 November 2023	Elected by general meeting	Director
Wan Qingchao	28 September 2023	Appointed by the Board	Vice President

Note: Mr. Wang Zhiqing obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 5 November 2023, and Mr. Wang Zhiqing confirmed that he understood his obligations as a Director of the Company.

Cessation

Name	Date of Cessation	Reason for Change	Position
Xi Sheng	21 April 2023	Work arrangements	Vice President

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 21 April 2023, 28 September 2023 and 20 November 2023.

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

Name	Name of other entities	Position(s) held	Date of appointment	Date of cessation
Wang Zhiqing	CEA Holding	Chairman	October 2023	
	CEA Holding	Party secretary	October 2023	
Li Yangmin	Juneyao Airlines Co., Ltd.	Director	November 2019	August 2023
Lin Wanli	CEA Holding	External director	December 2020	March 2024
	China National Agricultural Development Group Co., Ltd.	External director	February 2017	October 2023
Cai Hongping	COSCO SHIPPING Development Co., Ltd.	Independent director	June 2016	February 2023
Dong Xuebo	China National Machinery Industry Corporation	External director	December 2019	May 2023
Sun Zheng	Shanghai Rural Commercial Bank Co., Ltd.	Independent director	April 2017	March 2023
	Industrial Securities Co., Ltd.	Independent director	June 2017	November 2023
	Industrial Bank Co., Ltd.	External supervisor	May 2023	
Guo Lijun	CES International Financial Leasing Corporation Limited	Chairman	April 2021	January 2024
	Eastern Airline Logistics Co., Limited	Chairman	November 2023	
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
Feng Dehua	Eastern Airline Logistics Co., Limited	Chairman	February 2020	November 2023
	Juneyao Airlines Co., Ltd.	Director	August 2023	
Cheng Guowei	Shanghai Eastern Aircraft Maintenance Co., Ltd.	Chairman	October 2019	December 2023
Wan Qingchao	CEA Holding	Party member	August 2023	
	CEA Holding	Vice President	September 2023	
Wang Jian	Eastern Airlines Industry Investment Company Limited	Chairman	February 2019	January 2024
	Eastern Airlines Industry Investment (Hong Kong) Company Limited	Chairman	April 2019	March 2024
Xi Sheng	CEA Holding	Chief auditor	September 2009	April 2023
	CEA Holding	Vice President	January 2018	April 2023
	CEA Holding	Party member	January 2018	March 2023

Shareholdings of Directors, Chief Executive, Supervisors and Senior Management

Save as disclosed above, as at 31 December 2023, 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 2023 and as at 31 December 2023, 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 D2 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 2023, purchases by the Company from the five largest suppliers was RMB38,598 million, accounting for 34.32% of the annual operating expenses. Among which, purchases from the largest supplier accounted for 21.11% of the operating expenses. Total income from sales to the Company's five largest customers amounted to approximately RMB17,411 million, accounting for 15.31% of the Company's operating income. Among which, revenue from sales to the largest customer accounted for 5.51% 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.

Key Relationships with Employees, Customers and Suppliers

The Group adheres to a people-oriented approach and ensures that all employees are reasonably remunerated, while continuously improving and regularly reviewing and updating its policies on remuneration and benefits, training, and occupational health and safety.

The Group maintains a good relationship with its customers and has established a customer complaint handling mechanism to receive, analyze and study complaints and to recommend remedial measures with a view to enhancing the quality of its products and services.

The Group maintains a good relationship with its suppliers and conducts fair and rigorous evaluations of its suppliers on an annual basis.

Taxation

The Company is subject to income tax at a rate of 25% (2022: 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 RMB80,371 million as at 31 December 2023 (2022: RMB74,064 million), which can be used to offset future taxable income between 2024 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) (《關於個人所得税若干政策問題的通知》(財税字[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 2023, the Group's medical insurance contributions charged to profit or loss amounted to RMB941 million (2022: RMB949 million).

Employee Retirement Scheme

Details of the Company's employee retirement scheme and post-retirement benefits are set out in note 38 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 2023 are set out in note 36 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 2023 was RMB470 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 2023 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 2023, the Group made donations for charitable purposes amounting to approximately RMB1 million.

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

During the year ended 31 December 2023, 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 Company 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 D2 to the Listing Rules).

Material Litigation

As at 31 December 2023, the Group was not involved in any material litigation, arbitration or claim.

Future Plans for Material Investments and Acquisition of Capital Assets

As at 31 December 2023, the Group did not have any future material investments or acquisition of capital assets approved by the Board.

Significant Events

(1) On 12 January 2023, the procedures of registration, custody and trading moratorium for the non-public issuance of 3,416,856,492 A shares by the Company with China Securities Depository and Clearing Corporation Limited, Shanghai Branch were completed. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 13 January 2023.

(2) 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 (the "**ADSs**") from the New York Stock Exchange and deregistration of such ADSs and the underlying overseas listed foreign shares under the U.S. Securities Exchange Act of 1934, as amended. The delisting of ADSs became effective on 3 February 2023 (U.S. Eastern Time) and deregistration of such ADSs and the underlying overseas listed foreign shares became effective on 8 May 2023 (U.S. Eastern Time). The ADSs program was terminated on 8 May 2023 (U.S. Eastern Time). For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 13 January 2023 and 9 May 2023.

(3) On 12 July 2023, the non-public issuance of 2,277,904,327 A shares with trading moratorium by the Company were listed. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 6 July 2023.

(4) CEA Holding, the controlling shareholder of the Company, and CES Finance Holding Co., Limited, a wholly-owned subsidiary of CEA Holding, intended, via its wholly-owned subsidiary CES Global Holdings (Hong Kong) Limited, to increase the shareholdings of the A shares and the H shares of the Company with their own funds within 12 months from the date of the first increase in shareholdings on 12 September 2023 in compliance with certain market conditions, with a proposed cumulative amount of increase in the shareholdings of not less than RMB500 million (inclusive) but not exceeding RMB1,000 million (inclusive). As of the market close on 26 February 2024, CEA Holding has cumulatively increased its shareholding in the A shares of the Company by 113,746,036 shares; and CES Finance has cumulatively increased its shareholding in the H shares of the Company by 109,370,000 shares, with the additional shareholding reaching 1% of the total share capital of the Company. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 12 September 2023, 27 September 2023 and 26 February 2024.

(5) On 28 September 2023, the 24th ordinary meeting of the 9th session of the Board of the Company considered and approved the Resolution on the Introduction of Domestic Aircraft by the Company. The Company proposed to purchase 100 C919 series aircraft from COMAC and signed an agreement between the two parties on the same day. The resolution is subject to the consideration at the general meeting. For details, please refer to the announcement and circular of the Company published on the website of the Hong Kong Stock Exchange on 28 September 2023 and 30 November 2023.

(6) On 27 October 2023, the 5th regular meeting of the Board of the Company in 2023 considered and approved the Resolution on Obtaining Finance by the Company by Issuing Perpetual Bond to CEA, and on 21 November 2023, the Company entered into the Perpetual Bond Agreement with CEA Holding, pursuant to which the Company issued a perpetual bond of RMB20.0 billion to CEA Holding, the controlling shareholder of the Company. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 27 October 2023 and 22 November 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 continuing connected transactions of the Company in 2023 are as follows:

Unit: RMB million

Approved category	**Actual amount incurred up to 31 December 2023**	**2023 estimated transaction caps**
Financial services – maximum balance of deposits per day	13,703	15,000
Financial services – maximum balance of comprehensive credit line per day *(pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)*	2,800	15,000
Financial services – total amounts of the service fees of other financial services *(pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)*	11	39
Catering-related services and on-board supplies support services – amount paid	2,393	4,000
Businesses related to catering support services – as a lessor – amount of annual rent and onboard supplies – amount received	88	220
Businesses related to catering support services – as a lessee – annual rent of properties leasing – amount paid	3	8
Businesses related to catering support services – as a lessee – total value of right-of-use assets of property leasing	4	160
Aviation ancillary services – amount paid	656	1,750
Aviation ancillary services – total value of right-of-use assets[1]	952	2,070
Import and export services – amount paid[5]	195	800
Properties leasing and construction and management agency services – as a lessor – annual rent of properties leasing – amount received	4	6
Properties leasing and construction and management agency services – as a lessee – annual rent of properties leasing and fees for construction and management agency services – amount paid	156	400
Properties leasing and construction and management agency services – as a lessee – total value of right-of-use assets of property leasing[2]	163	735
Advertising agency services – amount paid	24	80
Total amount for leasing of aircraft and engines – amount paid[3]	–	USD1,500 million or equivalent RMB
Total value of right-of-use assets of leasing of aircraft and engines[4]	–	USD1,250 million or equivalent RMB
Freight logistics business support services – amount received	435	690
Cargo terminal business support services – amount paid	470	820
Transportation service fees of exclusive operation service for passenger aircraft cargo business – amount received	3,634	8,900
Aviation Internet services – amount paid	61	72
Aviation information technology services – amount paid *(pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange)*	623	850
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)*	78	310
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	130

Notes:

1. The total value of right-of-use assets for the involved vehicle equipment leasing at the end of the reporting period;
2. The total value of right-of-use assets for the involved property leasing under properties leasing and construction and management agency services at the end of the reporting period;
3. The total amount includes the total lease amount, interest and arrangement charge for the newly-introduced finance lease aircraft, operating lease aircraft and engines;
4. The total value of right-of-use assets for the newly-introduced finance lease aircraft, operating lease aircraft and engines for the reporting period;
5. In December 2023, CEA Technic, a wholly-owned subsidiary of the Company, acquired 55% equity interests of China Eastern Import & Export Co., Ltd. ("CEA Import & Export") held by CEA Holding. The actual amount incurred from the aforesaid continuing connected transactions for import and export services represents the amount incurred from the beginning of 2023 to the date of acquisition.

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. The followings set out the connected person relationship and annual caps for 2023 under the renewed continuing connected transactions:

Unit: RMB million, other than USD

Agreements	Counterparties and connected person relationship	The annual caps for financial year ended 31 December 2023
Financial Services Agreement	Eastern Air Group Finance Co., Ltd., which is directly interested as to approximately 53.75% by CEA Holding, and is thus an associate of CEA Holding.	
– Balance of deposit		15,000
Aircraft and Engines Lease Agreement (2023-2025)	CES International Financial Leasing Corporation Limited ("CES Lease Company") 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.	
– Rental in total		USD1,500 million or equivalent RMB
– Total right-of-use assets value		USD1,250 million or equivalent RMB
Import and Export Services Agreement	CEA Import & Export, which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	800
Flight Complementary Services Agreement	CEA Development Co., Ltd., which is a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	
– Total amounts payable		1,750
– Total right-of-use assets value for lease of exclusive vehicles and equipment		2,070
Catering Services and Related Services Agreement	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.	
– services received		4,000
– the Company as the lessee — annual rent		8
– the Company as the lessee — total value of right-of-use assets		160
– the Company as the lessor — annual rent		220

Agreements	Counterparties and connected person relationship	The annual caps for financial year ended 31 December 2023
Property Leasing and Construction and Management Agency Agreement	CEA Holding, which is directly or indirectly interested in approximately 56.43% of the issued capital of the Company as at the transaction date, and thus is a controlling Shareholder of the Company. Shanghai Eastern Airlines Investment Co., Ltd., which is a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	
– Amounts of rental and fee payable		400
– Total right-of-use assets value		735
Advertising Services Agreement	China Eastern Media Co., Ltd. ("China Eastern Media"), which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	80
Freight Logistics Daily Connected Transactions Framework Agreement	Eastern Airline Logistics Co., Limited, 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.	
– Amount received for freight logistics business support services		690
– Amount paid for cargo terminal business support services		820
Exclusive Operation Agreement of 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.	
– Transportation service fees received for passenger aircraft cargo business		8,900
Aviation Airborne Communication Agreement	KDlink Technology Co., Ltd, which is directly held as to 42.50% by Eastern Airlines Industry Investment Company Limited, a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	72

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 26 September 2022, 12 October 2022 and 25 October 2022.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions in 2023, and confirmed that:

(a) the transactions were entered into in the ordinary and usual 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 judgement 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 2023 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong 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.

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 Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Connected Transaction

(1) 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 China Eastern Import & Export Co., Ltd. by Eastern Airlines Technic Co., Ltd., and on 21 December 2023, CEA Technic, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with CEA Holding, pursuant to which CEA Technic shall acquire 55% equity interests of CEA Import & Export held by CEA Holding at a consideration for the equity acquisition of approximately RMB429,923,400. CEA Holding is the controlling Shareholder of the Company, holding 53.80% equity interests in the Company as at the transaction date. Therefore, CEA Holding is a connected person of the Company within the meanings of the Listing Rules. While CEA Technic intends to acquire 55% equity interests of CEA Import & Export held by CEA Holding, the Company intends to increase the capital of CEA Technic with its 45% equity interests in CEA Import & Export. Upon completion of the above equity adjustment involving CEA Import & Export, CEA Import & Export will become a wholly-owned subsidiary of CEA Technic. After the optimisation and adjustment of the shareholding of CEA Technic, CEA Import & Export can utilise the integration of internal and external resources to build a sound supply chain system for aviation supplies management, build an efficient network of aviation supplies, strengthen the construction of capabilities in operation and disposal and marketing of aviation supplies, and further control maintenance costs, expand third-party aviation supplies service business, thereby enhancing the core competitiveness of CEA Technic segments and promoting the high-quality development of aviation maintenance business. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 14 December 2023 and 21 December 2023.

(2) 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 China Eastern Media Co., Ltd. by China Eastern Airlines E-Commerce Co., Ltd., and on 24 January 2024, China Eastern Airlines E-Commerce Co., Ltd. ("Eastern E-Commerce"), a wholly-owned subsidiary of the Company, entered into the Equity Transaction Contract with CEA Holding, pursuant to which Eastern E-Commerce shall acquire 55% equity interests of China Eastern Media held by CEA Holding at a consideration for the equity acquisition of approximately RMB126,203,000. The CEA Holding is the controlling Shareholder of the Company, holding 53.8794% equity interests in the Company as at the transaction date. Therefore, CEA Holding is a connected person of the Company within the meanings of the Listing Rules. Eastern E-Commerce's acquisition of equity interest of China Eastern Media 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. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 14 December 2023 and 24 January 2024.

Provision of Guarantees

As at 31 December 2023, the balance of the external guarantee provided by the Company for its wholly-owned SPV, was approximately RMB1,053 million, and the guarantee amount was within the authorized amount approved by the general meeting, and there was no violation of the guarantees.

Engagement and Dismissal of Auditors

On 30 March 2021, the Board of the Company convened the second regular meeting in 2021. 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 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, the Company changed the accounting firm. On 23 June 2021, as considered and approved by the Company's 2020 Annual General Meeting, PricewaterhouseCoopers Zhong Tian LLP was appointed as the Company's China (A-share) financial reporting auditor, U.S. (ADR) financial reporting auditor and internal control auditor (on 13 January 2023, the Company has notified the New York Stock Exchange of its application for voluntary delisting of its American depositary shares (ADR) from the New York Stock Exchange), and PricewaterhouseCoopers was appointed as the Company's international (H-share) financial reporting auditor.

The second regular meeting of the Board of the Company in 2023 and the 2022 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 2023, and agreed to engage PricewaterhouseCoopers Zhong Tian LLP as the 2023 PRC domestic financial reporting auditor and internal control auditor, and to engage PricewaterhouseCoopers as the international financial reporting auditor of the Company for the year 2023. In 2023, the total fee for the provision of financial reporting and internal control audit services for the Company amounted to RMB11 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 RMB1 million.

This financial report has been audited by PricewaterhouseCoopers. It will retire at the 2023 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 2024.

On behalf of the Board

Wang Zhiqing
Chairman

Shanghai, the PRC
28 March 2024

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, the Rules of Procedures for General Meetings, the Rules of Meeting of the Board, the Rules of Meeting of the Supervisory Committee, the Working Regulations of Presidents, the Working Regulations of Independent Directors, the Detailed Working Rules of the Audit and Risk Management Committee, the Detailed Working Rules of the Planning and Development Committee, the Detailed Working Rules of the Nomination and Remuneration Committee, the Detailed Working Rules of the Aviation Safety and Environment Committee, the Management System for Information Disclosure Affairs, the Regulations for the Management of Investor Relationship, the Regulations for the Management of Connected Transactions.

As at 31 December 2023 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 2023 met the requirements under the code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix C1 of the Listing Rules.

General Meetings and Shareholders

General Meetings

In 2023, the Company convened two general meetings in total. The main information is as follows:

On 30 May 2023, the Company held the 2022 Annual General Meeting, on which all of the 10 proposed resolutions were considered and approved and one report was heard. 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 30 May 2023.

On 20 November 2023, the Company held the first Extraordinary General Meeting in 2023, on which 1 proposed resolution was considered and approved. 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 20 November 2023.

Attendance rate of Directors at general meetings was as follows:

Directors	Attendance/ Eligibility of Meetings	Attendance Rate
Wang Zhiqing	1/1	100%
Li Yangmin	2/2	100%
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%

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;

- 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 reviewing the financial statements prepared by 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. In order to ensure the balance of powers and authorisation, the roles of the chairman and the chief executive officer have been clearly defined. The chairman of the Company is Mr. Wang Zhiqing, and 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 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 2023.

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 2023, 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 Working Rules for Special Meeting of the Independent Directors, the Implementation Measures for the Investment Responsibility Investigation on Illegal Operations, and revised and improved the Articles of Association, Rules of Procedures for the General Meeting, Detailed Working Rules of the Audit and Risk Management Committee of the Board of Directors, Detailed Working Rules of the Nomination and Remuneration Committee of the Board of Directors, the Work Regulations on Annual Report for the Audit and Risk Management Committee of the Board of Directors, the Working Regulations of Secretary of the Board of Directors, the Regulations for the Management of Connected Transactions, the Regulations for the Management of Raised Funds, the Management System for Information Disclosure Affairs, the Regulations for the Management of Investor Relationship, Regulation of Inside Information Registration Management, the Internal Audit Management Regulations, the Working System for Independent Director and the Management Measures for Guarantee.

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 11 meetings in 2023. Details of attendance of each Director at the Board meetings during the Reporting Period were as follows:

Directors	Attendance/ Eligibility of Meetings	Attendance rate
Wang Zhiqing	3/3	100%
Li Yangmin	11/11	100%
Tang Bing	11/11	100%
Lin Wanli	11/11	100%
Cai Hongping	11/11	100%
Dong Xuebo	11/11	100%
Sun Zheng	11/11	100%
Lu Xiongwen	11/11	100%
Jiang Jiang	11/11	100%

Note: All directors have attended relevant board meetings in person.

Directors

As at 31 December 2023, the Board consisted of nine Directors, including Mr. Wang Zhiqing (Chairman), Mr. Li Yangmin (Vice 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). For details of biographies and appointments of each Director, please refer to the "Report of the Directors" of this report.

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 still considers that they are independent and shall be able to exercise independent judgement 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 connected transaction, profit distribution, external guarantees, the selection and appointment of directors, supervisors and 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 and Supervisors

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as the securities transactions code for the Directors and Supervisors. 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 2023.

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 111 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
The Listed Companies Association of Shanghai: Training courses for directors, supervisors and executives of listed companies in Shanghai in 2022	Tang Bing, Jiang Jiang
Shanghai Regulatory Bureau and China Association for Public Companies: Online training course themed Policy Interpretation on the Comprehensive Registration System Reform	Cai Hongping
Shanghai Stock Exchange: The first session of training for independent directors of listed companies in 2023	Sun Zheng
The training on general information of central state-owned enterprises in Shanghai and the reform of independent director system	All directors
The Listed Companies Association of Shanghai: Training courses for directors, supervisors and executives of listed companies in Shanghai in 2023 cum the special training for the reform of independent director system	Lin Wanli
China Association for Public Companies: Interpretation on the reform of the independent director system of listed companies	Wang Zhiqing, Li Yangmin
Shanghai Stock Exchange: The fifth follow-up training for independent directors of listed companies in 2023	Cai Hongping, Sun Zheng
The Listed Companies Association of Shanghai: The second session of special training for the reform of independent director system	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 2023, 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	Wang Zhiqing*, 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. Wang Zhiqing; 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 2023, 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	10/10	100%
Cai Hongping	10/10	100%
Dong Xuebo	10/10	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 10 meetings in 2023. The Company's senior management, external auditors, finance and accounting department and audit department 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 2022 and first quarterly results, interim results and third quarterly results for 2023 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 "2023 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 28 March 2024 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 PRC Accounting Standards and IFRSs and internal control audit services amounted to RMB11 million, and the total fee for the provision of non-audit services amounted to RMB1 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).

Planning and Development Committee

As at 31 December 2023, 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	4/4	100%
Dong Xuebo	4/4	100%
Lu Xiongwen	4/4	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 2023, in compliance with laws and regulations, four committee meetings were convened and eleven resolutions were passed, including the 2023 Investment Plan of the Company, and material matters such as the project approval for maintenance base of CEA in Pudong International Airport, 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).

Nomination and Remuneration Committee

As at 31 December 2023, the Nomination and Remuneration Committee of the Board of the Company comprised three Directors, namely Mr. Wang Zhiqing, Mr. Cai Hongping and Mr. Lu Xiongwen. Mr. Wang Zhiqing is an Director, and Mr. Cai Hongping and Mr. Lu Xiongwen are independent non-executive Directors. When considering and approving nomination related matters, the Nomination and Remuneration Committee shall be chaired by Mr. Wang Zhiqing; 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 Detailed Working Rules of the Nomination and Remuneration Committee of the Board, the Board Diversity Policy is as follows:

(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 2023.

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

Members	Attendance/ Eligibility of Meetings	Attendance rate
Wang Zhiqing	1/1	100%
Li Yangmin	3/3	100%
Cai Hongping	4/4	100%
Lu Xiongwen	4/4	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 2023, the committee organized and convened four meetings in compliance with laws and considered and approved resolution in relation to the remuneration of Directors, Supervisors and Senior Management of the Company in 2022, the Resolution Regarding the Nomination of Candidate for Director of the Ninth Session of the Board, 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).

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 2023, 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 2023 were as follows:

Name	Remuneration before tax (RMB10,000)
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 2023:

Name	Position	Remuneration before tax (RMB10,000)
Li Yangmin	Vice Chairman, President	–
Zhou Qimin	Chief Financial Officer, Vice President	–
Feng Dehua	Vice President	–
Cheng Guowei	Vice President	–
Liu Tiexiang	Vice President	–
Wan Qingchao	Vice President	–
Wang Jian	Board Secretary, Company Secretary	114.89
Xi Sheng	Vice President	–
Total	/	**114.89**

Aviation Safety and Environment Committee

As at 31 December 2023, 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	2/2	100%
Sun Zheng	2/2	100%
Jiang Jiang	2/2	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 2023, 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 two meetings in accordance with laws and regulations for consideration and approval of relevant resolutions in relation to 2022 Work Report and 2023 Work Plan on Aviation Safety and Environmental Sustainability and the 2022 Corporate Social Responsibility and ESG Report of the Company, which provided support for the Board's decisions and made suggestions for work of the management.

4. The Detailed Working Rules of the Aviation Safety and Environment Committee are posted on the website of the Company (www.ceair.com).

Work of the Supervisory Committee

In 2023, 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 2023, the Supervisory Committee of the Company consisted of 3 supervisors. In 2023, the Supervisory Committee convened ten meetings in total, and 100% of the supervisors attended the meetings.

Internal Control and Risk Management

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 Group is one of the early adopters in the development of internal control systems. As early as 2004, the Group started the construction of internal control in order to meet the requirements of the US Sarbanes-Oxley Act. In 2008, 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 Group initiated the construction project of comprehensive risk management and internal control system in March 2010.

Internal Control Evaluation Work in 2023

(1) Organisational Structure

The Group established the internal control working team in 2023, 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 2023, all units of the Group were arranged to carry out self-inspection on internal control, organise centralised on-site testing. Firstly, the Group's 10 functional departments, 10 secondary units, 12 branches and 10 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 23 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 Group's overall control process, 25 business control processes and 32 core business information system control processes.

(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 Group has evaluated the effectiveness of the internal control over the financial reports and 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 Group's internal control system and evaluation methods, and based on internal control of daily supervision and special project supervision. It is believed that the Group's overall internal control is effective as at 31 December 2023 (the base date of the internal control evaluation report), and there are no significant deficiencies in the Group'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 Group 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 Group 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 Group’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 Group 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 Group must take all reasonable measures to prevent breach of the disclosure requirements of the Group. 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 Group is responsible for checking and evaluating the overall risk management of the Group and overseeing their implementation.

The internal audit department of the Group is responsible for preparing related risk management report and reporting 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 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 2023, the Board has reviewed the internal control system in relation to risk management and considered that the Group 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 2023.

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 2023, 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 2022 collective annual performance briefing of listed companies in Shanghai aviation industry, the 2023 semi-annual performance briefing and the 2023 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 2022 annual result, 2023 interim result and 2023 third quarter 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 45 domestic and overseas exchange meetings, conducted approximately 16 online exchanges in total, communicated with 595 investors from 258 institutions and actively responded to various investor inquiries on the SSE e-interactive platform.

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 86-21-22330932 or by email to 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) 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.

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	021-22330932
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	021-22330932
Fax	021-62686116
Email	ir@ceair.com

Changes in Constitutional Documents

During the Reporting Period, the Company has made corresponding amendments to the Articles according to relevant laws and regulations and the actual situation of the Company. For details, please refer to the announcements of the Company dated 16 January 2023, 30 March 2023 and 30 May 2023.

On behalf of the Board

Wang Zhiqing
Chairman

Shanghai, the PRC
28 March 2024

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 continued to deal with environmental and social issues such as climate change, sustainable use of resources and rural revitalization. For details, please refer to the 2023 Corporate Social Responsibility and ESG Report published by the Company.

Major Awards Obtained in 2023

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
2023 BrandZ™ Top 100 Most Valuable Chinese Brands 2023 BrandZ™ Leading Brand in Brand Value Growth	WPP and Kantar
2023 Fortune China Top 500 2023 Fortune China Listed Companies Top 500	Fortune
2023 Brand Finance Top 50 Most Valuable Global Airline Brands	Brand Finance
2023 Top 500 Chinese Enterprises	China Enterprise Confederation China Enterprise Directors Association
First Prize for Outstanding Works in the "Micro-video for Good Netizens" Programme	All-China Federation of Trade Unions
CIIE Outstanding Contribution Award	China International Import Expo Bureau
Overseas Communication Category – Gold Award of "Tell Good Chinese Stories" of the 18th China Public Relations Industry Best Case Competition	China International Public Relations Association
"World's First C919 Maiden Commercial Flight by China Eastern Airline" awarded as the "Outstanding Public Relations Case of the Year"	China International Public Relations Association
China Eastern Airlines Overseas Chinese Association awarded as the "Advanced Organisation of Overseas Chinese Associations Nationwide"	All-China Federation of Returned Overseas Chinese
2022 China's Online Featured Works on Positive Energy	Office of the Central Cyberspace Affairs Commission

Name of award	Awarding institutions
Leading Chinese Brands in Special Areas in the Research Report on Global Communicability of Chinese Brands (2023)	Xinhua News and Information Center Xinhua News Agency Brand Office
2023 Best Practice Cases of the Board of Directors of Listed Companies	China Association for Public Companies
"China Eastern Airlines Helping Cangyuan Honey Bee Industry" – "2023 Best Practice Cases of Rural Revitalization among Listed Companies"	China Association for Public Companies China Foundation for Rural Development
First Prize of the 11th National Brand Story Competition	China Association for Quality
2023 Belt and Road Green Supply Chain Case	The "Belt and Road" Ecological Industry Cooperation Committee of All-China Environment Federation
Outstanding Microfilm Award of the 4th Central Enterprise Socialist Core Values Theme	Bureau of Publicity of SASAC
TOP30 Central Enterprise in Brand Building Capacity 2022	Bureau of Social Responsibility of SASAC
Awarded the 2023 Four-Star ESG Rating for Listed Companies Controlled by Central Enterprises and selected for the "Central Enterprise ESG Pioneer 100 Index"	Research Group on Blue Paper of ESG for Listed Companies of Central Enterprises (2023) Bureau of Social Responsibility of SASAC Responsibility Cloud Research Institute
2023 China CSR Ranking by YICAI- ESG Innovative Practice Award	China CSR Ranking Committee of YICAI
2023 Top 100 Brands of the Year 2023 Top 50 Brand Marketing Cases	Sina Finance
Golden Bee 2023 Excellent Corporate Social Responsibility Report – Two-star Longevity Award	Golden Bee Think Tank China Sustainability Tribune
Sky Choice Travel Awards 2023- Innovative Product Service Airline of the Year, Sustainable Contribution Brand of the Year, Sky Appreciation of the Year, Corporate Social Responsibility Brand of the Year, Most Beautiful Crew of the Year and Economical Airline of the Year (China United Airlines)	CAAC In-flight Magazine
2022 Typical Cases of State-owned Enterprises Brand Building	Office of SASAC
Outstanding Cases of Central Enterprises in International Communication of the Year	Bureau of Publicity of SASAC
The 10th "State-owned Enterprises Good News" Award – First Prize (Text)	News Center of the SASAC The Central Enterprise Media Alliance
CO_2 Emission Minimisation Award in the Second Sustainable Flight Challenge by SkyTeam Airline Alliance	SkyTeam Airline Alliance
"Roman Holiday in Ten Cities and Ten Encounters" by China Eastern Airlines awarded as the "Outstanding Work Award" and "Lantern Festival with Tang Xiaoyan" by China Eastern Airlines awarded as the "Overseas Best Popularity Award" in the Fifth "Belt and Road Initiative" Short Video Competition	China Public Diplomacy Association News Center of the SASAC www.huanqiu.com

Name of award	Awarding institutions
2023 “Leadership” Case in China Internal Audit Digital Transformation	China Academy of Information and Communications Technology
2022 Outstanding Contribution Award for the Introduction of Commercial Aircraft in China	COMAC
2023 Shanghai Top 100 Enterprises, 2023 Yangtze River Delta Top 100 Service Enterprises	Shanghai Enterprise Confederation
“Eastern Miles” Frequent Flyer Programme” awarded as the “Most Popular Frequent Flyer Programme”	CAAC In-flight Magazine FLYERT
2022-2023 Civil Aviation Most Socially Responsible Employer Award	CARNOC.com
2022-2023 Civil Aviation Employer of the Year	CARNOC.com

Ecological Protection, Pollution Prevention and Control, Environmental Responsibility Fulfillment

The Group has focused on the “dual carbon” objective to fully implement ecological and environmental protection work, and contributed “CEA Wisdom” in green and sustainable aviation.

Improving the energy and environmental protection system and formulating the dual carbon work proposal. The Group has strengthened the implementation of the main responsibility for energy and environmental protection, prepared the Company’s “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”. 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 the Company’s actual situation and development needs.

Optimizing the airlines’ fleet structure while promoting energy saving and emission reduction measures. The Group has increased its investment in new-generation fuel-efficient models such as the A350-900, A320Neo and domestic C919 aircraft. During the reporting period, the Group signed an agreement with COMAC for the purchase of 100 C919 passenger planes, and the overall fleet has remained young. The Group promoted fuel-saving initiatives by optimizing the altitude tier of flight plans, implementing single-engine taxiing, improving daily utilization rates and increasing temporary routes.

Taking the construction of ecological civilization as a whole, the Company enhanced its green governance capability. The Group promoted the battle for blue sky on a regular basis, and continued to push forward the special task of “APU replacement” and “oil-to-electricity conversion” for airport vehicles. The Group actively implemented the special work on plastic restriction, strictly implemented the requirements of the “Civil Aviation Industry Plastic Pollution Control Work Plan (2021-2025)”, completed the material alteration or replacement of a total of 53 types of in-flight supplies in the first and second phases, and applied information technology to provide the list of aircraft supplies and supporting documents of materials. The Group actively applied green and low-carbon design solutions and implemented green and low-carbon control of ground-level buildings in all aspects of design, construction and operation.

Participating in the "Sustainable Flight Challenge" launched by SkyTeam Airline Alliance. The Group's promotion of sustainable development focused on green flights. Taking the second "Sustainable Flight Challenge" initiated by the SkyTeam Airline Alliance as an opportunity, the Group comprehensively applied sustainable initiatives in flight, operation, supply chain management, ground services, passenger services and cabin services to ensure the smooth execution of 10 participating flights, and won five awards, including the award for the largest carbon emission reduction and other awards. After the competition, the Company collected and summarized the excellent practical experience, compiled the "Company's Sustainable Tasks Breakdown Table", and promoted the orderly implementation of sustainable development initiatives.

Strengthening the research and application of Sustainable Aviation Fuel (SAF). The Group has continued to follow up on the policies and regulations on sustainable aviation fuels in various countries, the development of the relevant industries in China and the application of domestic sustainable aviation fuels, and has been in close communication with airline companies in the same industry, scientific research institutes, upstream and downstream enterprises in the supply chain, as well as consulting firms, in order to study the possibility of lowering the cost of SAF. In terms of commercial application, the Company has joined hands with Airbus to refuel SAF blended fuel on aircraft delivered by Airbus S.A.S, and has taken the opportunity of participating in the Sustainable Flight Challenge launched by SkyTeam Airline Alliance to promote the commercial application of SAF.

Launching the training and promotion of ecological environmental protection and enhancing the research on ESG-related information disclosure. The Group continued to carry out ecological and environmental protection training within its system. In combining the activities of the World Environment Day and Low Carbon Day, thereby promoting the environmental protection philosophy of airlines and creating the awareness of energy saving and ecological environmental protection among all employees. As of the publication date of this report, the Company has published high-quality sustainability (ESG) related special reports for 16 consecutive years.

Proactive Reduction of Carbon Emission

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

The Group continues to modernize and renew its fleet of aircraft and maintains a youthful fleet structure. The Group actively promotes the application of new technologies and continues to carry out refined management of weight reduction and fuel saving, reducing fuel consumption from source control by dynamically controlling the number of aircraft life rafts and aircraft supplies, and the amount of water added to flights, etc. The Group completed the promotion and application of the electronic flight log book (ELB) across the entire fleet in 2023, and formally activated the electronic version of the Quick Recheck Hatch (QRH) in place of the paper checklist. The Group has tapped into the potential of aircraft performance and promoted refined fuel-saving management through measures such as flight plan altitude layer optimization, promotion of single-engine taxiing, optimization of the choice of preparation and landing sites, and APU special substitution. The Group has simulated a cumulative annual fuel saving of 17,000 tons and a reduction in carbon emissions of 53,600 tons.

The Group pays great attention to the development and application of sustainable aviation fuel (SAF) and has set up a special team to closely follow up on the relevant domestic and international policies and regulations as well as the current status of SAF application, and to actively study the possibility of lowering the cost of SAF application. In respect of the application of SAF, the Company and Airbus S.A.S jointly filled more than 20 aircraft with different ratios of SAF blended fuel for delivery flights, and took the opportunity of participating in the Sustainable Flight Challenge launched by SkyTeam Airline Alliance to actively promote the research on and commercial application of domestically manufactured SAF, with the cumulative amount of pure SAF filled in the whole year amounting to 37.42 tons.

Rural Revitalisation

In 2023, under the unified deployment of its controlling shareholder, CEA Holding (the Company and CEA Holding hereinafter referred to as "CEA"), the Company further promoted the rural revitalization strategy and continuously participated in "industrial revitalization", "talent revitalisation", "cultural revitalisation", "ecological revitalisation", and "organizational revitalisation" so as to continuously solidify the fruits of rural revitalization. In 2023, CEA invested a total of RMB43.14 million in non-reimbursable and RMB108.62 million in reimbursable paired assistance funds, introduced RMB4.01 million in non-reimbursable funds and RMB2.72 million in reimbursable funds, provided training to 9,418 people, directly purchased agricultural products from poverty-eradication areas for RMB43.9 million, and assisted in the sale of agricultural products for RMB31.82 million. The assistance case of "MU Tea (東航那杯茶)" was selected as a demonstration project in the Blue Book on Central State-owned Enterprises' Contribution to Rural Revitalisation (2022) 《中央企業助力鄉村振興藍皮書(2022)》. The assistance project of the Group supporting the beekeeping industry in Cangyuan was honoured as an outstanding case of rural revitalisation by the China Association for Public Companies; the relevant products were brilliantly displayed on the commercial maiden flight of the C919 domestically manufactured large aircraft, winning wide praise from society.

Attaching importance to organizational guarantee and strengthening organizational revitalisation

The Group issued the "Three-Year Action Plan for Paired Assistance Work (2023-2025)", the "Recommended Product Catalog for Paired Assistance Through Consumption in 2023", and the "Circular on the Status of Poverty Alleviation Through Consumption Starting 2023", which provided strong support and guarantee for paired assistance work. In August 2023, CEA replaced many of its cadres in batches to ensure a steady increase in the level of giving support. The grassroots Party branches of 12 units under the Company were paired with 12 village-level Party branches in the paired assistance counties, and the "Circular on the Assessment and Evaluation of the Effectiveness of the Paired Party Branches of CEA's Paired Assistance Work" was issued to ensure that the paired work achieved tangible results through the assessment mechanism.

Making use of aviation advantage and promoting economic growth

The Group gave full play to the advantages of the aviation industry to drive the rapid economic development through the effective and reasonable flows of people, goods, information and money in the continuously strengthened operation of rural revitalisation routes and flights. In 2023, the new round-trip routes of "Cangyuan-Kunming-Shanghai Hongqiao" and "Lincang-Kunming-Beijing Daxing" will be opened, and more than 3,500 flights will be operated involving Lincang and Cangyuan, transporting more than 320,000 passengers, and driving the GDP of the local area to be more than RMB570 million through the routes, strongly promoting the local economic and social development.

Assisting industrial revitalisation and supporting advantageous industries

The Group continued to support the construction and operation of the Cangyuan Experimental Station of the Honey Bee Research Institute of the Chinese Academy of Agricultural Sciences, which developed the popular "Leucosceptrum canum black honey", and cultivated a new generation of bee breeds suitable for the local ecological environment empowered by biological and information technology to effectively improve the quality of honey and gradually change the situation where local bee breeds had to be imported from other districts in the past. By 2023, the per capita income of beekeepers in Cangyuan County doubled as compared with that in 2019. CEA continued to develop and promote the "MU Tea (東航那杯茶)" assisted product, giving full play to the advantages of the aviation industry and promoting the development of the tea industry in the paired assistance areas. For the fifth consecutive year, CEA launched a rubber futures insurance program in Cangyuan, covering 41,000 mu of rubber forests and ensuring stable income for 1,348 rubber farmers.

Supporting revitalisation of talents and cultivating talent teams

The Group, in conjunction with Tsinghua University, Fudan University, the Chinese Academy of Agricultural Sciences, the General Hospital of the People's Liberation Army, the China Education and Financial Development Foundation, and the Shanghai Disabled People's Public Welfare Organization, etc., has cumulatively provided offline training to grassroots cadres, industry leaders and technicians in Beijing, Shanghai and Lincang for a total of 3,698 person-times; and through the rural revitalization distance learning stations set up by Tsinghua University in the designated counties, the Group has completed on-line training for 2,506 person-times in a full year. In conjunction with the Department of Teachers of the Ministry of Education, we implemented the "Three-Year Action of Assisting Teacher Training in Cangyuan and Shuangjiang Counties", providing offline training to 3,214 teachers in Beijing Normal University and East China Normal University throughout the year, and launching a new round of the three-year action of assisting teacher development in the two counties.

Consolidating the achievements and helping cultural and ecological revitalisation

The Group has resolutely done a good job in consolidating the work of paired assistance, actively carried out donations and contributions, assisting students in schools and alleviating poverty; participated in the activities of central enterprises to help the disabled by investing RMB400,000 to help four patients with severe hearing impairment in two counties to implement cochlear implant surgeries; CEA assisted in the implementation of the beautiful countryside construction of the village of Yunfeng in Shuangjiang County by investing RMB180,000 and introducing the China Foundation for Rural Development, which provided assistance in the form of book resources of RMB120,000, to help the village of Xiaoxinzhai in Shuangjiang County to build a library room.

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 112 to 231, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment tests of aircraft and engines	
As described in Note 3(e), Note 16 and Note 18 to the consolidated financial statements, as of 31 December 2023, the balances of the Group's owned and leased aircraft and engines were RMB75,582 million and RMB113,879 million, respectively. The aircraft and engines were all associated with air transportation unit. 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 for the year ended 31 December 2023. 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, judgements involved, and high degree of auditor judgement and effort in evaluating management's significant assumptions, including revenue growth rates, long term growth rate, gross margin rates, and discount rate.	In response to this key audit matter, we performed the following procedures: • 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. • We evaluated and tested the internal controls over the impairment tests of aircraft and engines. • 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. • 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.

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We involved our valuation specialist and evaluated the management's key assumptions by implementing the following procedures: – compared the annual revenue growth rates within the forecast period with the Group's historical growth rates, relevant business plans and industry data, – compared the forecasted long term growth rate with market economic data, – compared the forecasted gross margin rates with past performance, taking into consideration of market trends, – 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, – we tested the completeness, accuracy and relevancy of underlying data used and the mathematical accuracy of the calculation in the impairment test models. • We assessed the adequacy of the disclosures related to impairment tests of aircraft and engines. 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
Recognition of deferred tax assets As described in Note 3(d), and Note 27 to the consolidated financial statements, as of 31 December 2023, the balance of the Group's deferred tax assets was RMB9,851 million. 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. 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 judgement by management when determining the deferred tax assets to be recognised, including a high degree of estimation uncertainty relative to the future taxable profit forecast and high degree of auditor judgement and effort.	In response to this key audit matter, we performed the following procedures: • 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. • We evaluated and tested the design and operating effectiveness of internal controls relating to recognition of deferred tax assets. • We tested the completeness and accuracy of the underlying data and tested the mathematical accuracy in the calculation schedule of deferred tax assets. • We evaluated the management future taxable profits forecast by performing the following procedures: – 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; – 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; – compared the gross margin rates in the forecast period with historical results, taking into accounts the market trends. Based on the above procedures, we considered that management's judgements applied in recognition of deferred tax assets were supported by evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in 2023 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 IFRS Accounting Standards 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

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

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.

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,
28 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Notes	Year ended 31 December 2023 RMB million	2022 RMB million (Restated (Note2.3))
Revenue	5	**113,741**	46,305
Other operating income and gains	6	**5,429**	3,613
Operating expenses			
Aircraft fuel		**(41,102)**	(22,230)
Take-off and landing charges		**(14,558)**	(6,253)
Depreciation and amortisation		**(25,023)**	(21,811)
Wages,salaries and benefits	8	**(23,613)**	(20,485)
Aircraft maintenance		**(4,542)**	(3,356)
Food and beverages		**(2,993)**	(1,030)
Selling and marketing expenses		**(2,932)**	(839)
Low value and short-term lease rentals		**(397)**	(591)
Ground services and other expenses		**(564)**	(586)
Civil aviation development fund		**(1,056)**	(484)
Impairment charges	9	**(22)**	(97)
Impairment losses on financial assets, net	10	**(50)**	(28)
Fair value changes of financial assets at fair value through profit or loss		**(7)**	(12)
Indirect operating expenses		**(4,230)**	(3,704)
Total operating expenses		**(121,089)**	(81,506)
Operating loss	7	**(1,919)**	(31,588)
Share of result of associates	22	**115**	(155)
Share of result of joint ventures	23	**13**	(50)
Finance income	11	**495**	512
Finance costs	12	**(6,982)**	(8,833)
Loss before income tax		**(8,278)**	(40,114)
Income tax (expense)/credit	13	**(336)**	244
Loss for the year		**(8,614)**	(39,870)
Loss is attributable to:			
Equity holders of the Company		**(8,168)**	(37,356)
Non-controlling interests		**(446)**	(2,514)
		(8,614)	(39,870)
Loss per share attributable to the equity holders of the Company:			
– Basic and diluted (expressed in RMB per share)	15	**(0.37)**	(1.98)

	Note	Year ended 31 December 2023 RMB million	2022 RMB million (Restated (Note2.3))
Loss for the year		**(8,614)**	(39,870)
Other comprehensive income/(loss):			
Items that may be subsequently reclassified to profit or loss			
– Effective portion of changes in fair value of hedging instruments arising during the year		**14**	171
– Reclassification adjustments for losses/(gains) included in the consolidated statement of profit or loss		**(60)**	(30)
– Income tax effect		**11**	(35)
Items that may not be subsequently reclassified to profit or loss			
– Fair value changes of equity investments designated at fair value through other comprehensive income/(loss), net of tax		**6**	(4)
– Share of other comprehensive income/(loss) of associates and joint ventures, net of tax	22&23	**5**	(1)
– Actuarial (loss)/gain on the post-retirement benefit obligations, net of tax	38	**(81)**	19
Other comprehensive (loss)/income for the year, net of tax		**(105)**	120
Total comprehensive loss for the year		**(8,719)**	(39,750)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(8,280)**	(37,233)
Non-controlling interests		**(439)**	(2,517)
		(8,719)	(39,750)

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 2023

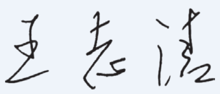
	Note	31 December 2023 RMB million	31 December 2022 RMB million (Restated (Note2.3))
Non-current assets			
Property, plant and equipment	16	**95,983**	89,214
Investment properties	17	**269**	248
Right-of-use assets	18(a)	**118,330**	128,186
Intangible assets	19	**11,605**	11,658
Advanced payments on acquisition of aircraft	20	**15,183**	13,970
Investments in associates	22	**2,138**	2,062
Investments in joint ventures	23	**464**	434
Equity investments designated at fair value through other comprehensive income	24	**1,057**	452
Derivative financial instruments	25	**33**	94
Deferred tax assets	27	**9,851**	9,860
Other non-current assets	26	**4,157**	4,212
		259,070	260,390
Current assets			
Flight equipment spare parts	28	**1,634**	1,656
Trade receivables	29	**2,167**	817
Prepayments and other receivables	31	**9,724**	7,468
Financial assets at fair value through profit or loss	30	**65**	72
Derivative financial instruments	25	**16**	1
Restricted bank deposits	32	**316**	12
Cash and cash equivalents	32	**11,741**	18,015
		25,663	28,041
Current liabilities			
Trade and bills payables	33	**4,584**	2,498
Other payables and accruals	35	**20,582**	17,632
Contract liabilities	34	**7,423**	3,291
Current portion of borrowings	36	**53,006**	64,008
Current portion of lease liabilities	18(b)	**19,428**	18,620
Income tax payable		**50**	35
Current portion of provision for lease return costs for aircraft and engines	37	**1,191**	460
Derivative financial instruments	25	**–**	–
		106,264	106,544
Net current liabilities		**(80,601)**	(78,503)
Total assets less current liabilities		**178,469**	181,887

As at 31 December 2023

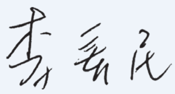
	Note	31 December 2023 RMB million	31 December 2022 RMB million (Restated (Note2.3))
Non-current liabilities			
Borrowings	36	**58,022**	57,939
Lease liabilities	18(b)	**64,747**	78,387
Provision for lease return costs for aircraft and engines	37	**7,897**	8,008
Contract liabilities	34	**641**	743
Derivative financial instruments	25	**–**	–
Post-retirement benefit obligations	38	**2,188**	2,223
Other long-term liabilities	39	**1,511**	1,909
		135,006	149,209
Net assets		**43,463**	32,678
Equity attributable to equity holder of the Company			
– Share capital	40	**22,291**	22,291
– Perpetual bond	41	**20,057**	–
– Reserves	42	**504**	9,367
		42,852	31,658
Non-controlling interests	21	**611**	1,020
Total equity		**43,463**	32,678

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

The consolidated financial statements on pages 112 to 231 were approved by the Board of Directors on 28 March 2024 and were signed on behalf.



Wang Zhiqing
Chairman



Li Yangming
Vice Chairman, President

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Note	Attributable to equity holders of the Company						
		Share capital RMB million	Perpetual bond RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Total equity at 31 December 2021, as previously stated		18,874	–	41,571	(6,830)	53,615	3,537	57,152
Business combination under common control	2.3	–	–	41	264	305	–	305
Total equity at 1 January 2022, as restated		18,874	–	41,612	(6,566)	53,920	3,537	57,457
Comprehensive income:								
Loss for the year		–	–	–	(37,356)	(37,356)	(2,514)	(39,870)
Other comprehensive income		–	–	123	–	123	(3)	120
Total comprehensive income		–	–	123	(37,356)	(37,233)	(2,517)	(39,750)
Total transaction with equity holders:								
Issue of ordinary shares, net of transaction costs and tax		3,417	–	11,554	–	14,971	–	14,971
Balance at 31 December 2022, as restated		22,291	–	53,289	(43,922)	31,658	1,020	32,678
Total equity at 1 January 2023		22,291	–	53,289	(43,922)	31,658	1,020	32,678
Comprehensive income:								
Loss for the year		–	–	–	(8,168)	(8,168)	(446)	(8,614)
Other comprehensive income		–	–	(112)	–	(112)	7	(105)
Total comprehensive income		–	–	(112)	(8,168)	(8,280)	(439)	(8,719)
Total transaction with equity holders:								
Issue of perpetual bond	41	–	20,000	–	–	20,000	–	20,000
Business combination under common control		–	–	(430)	–	(430)	–	(430)
Transactions with non-controlling interest		–	–	(30)	–	(30)	30	–
Dividend paid before business combination under common control		–	–	–	(66)	(66)	–	(66)
Distribution to holders of perpetual bond		–	57	–	(57)	–	–	–
Balance at 31 December 2023		22,291	20,057	52,717	(52,213)	42,852	611	43,463

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 2023

	Note	Year ended 31 December 2023 RMB million	2022 RMB million (Restated)
Cash flow from operating activities			
Cash generated from/(used in) operations	43(a)	**26,666**	(6,332)
Income tax paid		**(93)**	(103)
Net cash generated from/(used in) operating activities		**26,573**	(6,435)
Cash flow from investing activities			
Additions to property,plant and equipment and other non-current assets		**(18,665)**	(10,017)
Additions to financial assets at fair value through other comprehensive income		**(600)**	–
Investments in associates and joint ventures		**(14)**	(675)
Additions to restricted bank deposit		**(300)**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**2**	–
Net proceeds from disposal of a subsidiary		**46**	–
Dividends received		**66**	45
Proceeds from disposal of property, plant and equipment		**459**	65
Proceeds from novation of purchase rights		**2,934**	3,310
Net cash used in investing activities		**(16,072)**	(7,272)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	14,998
Proceeds from perpetual bond		**20,000**	–
Proceeds from draw-down of short-term bank loans		**31,000**	62,000
Proceeds from draw-down of long-term bank loans		**23,500**	26,300
Proceeds from issuance of short-term debentures		**40,000**	50,500
Proceeds from issuance of long-term debentures and bonds		**–**	3,500
Repayments of short-term bank loans		**(40,600)**	(50,400)
Repayments of long-term bank loans		**(17,983)**	(10,935)
Repayments of short-term debentures		**(40,000)**	(50,500)
Repayments of long-term debentures and bonds		**(6,800)**	(4,631)
Repayments of principal of lease liabilities		**(18,974)**	(16,225)
Interest paid		**(6,562)**	(6,297)
Consideration for business combination under common control		**(430)**	–
Settlement relating to derivative financial instruments		**60**	30
Net cash (used in)/generated from financing activities		**(16,789)**	18,340
Net (decrease)/increase in cash and cash equivalents		**(6,288)**	4,633
Cash and cash equivalents at beginning of the year		**18,015**	13,373
Effects of exchange rate changes on cash and cash equivalents		**14**	9
Cash and cash equivalents at end of the year		**11,741**	18,015

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

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 28 March 2024.

2 Basis of preparation and changes in accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirement of the Hong Kong Companies Ordinance Cap. 622.

Accounting policies applied in the preparation of these financial statements have been consistently applied, unless otherwise stated. Other than those material accounting policies which are disclosed in the notes to the relevant financial line items or transactions in these financial statements, other accounting policies have been set out in the summary in Note 49.

These financial statements 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.

2 Basis of preparation and changes in accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(i) Going concern

In 2023, the Group incurred net loss of RMB8.614 billion. As at December 31 2023, the Group's current liabilities exceeded its current assets by approximately RMB80.601 billion. 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 2023;

- 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.

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 2023 on a going concern basis.

2.2 Changes in accounting policies and disclosures

(i) 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 2023:

- *IFRS 17 Insurance Contracts*
- *Amendments to IAS 8 — Definition of Accounting Estimates*
- *Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- *Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies*

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.

- *Amendments to IAS 12 — International Tax Reform — Pillar Two Model Rules*

The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect.

2 Basis of preparation and changes in accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

(ii) New standards and interpretations not yet adopted

The following new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group:

- Amendments to IAS 1 — Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 — Non-current liabilities with Converts
- Amendments to IFRS 16 — Lease Liability in a sales and leaseback
- Amendments to IAS 7 and Amendments to IFRS 7 — Supplier Finance Arrangements
- Amendments to IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

2.3 Restatement

Formerly the Group held 45% interest of CEA Import & Export and it was accounted for using the equity method of accounting. In December 2023, the Group acquired the remaining 55% equity interest in CEA Import & Export from CEA Holding, with the purchase consideration of RMB430 million, and CEA Import & Export has become a wholly owned subsidiary of the Group upon the acquisition.

The acquisition is considered as a business combination involving entities under common control and has been accounted for by using merger accounting method. Accordingly, the comparative figures of 2022 as set out in these consolidated financial statements have been restated to include the historical financial information of CEA Import & Export since the date when CEA Import & Export first came under the control of CEA Holding.

The adoption of merger accounting has resulted in a decrease in the Group's loss for the year ended 31 December 2022 by approximately RMB30 million.

2 Basis of preparation and changes in accounting policies *(continued)*

2.3 Restatement *(Continued)*

The following is a reconciliation of the effect arising from the acquisition of CEA Import & Export which is accounted for under common control combination on the consolidated financial statements.

	As at 31 December 2022			
	Balances as previously reported RMB million	Merger of CEA Import & Export RMB million	Elimination of inter-company balances RMB million	Balances as restated RMB million
Consolidated Statement of Financial Position				
Total assets	287,984	1,088	(641)	288,431
Total liabilities	255,641	473	(361)	255,753
Total equity	32,343	615	(280)	32,678

	Year ended 31 December 2022			
	Balances as previously reported RMB million	Merger of CEA Import & Export RMB million	Elimination of inter-company balances RMB million	Balances as restated RMB million
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Total revenue	46,111	322	(128)	46,305
Loss for the year	(39,900)	51	(21)	(39,870)

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

The Company's frequent flyer programme provides customers with mileage points for their passenger ticket purchase 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 mileage points that are expected to expire and will not be redeemed ("the 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 38.1 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 38 to the consolidated financial statements.

3 Critical accounting estimates and judgements *(continued)*

(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.

(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 16.2 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) 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 judgements 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) 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.

The Group has one reportable operating segment, 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 2023 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated* RMB million	Total RMB million
Segment revenue					
Reportable segment revenue from external customers	113,348	393	–	–	113,741
Inter-segment sales	–	775	(775)	–	–
Reportable segment revenue	113,348	1,168	(775)	–	113,741
Reportable segment loss before income tax	(8,832)	419	–	135	(8,278)
Other segment information					
Depreciation and amortisation	24,767	256	–	–	25,023
Impairment losses, net	72	–	–	–	72
Interest income	1,068	12	(585)	–	495
Interest expenses	6,660	6	(585)	–	6,081
Capital expenditure	27,243	109	–	–	27,352

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 2022 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated* RMB million	Total RMB million
Segment revenue					
Reportable segment revenue from external customers	46,049	256	–	–	46,305
Inter-segment sales	–	919	(919)	–	–
Reportable segment revenue	46,049	1,175	(919)	–	46,305
Reportable segment loss before income tax	(40,127)	223	–	(210)	(40,114)
Other segment information					
Depreciation and amortisation	21,535	276	–	–	21,811
Impairment losses, net	125	–	–	–	125
Interest income	521	–	(9)	–	512
Interest expenses	6,124	14	(9)	–	6,129
Capital expenditure	24,929	37	–	–	24,966

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 assets and liabilities as at 31 December 2023 and 31 December 2022 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated* RMB million	Total RMB million
At 31 December 2023					
Reportable segment assets	**277,281**	**3,778**	**(2,341)**	**3,773**	**282,491**
Reportable segment liabilities	**242,039**	**1,572**	**(2,341)**	**–**	**241,270**
At 31 December 2022					
Reportable segment assets	280,936	3,860	(1,722)	3,115	286,189
Reportable segment liabilities	255,583	1,892	(1,722)	–	255,753

Unallocated results primarily represent the share of results of associates and joint ventures, fair value changes of derivative financial instruments, fair value change of financial assets at fair value through profit or loss and dividend income relating to equity investments. Unallocated assets and liabilities primarily represent investments in associates and joint ventures, derivative financial instruments, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss.

(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.

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. *(continued)*

(2) Revenue from ticket handling services, ground services and other miscellaneous services are classified on the basis of where the services are performed.

	2023 RMB million	2022 RMB million
Domestic	90,143	34,643
Regional	2,848	394
International	20,750	11,268
	113,741	46,305

(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 non-current assets and capital expenditure 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 2023 and 2022. Reconciliation of reportable segment assets to the consolidated figures as reported in the consolidated financial statements:

	Note	31 December 2023 RMB million	31 December 2022 RMB million
Assets			
Reportable segment assets		282,491	286,189
— Difference in intangible asset arising from the acquisition of Shanghai Airlines	(i)	2,242	2,242
Consolidated assets		284,733	288,431

Notes:

(i) The difference represents the different measurement of the fair value of acquisition cost of the shares from Shanghai Airlines between the PRC Accounting standards and IFRSs, which results in the different measurement of goodwill

5 Revenue

An analysis of revenue is as follows:

	2023 RMB million	2022 RMB million
Revenue from contracts with customers	113,505	46,068
Revenue from other sources		
— Rental income	236	237
	113,741	46,305

(a) Disaggregated revenue information for revenue from contracts with customers:

For the year ended 31 December 2023

Segments	Airline transportation operations RMB million	Others operations RMB million	Total RMB million
Types of goods or services			
Traffic revenues			
— Passenger	104,576	–	104,576
— Cargo and mail	3,634	–	3,634
Ticket cancellation and commission service	2,531	–	2,531
Ground service income	645	–	645
Others	1,726	393	2,119
Total revenue from contracts with customers	113,112	393	113,505
Geographical markets			
Domestic	89,514	393	89,907
Regional	2,848	–	2,848
International	20,750	–	20,750
Total revenue from contracts with customers	113,112	393	113,505

The timing of revenue recognition of airline transportation operations of the Group is at a point in time.

5 Revenue *(continued)*

(a) Disaggregated revenue information for revenue from contracts with customers: *(continued)*

For the year ended 31 December 2022

Segments	Airline transportation operations RMB million	Others operations RMB million	Total RMB million
Types of goods or services			
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	1,335	256	1,591
Total revenue from contracts with customers	45,812	256	46,068
Geographical markets			
Domestic	34,150	256	34,406
Regional	394	–	394
International	11,268	–	11,268
Total revenue from contracts with customers	45,812	256	46,068

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:

	2023 RMB million	2022 RMB million
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Passenger transportation services	**2,932**	2,904

5 Revenue *(continued)*

(a) Disaggregated revenue information for revenue from contracts with customers: *(continued)*

As at 31 December 2023, the contract liabilities for frequent flyer programme amounted to RMB1,280 million. The table below presents the activity of the contract liabilities for frequent flyer programme.

	2023 **RMB million**	2022 RMB million
At 1 January	**1,370**	1,661
Deferred during the year	**1,350**	530
Recognised as revenue during the year	**(1,315)**	(821)
At 31 December	**1,405**	1,370
Less: the related pending output value added tax therein	**(125)**	(142)
	1,280	1,228

5.1 Accounting policies of 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.

(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.

5 Revenue *(continued)*

5.1 Accounting policies of revenue recognition *(Continued)*

(i) Revenue from contracts with customers *(Continued)*

(b) Frequent flyer programme

The Group operates a frequent flyer programme called "Eastern Miles" that issues mileage points to program members based on mileage flown. Mileage points before expiration can be used to redeem for free or discounted goods or tickets. 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 when the unused mileage points expires. 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").

(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.

6 Other operating income and gains

	2023 RMB million	2022 RMB million
Co-operation routes income (note (a))	**3,616**	1,904
Routes subsidy income (note (b))	**221**	438
Other subsidy income (note (c))	**1,165**	911
Gain on disposal of items of property, plant and equipment, right-of-use assets and intangible assets	**86**	180
Compensation from ticket sales agents	**174**	9
Others	**167**	171
	5,429	3,613

(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 relevant 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 2023 and 2022.

7 Operating loss

Operating loss is stated after charging the following items:

	2023 RMB million	2022 RMB million
Amortisation of intangible assets (Note 19)	**193**	194
Depreciation of property, plant and equipment (Note 16)	**9,631**	8,395
Depreciation of right-of-use assets (Note 18(a))	**14,453**	12,520
Depreciation of investment properties (Note 17)	**10**	5
Amortisation of long-term deferred assets included in other non-current assets	**736**	697
Write-down of flight equipment spare parts to net realisable value (Note 9)	**22**	97
Consumption of flight equipment spare parts	**1,463**	1,190
Auditors' remuneration	**12**	14
	26,520	23,112

8 Wages, salaries and benefits

	2023 RMB million	2022 RMB million
Wages, salaries, bonuses and allowances	**17,797**	14,875
Employee welfare and benefits	**671**	654
Pension (Note 38(a))	**2,692**	2,553
Medical insurance (note (i))	**941**	949
Staff housing fund (note (ii))	**1,286**	1,277
Staff housing allowances (note (iii))	**217**	168
Early retirement benefits (note (iv))	**9**	9
	23,613	20,485

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.

(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".

8 Wages, salaries and benefits *(continued)*

Notes: *(continued)*

(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:

	2023 RMB'000	2022 RMB'000
Fees	**700**	700
Other emoluments:		
Salaries, allowances and benefits in kind	**1,872**	1,853
Performance related bonuses*	**–**	–
Pension scheme contributions	**64**	61
	2,636	2,614

* No executive directors of the Company are entitled to bonus payments which are determined as percentage of the profit after tax of the Group.

2023

	Fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Performance related bonuses RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
Executive Directors					
Wang Zhiqing**	–	–	–	–	–
Li Yangmin*	–	–	–	–	–
Tang Bing*	–	–	–	–	–
Lin Wanli	–	–	–	–	–
Jiang Jiang	–	–	–	–	–
Independent non-executive Directors					
Cai Hongping	200	–	–	–	200
Dong Xuebo	100	–	–	–	100
Sun Zheng	200	–	–	–	200
Lu Xiongwen	200	–	–	–	200
Supervisors					
Guo Lijun	–	1,124	–	39	1,163
Fang Zhaoya*	–	–	–	–	–
Zhou Huaxin	–	748	–	25	773
Total	**700**	**1,872**	**–**	**64**	**2,636**

8 Wages, salaries and benefits *(continued)*

Notes: *(continued)*

(v) Directors' and executive's remuneration *(continued)*

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
Executive Directors					
Li Yangmin*	–	–	–	–	–
Tang Bing*	–	–	–	–	–
Lin Wanli	–	–	–	–	–
Jiang Jiang	–	–	–	–	–
Independent non-executive Directors					
Cai Hongping	200	–	–	–	200
Dong Xuebo	100	–	–	–	100
Sun Zheng	200	–	–	–	200
Lu Xiongwen	200	–	–	–	200
Supervisors					
Guo Lijun	–	1,208	–	38	1,246
Fang Zhaoya*	–	–	–	–	–
Zhou Huaxin	–	645	–	23	668
Total	700	1,853	–	61	2,614

* 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.

** Mr. Wang Zhiqing was newly appointed and elected as Chairman of the Company during the year ended 31 December 2023 and same as above directors his emolument was also paid by CEA Holding.

During the years ended 31 December 2023 and 2022, no directors and supervisors waived their emoluments.

(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 2023 (2022: Nil). The emoluments payable to the five highest paid individuals were as follows:

	2023 RMB'000	2022 RMB'000
Wages, salaries and allowances	**8,844**	8,128
Performance related bonuses*	**–**	–
Pension scheme contributions	**194**	191
	9,038	8,319

* 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.

8 Wages, salaries and benefits *(continued)*

The number of five highest paid individuals whose emoluments fell within the following bands is as follows:

	2023	2022
HK$1,500,001 to HK$2,000,000	4	5
HK$2,000,001 to HK$2,500,000	1	–
HK$2,500,001 to HK$3,000,000	–	–

During the year ended 31 December 2023, 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 (2022: Nil).

9 Impairment charges

	2023 RMB million	2022 RMB million
Write-down of flight equipment spare parts to net realisable value (Note 28)	22	97

10 Impairment losses on financial assets, net

	2023 RMB million	2022 RMB million
Impairment losses on other non-current assets	(1)	1
Impairment losses on trade receivable, net (Note 29)	13	5
Impairment losses on other receivables (Note 31)	38	22
	50	28

11 Finance income

	2023 RMB million	2022 RMB million
Interest income	495	512

12 Finance costs

	2023 RMB million	2022 RMB million
Interest on bank borrowings	**2,340**	2,367
Interest relating to lease liabilities	**2,980**	3,014
Interest relating to post-retirement benefit obligations	**67**	66
Interest relating to provision for lease return costs for aircraft and engines	**307**	278
Interest on bonds and debentures	**917**	889
Interest relating to interest rate swap contracts	**(60)**	(30)
Less: Amounts capitalised (note (a))	**(470)**	(455)
	6,081	6,129
Foreign exchange losses, net (note (b))	**901**	2,704
	6,982	8,833

Notes

(a) The weighted average interest rate used for interest capitalisation is 3.24% per annum for the year ended 31 December 2023 (for the year ended 31 December 2022: 3.43%).

(b) The exchange losses primarily related to the translation of the Group's foreign currency denominated borrowings and lease liabilities for the year ended 31 December 2023.

13 Income tax

The amounts of income tax expense/(credit) charged to the consolidated income statements represent:

	2023 RMB million	2022 RMB million
Current income tax	**318**	69
Deferred income tax	**18**	(313)
	336	(244)

The Group operates international flights to overseas destinations. There was no material overseas taxation for the years ended 31 December 2023 and 2022, 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% (2022: 15% to 25%), and certain subsidiaries of the Company in Hong Kong are subject to Hong Kong profits tax rate of 16.5% (2022: 16.5%).

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:

	2023 RMB million	2022 RMB million
Loss before income tax	**(8,278)**	(40,114)
Tax calculated at the tax rate of 25% (2022: 25%)	**(2,070)**	(10,029)
Lower tax rates enacted by local authorities	**33**	190
Additional deduction of research and development costs	**(40)**	(51)
Income tax deduction of purchase of special equipment for production safety	**(18)**	(12)
Income not subject to tax	**(5)**	(85)
Share of results of associates and joint ventures	**(33)**	49
Unrecognised tax losses and timing difference	**2,281**	9,572
Expenses not deductible for tax	**125**	105
Adjustments in respect of current tax of previous periods	**63**	17
Tax expense/(credit)	**336**	(244)
Effective tax rate	**-4.06%**	0.61%

14 Dividends

The directors did not propose the payment of a dividend for the years ended 31 December 2023 and 2022.

15 Loss per share

The calculation of basic loss per share for the year ended 31 December 2023 was based on the loss attributable to equity holders of the Company of RMB8,168 million and the weighted average number of shares of 22,291,295,570 in issue during the year.

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 RMB37,356 million and the weighted average number of shares of 18,875,999,286 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 2023 and 2022.

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
31 December 2023					
At 1 January 2023					
Cost	136,733	16,479	9,543	3,738	166,493
Accumulated depreciation and impairment	(66,650)	(3,981)	(6,648)	–	(77,279)
Net carrying amount	70,083	12,498	2,895	3,738	89,214
At 1 January 2023, net of accumulated depreciation and impairment	70,083	12,498	2,895	3,738	89,214
Additions	10,774	6	222	570	11,572
Interest capitalised	–	–	–	22	22
Disposals	(30)	(12)	(32)	–	(74)
Other decrease	–	(24)	–	(99)	(123)
Transfer from construction in progress	–	1,232	246	(1,478)	–
Transfer from investment properties (Note 17)	–	6	–	–	6
Transfer from right-of-use assets (Note 18(a))	5,386	–	–	–	5,386
Transfer to investment properties (Note 17)	–	(45)	–	–	(45)
Transfer to intangible assets (Note 19)	–	–	–	(10)	(10)
Transfer to right-of-use assets (Note 18(a))	–	–	–	(277)	(277)
Transfer to other non-current assets	–	–	–	(57)	(57)
Depreciation provided during the year	(8,450)	(553)	(628)	–	(9,631)
At 31 December 2023, net of accumulated depreciation and impairment	77,763	13,108	2,703	2,409	95,983
At 31 December 2023:					
Cost	152,903	17,496	9,457	2,409	182,265
Accumulated depreciation and impairment	(75,140)	(4,388)	(6,754)	–	(86,282)
Net carrying amount	77,763	13,108	2,703	2,409	95,983

16 Property, plant and equipment *(continued)*

(a) As at 31 December, 2023, the ownership certificates of certain buildings with a net carrying amount of RMB3,227 million (2022: RMB1,988 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.

(b) The following table indicates the cost and net carrying amount of the Group's aircraft pledged as collateral under certain borrowing arrangements (Note 36):

	2023		2022	
	Cost RMB million	**Net carrying amount RMB million**	Cost RMB million	Net carrying amount RMB million
Aircraft				
— pledged as collateral	31,669	18,948	31,629	20,512

(c) As of 31 December 2023, the balances of the Group's owned and leased aircraft and engines were RMB75,582 million and RMB113,879 million, respectively. The aircraft and engines were all associated with air transportation unit.

In 2023, the Group incurred net loss of RMB8.614 billion and the Company performed the impairment tests of aircraft and engines. For the purpose of impairment test, the aircraft and engines were all allocated to the cash-generating unit ("CGU") of airline transportation operations that the Group operates.The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on a financial budget approved by senior management covering a five-year period. No impairment for the aircraft and engines were required based on the value-in-use calculation as at the reporting date.

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
31 December 2022					
At 1 January 2022					
Cost	136,247	16,584	10,996	3,288	167,115
Accumulated depreciation and impairment	(63,189)	(3,537)	(7,140)	–	(73,866)
Net carrying amount	73,058	13,047	3,856	3,288	93,249
At 1 January 2022, net of accumulated depreciation and impairment	73,058	13,047	3,856	3,288	93,249
Additions	3,287	9	122	605	4,023
Interest capitalised	–	–	–	31	31
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 intangible assets (Note 19)	–	–	–	(5)	(5)
Transfer to right-of-use assets (Note 18(a))	–	–	–	(40)	(40)
Transfer to other non-current assets	–	–	–	(17)	(17)
Depreciation provided during the year	(6,960)	(548)	(887)	–	(8,395)
At 31 December 2022, net of accumulated depreciation and impairment	70,083	12,498	2,895	3,738	89,214
At 31 December 2022:					
Cost	136,733	16,479	9,543	3,738	166,493
Accumulated depreciation and impairment	(66,650)	(3,981)	(6,648)	–	(77,279)
Net carrying amount	70,083	12,498	2,895	3,738	89,214

16 Property, plant and equipment *(continued)*

16.1 Accounting policies of property, plant and equipment

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

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:

	Estimated useful lives	**Estimated residual rate**	**Annual depreciation rate**
Owned aircraft and engines	20 years	0% to 5%	4.75% to 5%
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.

16 Property, plant and equipment *(continued)*

16.1 Accounting policies of 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.

16.2 Accounting policies of 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.

17 Investment properties

	2023 RMB million	2022 RMB million
Cost		
At 1 January	462	207
Transfer from property, plant and equipment (Note 16)	176	196
Transfer from right-of-use assets (Note 18(a))	–	59
Transfer to property, plant and equipment (Note 16)	(12)	–
Transfer to right-of-use assets (Note 18(a))	(4)	–
Disposal of a subsidiary (Note a)	(15)	–
At 31 December	607	462
Accumulated depreciation		
At 1 January	214	83
Transfer from property, plant and equipment (Note 16)	131	104
Transfer from right-of-use assets (Note 18(a))	–	22
Transfer to property, plant and equipment (Note 16)	(6)	–
Transfer to right-of-use assets (Note 18(a))	(1)	–
Disposal of a subsidiary (Note a)	(10)	–
Charge for the year (Note 7)	10	5
At 31 December	338	214
Net book amount		
At 31 December	269	248

Note a: The Group disposed a subsidiary, Shanghai Eastern Aviation Trade Co., Ltd., with consideration of RMB46 million.

As at 31 December, 2023, the fair value of the investment properties was approximately 1,020 million (2022: 766 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 RMB236 million (2022: RMB237 million) was received by the Group during the year in respect of the leases.

As at 31 December 2023, the Group had no pledged investment properties (2022: 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 Quoted prices in active markets (Level 1) RMB million	 Significant observable inputs (Level 2) RMB million	 Significant unobservable inputs (Level 3) RMB million	 Total RMB million
Not measured at fair value but fair value is disclosed:				
As at 31 December 2023	**–**	**141**	**879**	**1,020**
As at 31 December 2022	–	123	643	766

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2022: 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 2023, the Group had 481 aircraft (2022: 505 aircraft) under leases, which generally have lease terms between 3 and 15 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:

	Aircraft, and engines RMB million	Prepayments for land use rights RMB million	Buildings RMB million	Others RMB million	Total RMB million
At 31 December 2021 and 1 January 2022, net of accumulated depreciation	122,811	2,212	1,513	345	126,881
Additions	14,613	3	505	29	15,150
Transfer from construction in progress (Note 16)	–	40	–	–	40
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)	(690)	(117)	(12,520)
At 31 December 2022	124,453	2,148	1,328	257	128,186
At 31 December 2022 and 1 January 2023, net of accumulated depreciation	**124,453**	**2,148**	**1,328**	**257**	**128,186**
Additions	**8,036**	**158**	**553**	**973**	**9,720**
Transfer from investment properties (Note 17)	**–**	**3**	**–**	**–**	**3**
Transfer to property, plant and equipment (Note 16)	**(5,386)**	**–**	**–**	**–**	**(5,386)**
Transfer from construction in progress (Note 16)	**–**	**277**	**–**	**–**	**277**
Disposals	**(17)**	**–**	**–**	**–**	**(17)**
Depreciation provided during the year	**(13,207)**	**(73)**	**(888)**	**(285)**	**(14,453)**
At 31 December 2023	**113,879**	**2,513**	**993**	**945**	**118,330**

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:

	2023 RMB million	2022 RMB million
Carrying amount at 1 January	97,007	98,482
New leases	5,645	12,255
Other addition/(reduction)	58	(114)
Effect of foreign exchange	439	2,583
Accretion of interest recognised during the year	2,909	2,984
Payments	(21,883)	(19,183)
Carrying amount at 31 December	84,175	97,007
Analysed into:		
Current portion	19,428	18,620
Non-current portion	64,747	78,387

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:

	2023 RMB million	2022 RMB million
Interest relating to lease (Note 12)	3,227	3,262
Depreciation charge of right-of-use assets (Note 7)	14,453	12,520
Low value and short-term lease rental	397	591
Total amount recognised in profit or loss	18,077	16,373

(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(b), 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 RMB236 million (2022: RMB237 million) (Note 5).

At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023 RMB million	2022 RMB million
Within one year	**214**	190
After one year but within two years	**136**	153
After two years but within three years	**58**	113
After three years but within four years	**51**	59
After four years but within five years	**48**	57
After five years	**215**	217
	722	789

18.1 Accounting policies of 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.

18 Leases *(continued)*

18.1 Accounting policies of 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.

18 Leases *(continued)*

18.1 Accounting policies of Leases *(continued)*

(i) As lessee *(continued)*

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.

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	3 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.

18 Leases *(continued)*

18.1 Accounting policies of Leases *(continued)*

(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.

(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.

19 Intangible assets

	Goodwill (Note(a)) RMB million	Others RMB million	Total RMB million
Cost at 1 January 2023, net of accumulated amortisation	11,272	386	11,658
Additions	–	133	133
Transfer from construction in progress	–	10	10
Disposal	(2)	(1)	(3)
Amortisation provided during the year	–	(193)	(193)
At 31 December 2023	11,270	335	11,605
At 31 December 2023:			
Cost	11,270	2,051	13,321
Accumulated amortisation	–	(1,716)	(1,716)
Net carrying amount	11,270	335	11,605

	Goodwill (Note(a)) RMB million	Others RMB million	Total RMB million
Cost at 1 January 2022, net of accumulated amortisation	11,272	449	11,721
Additions	–	126	126
Transfer from construction in progress	–	5	5
Amortisation provided during the year	–	(194)	(194)
At 31 December 2022	11,272	386	11,658
At 31 December 2022:			
Cost	11,274	1,908	13,182
Accumulated amortisation	(2)	(1,522)	(1,524)
Net carrying amount	11,272	386	11,658

19 Intangible assets *(continued)*

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 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 2023 and 2022.

20 Advanced payments on acquisition of aircraft

	2023 **RMB million**	2022 RMB million
At 1 January	**13,970**	12,165
Payment during the year	**4,337**	4,806
Interest capitalised	**448**	424
Other reduction (Note (a))	**(3,572)**	(3,425)
At 31 December	**15,183**	13,970

Included in the Group's balance as at 31 December 2023, the amounts of accumulated interest capitalised are approximately RMB1,736 million (2022: RMB1,637 million).

Note:

(a) During the year, the Group received repayment of advanced payments amounting to RMB2,934 million (2022: RMB3,310 million).

21 Subsidiaries

The Group's principal subsidiaries at 31 December 2023 and 2022 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 and kind of legal entity	Principle activities	Issued ordinary/ registered share capital	Ownership interest held by the group		Ownership interest held by non-controlling interests	
			million	2023	2022	2023	2022
China Eastern Airlines Jiangsu Co., Ltd. ("CEA Jiangsu")	PRC/Mainland China, 7 April 1993, limited liability company	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, limited liability company	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, limited liability company	Provision of flight training services	RMB694	100%	100%	–	–
Shanghai Airlines Co., Ltd. ("Shanghai Airlines")	PRC/Mainland China, 16 March 2010, limited liability company	Provision of airline services	RMB5,500	100%	100%	–	–
Eastern Airlines Technic Co., Ltd. ("CEA Technic")	PRC/Mainland China, 19 November 2014, limited liability company	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, limited liability company	Provision of business aviation services	RMB1,500	100%	100%	–	–
China Eastern Airlines Yunnan Co., Ltd. ("CEA Yunnan")	PRC/Mainland China, 27 July 2010, limited liability company	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, limited liability company	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, limited liability company	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, limited liability company	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, limited liability company	E-commerce platform and ticket agent	RMB50	100%	100%	–	–
Eastern Import & Export (Note 2.3)	PRC/Mainland China, 9 June 1993, limited liability company	Provision of aviation equipment and purchase of spare	RMB300	100%	100%	–	–

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 2023	31 December 2022
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 2023 RMB million	31 December 2022 RMB million
Loss for the year allocated to non-controlling interests:		
CEA Jiangsu	**(195)**	(1,138)
CEA Yunnan	**(208)**	(856)
CEA Wuhan	**(41)**	(516)
Accumulated balances of non-controlling interests at the reporting date:		
CEA Jiangsu	**(940)**	(743)
CEA Yunnan	**936**	1,144
CEA Wuhan	**612**	644

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:

31 December 2023	CEA Jiangsu RMB million	CEA Yunnan RMB million	CEA Wuhan RMB million
Revenue	9,437	9,851	4,016
Loss for the year	(522)	(594)	(102)
Total comprehensive loss for the year	(526)	(594)	(89)
Current assets	817	540	221
Non-current assets	12,507	14,984	6,504
Current liabilities	10,862	8,570	3,256
Non-current liabilities	4,979	3,417	1,930
Net cash flows from operating activities	810	2,098	569
Net cash flows used in investing activities	(212)	(798)	(276)
Net cash flows used in financing activities	(594)	(1,292)	(293)
Net increase in cash and cash equivalents	4	8	–

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	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 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	—

22 Investments in associates

	2023 RMB million	2022 RMB million
Share of net assets	**2,138**	2,062

The movements in investments in associates were as follows:

	2023 RMB million	2022 RMB million
At 1 January	**2,062**	1,585
Additions	**–**	675
Share of results of associates	**115**	(155)
Share of revaluation on equity investments designated at fair value through other comprehensive income held by associates	**1**	(1)
Dividend declared during the year	**(40)**	(42)
At 31 December	**2,138**	2,062

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
		2023 Million	2022 Million	**2023**	2022	
Eastern Air Group Finance Co., Ltd. ("Eastern Air Finance Company")	PRC/Mainland China 6 December 1995	**RMB2,000**	RMB2,000	**25%**	25%	Provision of financial services to group companies of CEA Holding
China Eastern Air Catering Investment Co., Ltd.	PRC/Mainland China 17 November 2003	**RMB660**	RMB660	**45%**	45%	Provision of air catering services
Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd. ("Shanghai P&W") (Note(a))	PRC/Mainland China 28 March 2008	**USD40**	USD40	**51%**	51%	Provision of aircraft, engine and other related component maintenance services
New Shanghai International Tower Co., Ltd.	PRC/Mainland China 17 November 1992	**RMB167**	RMB167	**20%**	20%	Property development provision and management services
Eastern Aviation Advertising Service Co., Ltd. ("Eastern Advertising")	PRC/Mainland China 4 March 1986	**RMB200**	RMB200	**45%**	45%	Provision of aviation advertising agency services
Shanghai Collins Aviation Maintenance Service Co., Ltd. ("Collins Aviation")	PRC/Mainland China 27 September 2002	**USD7**	USD7	**35%**	35%	Provision of airline electronic product maintenance services
Shanghai Airlines Tours International (Group) Co., Ltd. ("Shanghai Airlines Tours")	PRC/Mainland China 29 August 1992	**RMB143**	RMB143	**35%**	35%	Tour operations, travel and air ticketing agency and transportation
Shanghai Eastern Supply Chain Management Co., Ltd.	PRC/Mainland China 13 May 2003	**RMB 42**	RMB 42	**49%**	–	Provision of supply chain and logistics

Note:

(a) 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:

	2023 RMB million	2022 RMB million
Share of the associates' profit/(loss) for the year	**115**	(155)
Share of the associates' other comprehensive income	**1**	(1)
Share of the associates' total comprehensive income/(loss)	**116**	(156)
Aggregate carrying amount of the Group's interests in the associates	**2,138**	2,062

23 Investments in joint ventures

	2023 RMB million	2022 RMB million
Share of net assets	**464**	434

The movements in investments in joint ventures were as follows:

	2023 RMB million	2022 RMB million
At 1 January	**434**	484
Additions	**14**	–
Share of results	**13**	(50)
Share of revaluation on equity investments designated at fair value through other comprehensive income held by joint ventures	**4**	–
Dividend declared during the year	**(1)**	–
At 31 December	**464**	434

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
		2023 Million	2022 Million	**2023**	2022	
Shanghai Technologies Aerospace Co., Ltd. ("Technologies Aerospace") (note)	PRC/Mainland China 28 September 2004	**USD73**	USD73	**51%**	51%	Provision of repair and maintenance services
Eastern China Kaiya System Integration Co., Ltd. ("China Kaiya")	PRC/Mainland China 21 May 1999	**RMB10**	RMB10	**41%**	41%	Provision of computer system development and maintenance services
CAE Melbourne Flight Training Pty Ltd. ("CAE Melbourne")	Australia 9 March 2007	**AUD11**	AUD11	**50%**	50%	Provision of flight training services
Xi'an CEA SAFRAN Landing Systems Services Co., Ltd. ("XIESA")	PRC/Mainland China 12 July 2017	**USD40**	USD40	**50%**	50%	Provision of aircraft, engine and other related component maintenance services
Shanghai Donghang Zhongmian Tax-Free Products Co., Ltd.	PRC/Mainland China 21 October 1999	**RMB3**	RMB3	**50%**	–	Provision of Tax-free Products

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.

The following table illustrates the aggregate financial information of the Group's joint ventures that were not individually material:

	2023 RMB million	2022 RMB million
Share of the joint ventures' profit/(loss) for the year	**13**	(50)
Share of the joint ventures' other comprehensive income	**4**	–
Share of the joint ventures' total comprehensive income/(loss)	**17**	(50)
Aggregate carrying amount of the Group's interests in the joint ventures	**464**	434

24 Equity investments designated at fair value through other comprehensive income

	2023 RMB million	2022 RMB million
Listed equity investment, at fair value		
TravelSky Technology Limited	**260**	313
Unlisted equity investments, at fair value		
Aviation Data Communication Corporation Limited	**126**	118
Sichuan Airlines Corporation Limited	**600**	–
Others	**71**	21
	797	139
	1,057	452

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:

	2023 RMB million	2022 RMB million
Gains/(losses) recognised in other comprehensive income/(loss)	**6**	(4)
Dividends from equity investments held at FVOCI recognised in profit or loss in other income	**11**	3

25 Derivative financial instruments

	Assets		Liability	
	2023 RMB million	2022 RMB million	**2023 RMB million**	2022 RMB million
Interest rate swaps	**49**	95	**–**	–
Total	**49**	95	**–**	–
Less: current portion				
— Interest rate swaps	**(16)**	(1)	**–**	–
Non-current portion	**33**	94	**–**	–

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 2023, the notional principal of the outstanding interest rate swap contracts amounted to USD189 million (31 December 2022: USD327 million). These contracts would expire between 2024 and 2025.

26 Other non-current assets

	2023 RMB million	2022 RMB million
Deferred pilot recruitment costs	**2,198**	1,910
Deposits relating to aircraft held under leases	**80**	125
Rebate receivables on aircraft acquisitions	**684**	1,241
Prepayment for acquisition of property, plant and equipment	**287**	211
Others	**908**	725
	4,157	4,212

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:

	2023 RMB million	2022 RMB million
Deferred tax assets	**9,851**	9,860
Deferred tax liabilities	**–**	–
Net deferred income tax assets	**9,851**	9,860

Movements in the net deferred tax assets were as follows:

	2023 RMB million	2022 RMB million
At 1 January	**9,860**	9,582
(Charged)/credited to profit or loss (Note 13)	**(18)**	313
Credit/(charged) to other comprehensive income	**9**	(35)
At 31 December	**9,851**	9,860

27 Deferred tax assets and liabilities *(continued)*

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:

	2023 RMB million	2022 RMB million
Deferred tax assets:		
Loss available for offsetting against future taxable profits	7,803	8,393
Lease liabilities	7,395	6,935
Provision for lease return costs for aircraft and engines	1,680	1,488
Impairment provision for receivables	97	87
Impairment provision for flight equipment spare parts	84	79
Other payables and accruals	74	77
Safety equipment tax credit	76	55
Impairment provision for property, plant and equipment	18	29
Government grants related to assets	14	15
Financial asset at fair value through profit or loss	5	7
	17,246	17,165
Deferred tax liabilities:		
Right-of-use assets	(7,299)	(7,199)
Equity investments designated at fair value through other comprehensive income	(80)	(78)
Derivative financial instruments	(13)	(24)
Others	(3)	(4)
	(7,395)	(7,305)
	9,851	9,860

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 2023 RMB million	Credited/ (charged) to profit or loss RMB million	(Charged)/ credited to other comprehensive income RMB million	At 31 December 2023 RMB million
For the year ended 31 December 2023				
Provision for lease return costs for aircraft and engines	1,488	192	–	1,680
Lease liabilities	6,935	460	–	7,395
Impairment provision for flight equipment spare parts	79	5	–	84
Impairment provision for receivables	87	10	–	97
Impairment provision for property, plant and equipment	29	(11)	–	18
Financial asset at fair value through profit or loss	7	(2)	–	5
Other payables and accruals	77	(3)	–	74
Government grants related to assets	15	(1)	–	14
Loss available for offsetting against future taxable profits	8,393	(590)	–	7,803
Safety equipment tax credit	55	21	–	76
	17,165	81	–	17,246
Right-of-use assets	(7,199)	(100)	–	(7,299)
Equity investments designated at fair value through other comprehensive income	(78)	–	(2)	(80)
Derivative financial instruments	(24)	–	11	(13)
Others	(4)	1	–	(3)
	(7,305)	(99)	9	(7,395)
Net deferred tax assets	9,860	(18)	9	9,851

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 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
For the year ended 31 December 2022				
Provision for lease return costs for aircraft and engines	1,190	298	–	1,488
Lease liabilities	7,078	(143)	–	6,935
Impairment provision for flight equipment spare parts	65	14	–	79
Impairment provision for receivables	85	2	–	87
Impairment provision for property, plant and equipment	61	(32)	–	29
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	8,326	67	–	8,393
Safety equipment tax credit	44	11	–	55
	16,958	219	(12)	17,165
Right-of-use assets	(7,292)	93	–	(7,199)
Equity investments designated at fair value through other comprehensive income	(79)	–	1	(78)
Derivative financial instruments	–	–	(24)	(24)
Others	(5)	1	–	(4)
	(7,376)	94	(23)	(7,305)
Net deferred tax assets	9,582	313	(35)	9,860

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:

	2023		2022	
	Deferred taxation RMB million	**Temporary differences RMB million**	Deferred taxation RMB million	Temporary differences RMB million
Tax losses carried forward	**11,788**	**47,859**	9,683	39,162
Other deductible temporary differences	**5**	**20**	25	101
Total unrecognised deferred tax assets	**11,793**	**47,879**	9,708	39,263

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 2024 and 2028.

As at 31 December 2023, 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 RMB7,803 million (2022: RMB8,393 million) for tax losses of RMB32,512 million (2022: RMB34,902 million) and RMB2,048 million (2022: RMB1,467 million) for deductible temporary differences.

27.1 Accouting policies of 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.

27 Deferred tax assets and liabilities *(continued)*

27.1 Accouting policies of income tax *(continued)*

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.

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.

28 Flight equipment spare parts

	2023 RMB million	2022 RMB million
Flight equipment spare parts	**1,976**	1,977
Less: provision for spare parts	**(342)**	(321)
	1,634	1,656

Movements in the Group's provision for impairment of flight equipment spare parts were as follows:

	2023 RMB million	2022 RMB million
At 1 January	**321**	260
Accrual	**22**	97
Amount written off in relation to disposal of spare parts	**(1)**	(36)
At 31 December	**342**	321

29 Trade receivables

The credit terms given to trade customers are determined on an individual basis.

	2023 RMB million	2022 RMB million
Trade receivables	**2,257**	899
Less: impairment	**(90)**	(82)
	2,167	817

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:

	2023 RMB million	2022 RMB million
Within 90 days	**2,132**	741
91 to 180 days	**17**	27
181 to 365 days	**39**	53
Over 365 days	**69**	78
	2,257	899

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:

	2023 RMB million	2022 RMB million
At 1 January	**82**	77
Impairment losses, net (Note 10)	**13**	5
Amount written off as uncollectible	**(5)**	–
At 31 December	**90**	82

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 2023

	Current	**Less than 90 days**	**Past due 90 to 365 days**	**Over 365 days**	**Total**
Expected credit loss rate (%)	**1.07**	**1.30**	**1.79**	**95.65**	**3.99**
Gross carrying amount (RMB million)	**2,055**	**77**	**56**	**69**	**2,257**
Expected credit losses (RMB million)	**22**	**1**	**1**	**66**	**90**

As at 31 December 2022

	Current	Less than 90 days	Past due 90 to 365 days	Over 365 days	Total
Expected credit loss rate (%)	1.13	3.13	1.25	92.31	9.12
Gross carrying amount (RMB million)	709	32	80	78	899
Expected credit losses (RMB million)	8	1	1	72	82

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

	2023 RMB million	2022 RMB million
Listed equity investment, at fair value:		
Shanghai Pudong Development Bank Co., Ltd.	65	72

The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.

	2023 RMB million	2022 RMB million
Fair value losses on equity investments at FVPL charged to profit or loss	(7)	(12)

31 Prepayments and other receivables

	2023 RMB million	2022 RMB million
Value added tax recoverable	6,357	4,451
Subsidy receivable	1,625	1,156
Prepaid corporate income tax	37	92
Advance to suppliers	309	404
Rebate receivables on aircraft acquisitions	289	163
Amounts due from related parties (Note 45(c)(i))	579	664
Other deposits	172	262
Others	710	593
	10,078	7,785
Provision for impairment of other receivables	(354)	(317)
	9,724	7,468

31 Prepayments and other receivables *(continued)*

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		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2023	**13**	**95**	**209**	**317**
Transferred — to stage 3	**–**	**(14)**	**14**	**–**
Transferred — to stage 2	**(1)**	**1**	**–**	**–**
Accrual	**3**	**34**	**1**	**38**
Write off	**–**	**–**	**(1)**	**(1)**
As at 31 December 2023	**15**	**116**	**223**	**354**

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	29	68	198	295
Transferred — to stage 3	–	(6)	6	–
Transferred — to stage 2	(3)	3	–	–
Accrual	(13)	30	5	22
As at 31 December 2022	13	95	209	317

32 Cash and cash equivalents and restricted cash

	2023 RMB million	2022 RMB million
Cash at bank and on hand	**12,057**	18,027
Less: restricted cash (a)	**(316)**	(12)
Cash and cash equivalents (b)	**11,741**	18,015

(a) Details of restricted cash are as follows:

	2023 RMB million	2022 RMB million
Restricted bank deposits	**316**	12

(b) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB10,689 million (2022: RMB17,802 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 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:

	2023 **RMB million**	2022 RMB million
Within 90 days	**4,080**	2,211
91 to 180 days	**193**	35
181 to 365 days	**76**	51
1-2 years	**62**	90
Over 2 years	**173**	111
	4,584	2,498

Balances with related parties included in trade and bills payables are summarised in Note 45(c)(ii).

As at 31 December 2023, bills payable of the Group accounted to RMB2,508 million (2022: RMB752 million).

34 Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2023 **RMB million**	2022 RMB million
Sales in advance of carriage	**5,995**	2,233
Frequent flyer programme (Note 5)	**1,280**	1,228
Advances from customers	**789**	573
	8,064	4,034
Analysed into:		
Current portion	**7,423**	3,291
Non-current portion	**641**	743

35 Other payables and accruals

	2023 RMB million	2022 RMB million
Take-off and landing charges	3,251	1,403
Salaries, wages and benefits	2,456	2,581
Fuel cost	2,064	1,557
Duties and levies payable	1,804	1,319
Expenses related to aircraft overhaul conducted	1,654	2,649
Payable for purchase of property, plant and equipment	1,413	1,426
Payable for system services	981	878
Other accrued operating expenses	913	487
Lease rentals	702	690
Other deposit	678	679
Food and beverages	602	267
Current portion of other long-term liabilities (Note 39)	429	362
Pending output value added tax	325	216
Deposits received from ticket sales agents	235	232
Current portion of post-retirement benefit obligations (Note 38(b))	155	158
Amounts due to related parties	149	159
Others	2,771	2,569
Total	20,582	17,632

36 Borrowings

	2023 RMB million	2022 RMB million
Non-current:		
Long-term bank borrowings		
— secured (Note (a))	12,692	14,549
— unsecured	34,648	23,810
Guaranteed bonds (Note (b))	4,183	4,084
Unsecured bonds (Note (b))	6,499	15,496
	58,022	57,939
Current:		
Current portion of non-current borrowings		
— secured (Note (a))	1,941	1,914
— unsecured	2,028	5,422
Current portion of guaranteed bonds (Note (b))	34	5,025
Current portion of unsecured bonds (Note (b))	9,385	2,418
Short-term bank borrowings		
— unsecured	39,618	49,229
	53,006	64,008
	111,028	121,947

The borrowings are repayable as follows:

	2023 RMB million	2022 RMB million
Within one year	53,006	64,008
In the second year	13,753	12,893
Between third and fifth years, inclusive	35,596	34,801
After the fifth year	8,673	10,245
	111,028	121,947

36 Borrowings *(continued)*

Notes:

(a) As at 31 December 2023, the secured bank borrowings of the Group were secured by the related aircrafts with a net carrying amount of RMB18,948 million (2022: RMB20,512 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%
Five-year corporate bonds	2019/08/19	RMB3,000 million	(iii)	3.60%
Three-year corporate bonds	2020/04/24	RMB2,000 million	(iv)	2.39%
Ten-year corporate bonds	2021/03/11	RMB3,000 million	(v)	3.95%
Six-year corporate bonds	2021/03/11	RMB6,000 million	(vi)	3.68%
Five-year credit enhanced bonds	2021/07/15	SGD500 million	(vii)	2.00%
Three-year medium-term bonds	2022/04/13	RMB2,000 million	(viii)	2.92%
Three-year medium-term bonds	2022/04/19	RMB1,500 million	(ix)	2.92%

(i) On 18 March 2013, the Company issued ten-year guaranteed bonds with a principal amount of RMB4.8 billion 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 has been paid on 18 March 2023, which is the maturity date. 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 billion, of which bonds of RMB1.5 billion bear interest at the rate of 3.03% per annum and the remaining bonds of RMB1.5 billion 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 19 August 2019, the Company issued five-year corporate bonds with a total principal amount of RMB3 billion. 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.

(iv) On 24 April 2020, the Company issued three-year corporate bonds with a total principal amount of RMB2 billion. The bonds bear interest at the rate of 2.39% per annum, which is payable annually. The principal of the bonds has been paid on 28 April 2023, which is the maturity date.

(v) On 11 March 2021, the Company issued ten-year corporate bonds with a principal amount of RMB3 billion. 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 (callable 2026).

(vi) On 11 March 2021, the Company issued six-year corporate bonds with a principal amount of RMB6 billion. 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 (callable 2024).

(vii) On 15 July 2021, Eastern Air Overseas issued five-year credit enhanced bonds with a principal amount of SGD0.5 billion. 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.

(viii) On 13 April 2022, the Company issued three-year medium-term bonds with a principal amount of RMB2 billion, 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.

(ix) On 19 April 2022, the Company issued three-year medium-term bonds with a principal amount of RMB1.5 billion, 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.

36 Borrowings *(continued)*

The terms of the long-term borrowings and bonds were summarised as follows:

	Interest rate and final maturities	2023 RMB million	2022 RMB million
Long-term bank borrowings			
RMB denominated	Interest rates ranging from 2.00% to 3.45% with final maturities through 2045 (2022: 2.40% to 3.55%)	**50,137**	44,136
EUR denominated	Interest rates at 3-month EURIBOR +0.5% with final maturities through 2026 (2022: 3 months EURIBOR +0.5%)	**1,172**	1,559
Guaranteed bonds			
RMB denominated	Interest rates ranging from 3.03% to 3.30% with final maturities through 2026 (2022: 3.03% to 5.05%)	**1,510**	6,502
SGD denominated	Interest rate at 2.00% with final maturities through 2026 (2022: 2.00%)	**2,707**	2,607
Unsecured bonds			
RMB denominated	Interest rates ranging from 2.92% to 3.95% with final maturities through 2031 (2022: from 2.92% to 3.95%)	**15,884**	17,914
		71,410	72,718

Short-term borrowings of the Group are repayable within one year. As at 31 December 2023, the interest rates relating to such borrowings were 0.80% to 2.60% (2022: 1.99% to 2.96%).

37 Provision for lease return costs for aircraft and engines

	2023 RMB million	2022 RMB million
At 1 January	**8,468**	7,270
Accrual	**1,082**	1,436
Utilisation	**(462)**	(238)
At 31 December	**9,088**	8,468
Less: current portion	**(1,191)**	(460)
Non-current portion	**7,897**	8,008

37.1 Accounting policies of 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.

38 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 2023 and 31 December 2022, the Group has no forfeited contributions used to reduce its contributions to the pension schemes.

38 Post-retirement benefit obligations *(continued)*

(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 2023 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:

	2023 **RMB million**	2022 RMB milliion
Post-retirement benefit obligations	**2,343**	2,381
Less: current portion include in other payables and accruals (Note 35)	**(155)**	(158)
Non-current portion	**2,188**	2,223

The principal actuarial assumptions utilised as at the end of the reporting period are as follows:

	2023	2022
Discount rates for post-retirement benefits	**2.60%**	2.90%
Mortality rate	**China Insurance Life Mortality Table (2010-2013). CL5 for Male and CL6 for Female**	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%

38 Post-retirement benefit obligations *(continued)*

(b) Post-retirement benefits *(continued)*

A quantitative sensitivity analysis for significant assumptions at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB million	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB million
2023				
Discount rate for post-retirement benefits	**0.25**	**(59)**	**0.25**	**62**
Annual increase rate of pension benefits	**1.00**	**214**	**1.00**	**(185)**
Annual increase rate of medical expenses	**1.00**	**35**	**1.00**	**(30)**
2022				
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)

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.

Expected contributions to be made in the future years out of the post-retirement benefit obligations were as follows:

	2023 RMB million	2022 RMB million
Within the next 12 months	**155**	158
Between 2 and 5 years	**608**	619
Between 6 and 10 years	**711**	883
Over 10 years	**1,672**	1,820
Total expected payments	**3,146**	3,480

The average duration of the post-retirement benefit obligations at the end of 2023 was 11 years (2022: 11 years).

38 Post-retirement benefit obligations *(continued)*

(b) Post-retirement benefits *(continued)*

2023

			Pension cost charged to profit or loss			Remeasurement losses in other comprehensive income				
	1 January 2023 RMB million	Actuarial changes arising from disposal of a subsidiary RMB million	Service cost RMB million	Net interest RMB million	Sub-total included in profit or loss RMB million	Actuarial changes arising from changes in financial assumptions RMB million	Actuarial changes arising from changes in demographic assumptions RMB million	Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2023 RMB million
Defined benefit obligations/ benefit liability	2,381	(3)	-	67	67	81	-	81	(183)	2,343

2022

		Pension cost charged to profit or loss			Remeasurement losses in other comprehensive income				
	1 January 2022 RMB million	Service cost RMB million	Net interest RMB million	Sub-total included in profit or loss RMB million	Actuarial changes arising from changes in financial assumptions RMB million	Actuarial changes arising from changes in demographic assumptions RMB million	Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2022 RMB million
Defined benefit obligations/ benefit liability	2,541	–	66	66	(19)	–	(19)	(207)	2,381

38 Post-retirement benefit obligations *(continued)*

38.1 Accounting Policies of 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.

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

39 Other long-term liabilities

	2023 RMB million	2022 RMB million
Long-term duties and levies payable relating to finance leases	**635**	786
Deferred income relating to government grants	**54**	65
Provision for early retirement benefit obligations and other benefit obligations	**308**	304
Other long-term payables	**943**	1,116
	1,940	2,271
Less: current portion included in other payables and accruals (Note 35)	**(429)**	(362)
Non-current portion	**1,511**	1,909

40 Share capital

	2023 RMB million	2022 RMB million
Registered, issued and fully paid of RMB1.00 each		
A shares listed on the Shanghai Stock Exchange (“A Shares”)	**17,114**	17,114
— Tradable shares with trading moratorium	**3,634**	5,912
— Tradable shares without trading moratorium	**13,480**	11,202
H shares listed on the Stock Exchange of Hong Kong Limited (“H Shares”)	**5,177**	5,177
— Tradable shares with trading moratorium	**–**	–
— Tradable shares without trading moratorium	**5,177**	5,177
Total	**22,291**	22,291

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.

41 Perpetual Bond

On 23 November 2023, the Company issued perpetual bond which were redeemable only at the Company’s discretion, with principal amount of RMB20,000 million, the Company may elect to defer interest payments and are not subject to any limit as to the number of times of deferral of interest payments.

As the perpetual bond only impose contractual obligations on the Company to repay principals or to pay any distribution under certain circumstances, which were at Company’s discretion, they were in substance offered the Company an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations. Therefore the net proceeds of the perpetual bonds were presented in the equity of the Company.

42 Reserves

	Share premium RMB million	Capital reserve (note (a)) RMB million	Hedging reserve RMB million	Statutory reserve (note (b)) RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
Banlance at 31 December 2021	44,706	(767)	(46)	782	(3,104)	(6,830)	34,741
Business combination under common control	44	–	–	–	(3)	264	305
Banlance at 1 January 2022	44,750	(767)	(46)	782	(3,107)	(6,566)	35,046
Unrealised gains on cash flow hedges	–	–	106	–	–	–	106
Fair value movements in equity investments designated at fair value through other comprehensive income	–	–	–	–	(1)	–	(1)
Fair value changes of equity investments designated at fair value through other comprehensive income held by associates and joint ventures	–	–	–	–	(1)	–	(1)
Actuarial gains on post-retirement benefit obligations	–	–	–	–	19	–	19
Loss for the year	–	–	–	–	–	(37,356)	(37,356)
Issue of ordinary shares, net of transaction costs and tax	11,554	–	–	–	–	–	11,554
At 31 December 2022	56,304	(767)	60	782	(3,090)	(43,922)	9,367
Banlance at 1 January 2023	**56,304**	**(767)**	**60**	**782**	**(3,090)**	**(43,922)**	**9,367**
Unrealised losses on cash flow hedges	**–**	**–**	**(35)**	**–**	**–**	**–**	**(35)**
Fair value movements in equity investments designated at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Fair value changes of equity investments designated at fair value through other comprehensive income held by an associates and joint ventures	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Actuarial losses on post-retirement benefit obligations	**–**	**–**	**–**	**–**	**(79)**	**–**	**(79)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(8,168)**	**(8,168)**
Transactions with non-controlling interests	**(30)**	**–**	**–**	**–**	**–**	**–**	**(30)**
Distribution to holders of perpetual bond	**–**	**–**	**–**	**–**	**–**	**(57)**	**(57)**
Dividend paid before business combination under common control	**–**	**–**	**–**	**–**	**–**	**(66)**	**(66)**
Business combination under common control	**(430)**	**–**	**–**	**–**	**–**	**–**	**(430)**
At 31 December 2023	**55,844**	**(767)**	**25**	**782**	**(3,167)**	**(52,213)**	**504**

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

	2023 RMB million	2022 RMB million
Loss before income tax	(8,278)	(40,114)
Adjustments for:		
Depreciation of property, plant and equipment	9,631	8,395
Depreciation of right-of-use assets	14,453	12,520
Depreciation of investment properties	10	5
Amortisation of intangible assets	193	194
Amortisation of other non-current assets	736	697
Gain on disposal of property, plant and equipment and right-of-use assets	(35)	(4)
Dividend income from equity investments at fair value through other comprehensive income	(11)	(3)
Dividend income from a financial asset at fair value through profit or loss	(3)	(4)
Share of results of associates	(115)	155
Share of results of joint ventures	(13)	50
Net foreign exchange loss	624	2,787
Fair value changes of financial asset at fair value through profit or loss	7	12
Impairment charges	22	97
Impairment losses on financial assets, net	50	28
Interest expense	6,081	6,128
Operating profit/(loss) before working capital changes	23,352	(9,057)
Changes in working capital		
Flight equipment spare parts	1	73
Trade receivables	(1,367)	171
Prepayments and other receivables	(821)	4,467
Contract liabilities	4,044	(315)
Trade and bills payables	4,743	(144)
Other payables and accruals	(2,454)	(863)
Other long-term liabilities	(197)	(491)
Post-retirement benefit obligations	(181)	(156)
Provision for lease return costs for aircraft and engines	(454)	(17)
Cash generated from/(used in) operations	26,666	(6,332)

43 Notes to the consolidated statement of cash flows *(continued)*

(b) Major non-cash transactions

	2023 RMB million	2022 RMB million
Additions to right-of-use assets and lease liabilities	**6,417**	13,067

(c) Net debt reconciliation

	2023 RMB million	2022 RMB million
Lease liabilities	**84,175**	97,007
Borrowings	**111,028**	121,947
Net debt	**195,203**	218,954

	Bank and other loans RMB million	Lease liabilities RMB million
At 1 January 2022	95,791	98,482
Changes from financing cash flows	25,834	(16,225)
Other reduction	(36)	(88)
Foreign exchange movement	358	2,583
New leases	–	12,255
At 31 December 2022	121,947	97,007
At 1 January 2023	**121,947**	**97,007**
Changes from financing cash flows	**(10,883)**	**(18,974)**
Other reduction	**(224)**	**58**
Foreign exchange movement	**188**	**439**
New leases	**–**	**5,645**
At 31 December 2023	**111,028**	**84,175**

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:

	2023 **RMB million**	2022 RMB million
Within operating activities	**(901)**	(591)
Within investing activities	**(3,146)**	(1,627)
Within financing activities	**(21,883)**	(19,183)

44 Commitments

(a) The Group had the following significant capital expenditure con for but not recognised as liabilities at the end of the reporting period:

	2023 **RMB million**	2022 RMB million
Contracted for:		
— Aircraft, engines and flight equipment (note i)	**91,065**	66,968
— Other property, plant and equipment	**5,720**	4,589
— Investments	**463**	1,207
	97,248	72,764

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:

	2023 **RMB million**	2022 RMB million
Within one year	**21,202**	12,741
In the second year	**22,347**	27,851
In the third year	**19,666**	13,516
Over three years	**27,850**	12,860
	91,065	66,968

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 2023. The future lease payments for these non-cancellable lease contracts are RMB279 million (2022: RMB2,278 million) due within one year, RMB530 million (2022: RMB1,980 million) due in the second to fifth years and RMB332 million due over five years (2022: RMB3,761 million).

(c) As at 31 December 2023, lease commitments for short-term leases amounted to RMB227 million (2022: RMB176 million).

45 Related party transactions

The Group is controlled by CEA Holding, which directly owns 39.57% of the Company's shares as at 31 December 2023 (31 December 2022: 39.06%). 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 12.19% and 2.05% respectively as at 31 December 2023 (31 December 2022: 11.78% and 2.05%).

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
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
Air Ground Internet Technology Co., Ltd. ("Air Ground Internet")	Associate of the parent company

45 Related party transactions *(continued)*

(b) Related party transactions

Nature of transaction	Related party	Pricing policy and decision process	2023 RMB million	2022 RMB million
Purchase of goods and services				
Payments on food and beverages	Eastern Air Catering	(i)	**2,395**	965
Repairs and maintenance expense for aircraft and engines	Shanghai P&W	(i)	**2,666**	1,724
	Technologies Aerospace	(i)	**209**	109
	XIESA	(i)	**160**	50
Advertising expense	Eastern Advertising	(i)	**24**	24
Payments on system services	China Kaiya	(i)	**1**	11
Equipment maintenance fee	Collins Aviation	(i)	**38**	22
Automobile maintenance service, aircraft maintenance, providing transportation automobile and other products	Eastern Investment	(i)	**67**	46
Property management and green maintenance expenses	Eastern Investment	(i)	**255**	252
Payments on hotel accommodation service	Eastern Investment	(i)	**173**	125
	Shanghai Airlines Tours	(i)	**44**	35
Payments on construction and management agent	Eastern Investment	(i)	**7**	7
Civil aviation information network services*	TravelSky	(i)	**623**	234
Aviation Internet services	Air Ground Internet	(i)	**61**	–
Financial services fees	Eastern Air Group Finance Co., Ltd	(iii)	**11**	8

45 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2023 RMB million	2022 RMB million
Purchase of goods and services (continued)				
Payments on aviation transportation cooperation and support services*	AFK	(i)	**9**	41
	Juneyao Air	(i)	**–**	3
Flight equipment spare parts maintenance and support services	AFK	(i)	**69**	29
Cargo terminal business support services	Eastern Logistics	(i)	**349**	280
Bellyhold container management	Eastern Logistics	(i)	**15**	15
Payments on logistics services	Eastern Logistics	(i)	**124**	78
Sale of goods and provision of services				
Exclusive operation transportation in relation to the passenger aircraft cargo business (note)	Eastern Logistics	(i)	**3,634**	7,770
Freight logistics support services	Eastern Logistics	(i)	**340**	204
Software system and support services	Eastern Logistics	(i)	**18**	15
Transfer of pilots	Eastern Logistics	(i)	**47**	73
Media royalty fee	Eastern Advertising	(i)	**14**	14
Aviation transportation cooperation and support services*	AFK	(i)	**8**	8
Aviation transportation cooperation services	Juneyao Air	(i)	**22**	8
Flight equipment spare parts maintenance and support services	Juneyao Air	(i)	**42**	28

45 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2023 RMB million	2022 RMB million
Sale of goods and provision of services (continued)				
Aviation transportation cooperation services	Sichuan Air	(i)	**18**	5
Sale of Goods	Eastern Air Catering	(i)	**56**	20
Provision of services	Eastern Investment	(i)	**23**	–
Provision of services	Eastern Air Catering	(i)	**4**	22
Rental income				
Rental income for land and buildings under short-term leases	Eastern Air Catering	(ii)	**33**	26
	Sichuan Air	(ii)	**19**	19
	Eastern Investment	(ii)	**–**	6
	Juneyao Air	(ii)	**1**	3
	CEA Holding	(ii)	**4**	20
Rental income for Intangible assets	Eastern Logistics	(ii)	**5**	5
Rental income for cargo terminal	Eastern Logistics	(ii)	**95**	94
	Eastern Advertising	(ii)	**–**	1
Addition in right-of-use assets on new leases				
Aircraft and engines	CES Lease Company	(ii)	**–**	2,301
Ground assets	Eastern Investment	(ii)	**896**	29
Land and buildings	Eastern Air Catering	(ii)	**–**	6
	Eastern Investment	(ii)	**78**	–
Interest on lease liabilities				
Aircraft and engines	CES Lease Company	(ii)	**1,090**	1,554
Ground assets	Eastern Investment	(ii)	**12**	10
Land and buildings	Eastern Investment	(ii)	**11**	10

45 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2023 RMB million	2022 RMB million
Interest expense				
Interest expense on loans	CEA Holding	(iii)	**190**	176
	Eastern Air Finance Company	(iii)	**34**	50
	Eastern Investment	(iii)	**15**	13
Interest income				
Interest income on deposits	Eastern Air Finance Company	(iii)	**24**	58
Perpetual bond				
Interest expense on perpetual bond	CEA Holding	(iii)	**57**	–
Issue of perpetual bond — Principal	CEA Holding		**20,000**	–

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 2023 and 2022, 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

	2023 RMB million	2022 RMB million
Trade receivables		
Eastern Logistics	**1,071**	264
Juneyao Air	**6**	19
Eastern Air Catering	**17**	25
Eastern Investment	**17**	3
Others	**4**	2
	1,115	313

	2023 RMB million	2022 RMB million
Prepayments and other receivables		
Eastern Air Finance Company	**318**	52
TravelSky	**117**	32
Eastern Air Catering	**98**	72
CEA Holding	**24**	20
Juneyao Air	**3**	12
Eastern Advertising	**1**	9
Eastern Investment	**–**	450
Technologies Aerospace	**–**	3
Others	**18**	14
	579	664
Other Non-crrent Asset		
TravelSky	**87**	72
XIESA	**8**	12
	95	84

45 Related party transactions *(continued)*

(c) Balances with related parties *(continued)*

(ii) Amounts due to related parties

	2023 RMB million	2022 RMB million
Trade payables and bills payables, Other payables and accruals		
Eastern Air Catering	**593**	341
Shanghai P&W	**514**	503
CEA Holding	**160**	66
TravelSky	**87**	7
Eastern Investment	**60**	212
Technologies Aerospace	**7**	55
Eastern Advertising	**3**	4
Collins Aviation	**3**	3
Juneyao Air	**3**	5
XIESA	**–**	18
Others	**27**	16
	1,457	1,230

	2023 RMB million	2022 RMB million
Lease liabilities		
CES Lease Company	**34,776**	42,931
Eastern Investment	**1,086**	444
Eastern Air Catering	**4**	6
	35,866	43,381

	2023 RMB million	2022 RMB million
Other long-term liabilities		
Eastern Air Catering	**64**	66

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.

45 Related party transactions *(continued)*

(c) Balances with related parties *(continued)*

(iii) Short-term deposits, loan and borrowings with related parties

	Average interest rate For the year ended 31 December		31 December	31 December
	2023	2022	**2023**	2022
			RMB million	RMB million
Short-term deposits (included in cash and cash equivalents)				
Eastern Air Finance Company	**0.20%**	0.25%	**9,336**	7,075
Short-term borrowings (included in borrowings)				
CEA Holding	**2.00%**	2.00%	**7,500**	8,500
Eastern Investment	**–**	2.00%	**–**	7,500
Eastern Air Finance Company	**2.60%**	2.80%	**2,000**	2,800
Long-term borrowings (included in borrowings)				
CEA Holding	**2.00%**	2.00%	**1,000**	10,000

(d) Guarantees by the holding company

As at 31 December, 2023, bonds of the Group guaranteed by CEA Holding amounted to RMB1,510 million (31 December 2022: RMB6,502 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:

	2023	2022
	RMB million	RMB million
Other payables and accruals		
Directors and supervisors	**2**	3
Senior management	**1**	1
	3	4

46 Financial instruments by category

The group holds the following financial instruments:

Financial assets	Note	2023 RMB million	2022 RMB million
Financial assets at amortised cost			
Trade receivables	29	**2,167**	817
Prepayments and other receivables	31	**2,290**	2,232
Cash and cash equivalents	32	**11,741**	18,015
Restricted bank deposits	32	**316**	12
Financial assets included in other non-current assets		**177**	139
Equity investments designed at fair value through other comprehensive income	24	**1,057**	452
Financial assets at fair value through profit or loss	30	**65**	72
Derivative financial instruments	25	**49**	95
		17,862	21,834

Financial liabilities	Note	2023 RMB million	2022 RMB million
Liabilities at amortised cost			
Trade and bills payables	33	**4,584**	2,498
Financial liabilities included in other payables and accruals	35	**15,357**	12,980
Borrowings	36	**111,028**	121,947
Lease liabilities	18(b)	**84,175**	97,007
		215,144	234,432

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:

	2023		2022	
	Carrying amount RMB million	**Fair value amount RMB million**	Carrying amount RMB million	Fair value amount RMB million
Financial assets				
Equity investments designated at fair value through other comprehensive income	**1,057**	**1,057**	452	452
Financial assets at fair value through profit or loss	**65**	**65**	72	72
Derivative financial assets	**49**	**49**	95	95
Deposits relating to aircraft held under leases included in other non-current assets	**80**	**78**	125	124
Total	**1,251**	**1,249**	744	743
Financial liabilities				
Long-term borrowings	**58,022**	**56,920**	57,939	56,212
Lease liabilities	**64,747**	**63,478**	78,387	78,240
Total	**122,769**	**120,398**	136,326	134,452

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.

47 Fair value and fair value hierarchy of financial instruments *(continued)*

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 2023, 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.

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 2023 and 2022:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Unlisted equity investments	Valuation multiples	Discount for lack of marketability	28% (31 December 2022: 20%)	1% (31 December, 2022: 1%) increase/decrease in multiple would result in increase/decrease in fair value by RMB8 million (31 December 2022: 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 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Equity investments designated at fair value through other comprehensive income	260	–	797	1,057
Derivative financial liabilities				
— Interest rate swaps	–	49	–	49
Financial assets at fair value through profit or loss	65	–	–	65
Total	325	49	797	1,171

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total 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 assets at fair value through profit or loss	72	–	–	72
Total	385	95	139	619

47 Fair value and fair value hierarchy of financial instruments *(continued)*

Fair value hierarchy *(continued)*

Assets and liabilities measured at fair value: *(continued)*

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2022: Nil) and no transfers into or out of Level 3 for both financial assets and financial liabilities during the year of 2023.

The following table presents the changes in level 3 items for the year ended 31 December 2023:

	Equity investments designated at fair value through other comprehensive income RMB million
Opening balance as at 1 January 2023	139
Addition	600
Disposal	(2)
Gain recognised in other comprehensive income	60
Closing balance as at 31 December 2023	797

Assets and liabilities for which fair values are disclosed:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total RMB million
Assets				
Deposits relating to aircraft held under leases included in other non-current assets	–	78	–	78
Liabilities				
Long-term borrowings	–	56,920	–	56,920
Lease liabilities	–	63,478	–	63,478
	–	120,398	–	120,398

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 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million	Significant observable inputs (Level 2) RMB million	Significant unobservable inputs (Level 3) RMB million	Total 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

48 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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 Financial risk management *(continued)*

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.

The following tables detail the Group's exposure to major currency risk at the reporting date:

	2023			
	USD RMB million	**EUR RMB million**	**SGD RMB million**	**JPY RMB million**
Trade receivables	**29**	**46**	**6**	**30**
Cash and cash equivalents	**754**	**63**	**42**	**10**
Other receivables	**20**	**5**	**1**	**12**
Other non-current assets	**1,020**	**–**	**–**	**–**
Trade and other payables	**(335)**	**(14)**	**–**	**(2)**
Lease liabilities	**(30,992)**	**(9)**	**(4)**	**(30)**
Borrowings	**–**	**(1,172)**	**(2,707)**	**–**
Other long-term liabilities	**(218)**	**–**	**–**	**–**

	2022			
	USD RMB million	EUR RMB million	SGD RMB million	JPY RMB million
Trade receivables	13	8	–	5
Cash and cash equivalents	93	29	28	6
Other receivables	13	3	–	10
Other non-current assets	1,393	–	–	–
Trade and other payables	(288)	(27)	(5)	(1)
Lease liabilities	(33,339)	(8)	(7)	(12)
Borrowings	–	(1,559)	(2,607)	–
Other long-term liabilities	(267)	–	–	–

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:

	2023		2022	
	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	(223)/223	–	(243)/243	–
If RMB (weakens)/strengthens Against EUR	(8)/8	–	(12)/12	–
If RMB (weakens)/strengthens against SGD	(19)/19	–	(19)/19	–

(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 36 and 25 to the consolidated financial statements.

48 Financial risk management *(continued)*

48.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

The following tables detail the interest rate profiles of the Group's interest-bearing financial instruments at the reporting date:

	2023 RMB million	2022 RMB million
Floating rate instruments		
Cash and cash equivalents	11,741	18,015
Restricted bank deposits	12	12
Borrowings	(45,262)	(28,753)
Lease liabilities	(47,015)	(59,201)
Interest rate swaps at notional amount	1,339	2,274

	2023 RMB million	2022 RMB million
Fixed rate instruments		
Restricted bank deposits	304	–
Borrowings	(65,279)	(92,478)
Lease liabilities	(36,617)	(37,368)

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:

	2023		2022	
	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	(153)	4	(142)	6

48 Financial risk management *(continued)*

48.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(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 2023, if fuel price had been 5% lower/higher with all other variables held constant, the Group's fuel cost would have been RMB2,055 million lower/higher (2022: RMB1,112 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 2023. 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 2023	High/Low 2023	31 December 2022	High/Low 2022
Hong Kong — Hang Seng Index	**17,047**	**22,701/15,972**	19,781	24,966/14,863
Shanghai — A Share Index	**2,974**	**3,419/2,882**	3,089	3,651/2,863

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 2023.

2023	**Carrying amount of equity investment RMB million**	**Increase/ (decrease) in profit or loss RMB million**	**Increase/ (decrease) in comprehensive income RMB million**
Investments listed in:			
Hong Kong — Equity investment designated at fair value through other comprehensive income	**260**	**–**	**20/(20)**
Shanghai — Financial asset at fair value through profit or loss	**65**	**5/(5)**	**–**
Unlisted investments at fair value: — Equity investment designated at fair value through other comprehensive income	**797**	**–**	**60/(60)**

48 Financial risk management *(continued)*

48.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(vi) Equity price risk (continued)

2022	Carrying amount of equity investment RMB million	Increase/ (decrease) in profit or loss RMB million	Increase/ (decrease) in comprehensive income RMB million
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) 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 423 million as at 31 December, 2023 (2022: approximately 187 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.

48 Financial risk management *(continued)*

48.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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.

As at 31 December 2023	**12-month ECLs**	**Lifetime ECLs**			
	Stage 1 RMB million	**Stage 2 RMB million**	**Stage 3 RMB million**	**Simplified approach RMB million**	**Total RMB million**
Trade receivable*	–	–	46	2,211	2,257
Financial assets included in prepayments and other receivables					
— Normal **	1,856	383	51	–	2,290
Restricted bank deposits					
— Not yet past due	316	–	–	–	316
Cash and cash equivalents					
— Not yet past due	11,741	–	–	–	11,741

As at 31 December 2022	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB million	Stage 2 RMB million	Stage 3 RMB million	Simplified approach RMB million	Total RMB million
Trade receivable*	–	–	47	852	899
Financial assets included in prepayments and other receivables					
— Normal **	1,829	385	18	–	2,232
Restricted bank deposits					
— Not yet past due	12	–	–	–	12
Cash and cash equivalents					
— Not yet past due	18,015	–	–	–	18,015

* 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.

At 31 December 2023	Less than 1 year RMB million	1 to 2 years RMB million	2 to 5 years RMB million	Over 5 years RMB million	Total RMB million
Borrowings	54,460	15,251	37,500	10,431	117,642
Lease liabilities	20,808	16,177	38,684	17,389	93,058
Trade, bills and other payables	25,166	–	–	–	25,166
Total	100,434	31,428	76,184	27,820	235,866

At 31 December 2022	Less than 1 year RMB million	1 to 2 years RMB million	2 to 5 years RMB million	Over 5 years RMB million	Total RMB million
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	20,130	–	–	–	20,130
Total	107,100	33,919	80,632	39,408	261,059

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 2023 and 31 December 2022.

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 2023 RMB million	31 December 2022 RMB million
Total liabilities	**241,270**	255,753
Total assets	**284,733**	288,431
Debt ratio	**85%**	89%

49 Summary of other accounting policies

49.1 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 49.2).

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.

49 Summary of other accounting policies *(continued)*

49.1 Principles of consolidation *(continued)*

(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 (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 16.2.

49 Summary of other accounting policies *(continued)*

49.1 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.

49.2 Business combinations

(i) Business combinations under common control

The historical financial information incorporate the financial information of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interests.

The consolidated income statement include the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the historical financial information are presented as if the entities had been combined at the previous year end date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to owners, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as expenses in the period in which it is incurred.

49 Summary of other accounting policies *(continued)*

49.2 Business combinations *(continued)*

(ii) Business combinations not under common control

The acquisition method of accounting is used to account for all business combinations (except for business combination under common control), 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.

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.

49 Summary of other accounting policies *(continued)*

49.3 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.

49.4 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.

49.5 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".

49 Summary of other accounting policies *(continued)*

49.6 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.

49.7 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.

49.8 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).

49.9 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.

49 Summary of other accounting policies *(continued)*

49.10 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 49.2 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.

(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 3-5 years. Costs associated with developing or maintaining computer software programs are recognised as expenses when incurred.

49.11 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.

49.12 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.

49.13 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.

49 Summary of other accounting policies *(continued)*

49.14 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.

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.

49 Summary of other accounting policies *(continued)*

49.14 Investments and other financial assets *(continued)*

(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.

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.

49 Summary of other accounting policies *(continued)*

49.14 Investments and other financial assets *(continued)*

(ii) Subsequent measurement *(continued)*

Financial assets at fair value through profit or loss *(continued)*

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.

49 Summary of other accounting policies *(continued)*

49.14 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

49 Summary of other accounting policies *(continued)*

49.14 Investments and other financial assets *(continued)*

(iv) Impairment *(continued)*

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.

49.15 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.

49 Summary of other accounting policies *(continued)*

49.16 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.

49.17 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.

49 Summary of other accounting policies *(continued)*

49.17 Derivatives and hedging activities *(continued)*

Initial recognition and subsequent measurement *(continued)*

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.

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.

49 Summary of other accounting policies *(continued)*

49.17 Derivatives and hedging activities *(continued)*

Initial recognition and subsequent measurement *(continued)*

(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.

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.

49 Summary of other accounting policies *(continued)*

49.18 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.

49.19 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.

49.20 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.

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.

49 Summary of other accounting policies *(continued)*

49.21 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.

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.

49 Summary of other accounting policies *(continued)*

49.22 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.

49.23 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.

50 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 2023 RMB million	31 December 2022 RMB million
Non-current assets		
Property, plant and equipment	66,757	59,690
Investment properties	222	188
Right-of-use assets	80,858	87,704
Intangible assets	11,556	11,603
Advanced payments on acquisition of aircraft	15,183	13,970
Investments in subsidiaries	20,636	18,210
Investments in associates	2,474	2,529
Investments in joint ventures	428	428
Equity investment designated at fair value through other comprehensive income	979	401
Derivative financial instruments	33	94
Deferred tax assets	5,626	5,233
Other non-current assets	5,568	4,843
	210,320	204,893
Current assets		
Flight equipment spare parts	10	2
Trade receivables	1,751	518
Prepayments and other receivables	51,646	53,619
Financial assets at fair value through profit or loss	65	71
Derivative financial instruments	16	1
Restricted bank deposits	312	12
Cash and cash equivalents	10,416	17,314
	64,216	71,537
Total assets	274,536	276,430

50 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 2023 RMB million	31 December 2022 RMB million
Current liabilities		
Trade and bills payables	9,393	2,822
Other payables and accruals	22,866	24,470
Contract liabilities	6,767	2,661
Current portion of borrowings	54,563	73,009
Current portion of Lease liabilities	12,734	12,278
Derivative financial instruments	–	–
	106,323	115,240
Net current liabilities	(42,107)	(43,703)
Total assets less current liabilities	168,213	161,190

50 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 2023 RMB million	31 December 2022 RMB million
Non-current liabilities			
Borrowings		**55,341**	55,357
Lease liabilities		**47,920**	55,999
Provision for lease return costs for aircraft and engines		**4,132**	3,711
Contract liabilities		**399**	338
Derivative financial instruments		**–**	–
Post-retirement benefit obligations		**1,717**	1,743
Other long-term liabilities		**696**	1,041
		110,205	118,189
Net assets		**58,008**	43,001
Equity			
Capital and reserves			
— Share capital		**22,291**	22,291
— Perpetual Bond		**20,057**	–
— Reserves	(b)	**15,660**	20,710
Total equity		**58,008**	43,001

50 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	Accumulated losses RMB million	Total RMB million
Banlance at 1 January 2022	45,921	(720)	(46)	752	(2,455)	(9,448)	34,004
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	11,554	–	–	–	–	–	11,554
At 31 December 2022	57,475	(720)	60	752	(2,447)	(34,410)	20,710
Banlance at 1 January 2023	**57,475**	**(720)**	**60**	**752**	**(2,447)**	**(34,410)**	**20,710**
Unrealised gains on cash flow hedges	**–**	**–**	**(34)**	**–**	**–**	**–**	**(34)**
Fair value movements in equity investments designated at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(17)**	**–**	**(17)**
Actuarial gains on post-retirement benefit obligations	**–**	**–**	**–**	**–**	**(66)**	**–**	**(66)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,876)**	**(4,876)**
Distribution to holders of perpetual bonds	**–**	**–**	**–**	**–**	**–**	**(57)**	**(57)**
At 31 December 2023	**57,475**	**(720)**	**26**	**752**	**(2,530)**	**(39,343)**	**15,660**

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:

	2023 RMB million	2022 RMB million
Consolidated loss attributable to equity holders of the Company		
As stated in accordance with PRC Accounting Standards	(8,168)	(37,356)
As stated in accordance with IFRSs	(8,168)	(37,356)

	2023 RMB million	2022 RMB million
Consolidated net assets attributable to equity holders of the Company		
As stated in accordance with the PRC Accounting Standards	40,610	29,416
Impact of IFRSs and other adjustments:		
— Intangible assets (goodwill) (a)	2,242	2,242
As stated in accordance with IFRSs	42,852	31,658

(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.

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