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This announcement and the listing documents are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for securities.

*This announcement and the listing documents do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or in any other jurisdiction in which such offer or solicitation would be prohibited by applicable law. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S under the Securities Act). Accordingly, the securities are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement, the listing documents attached hereto and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States or in any other jurisdiction in which such offer would be prohibited by applicable law.*

This announcement and the listing documents attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents attached hereto) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

Notice to Hong Kong investors*: The Issuer and the Guarantor (as defined below) confirm that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

Eastern Air Overseas (Hong Kong) Corporation Limited
(incorporated with limited liability in Hong Kong)
(the "**Issuer**")

CNY2,800,000,000 1.75 per cent. Guaranteed Bonds due 2029
(Stock Code: 85516)
(the "**Bonds**")

unconditionally and irrevocably guaranteed by

China Eastern Airlines Corporation Limited
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00670)
(the "**Guarantor**")

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China | **DBS Bank Ltd.**

Citigroup | **CITIC Securities** | **China International Capital Corporation**

Joint Bookrunners and Joint Lead Managers

Bank of Communications | **BNP PARIBAS** | **BOSC International** | **China Galaxy International**

China Minsheng Banking Corp., Ltd. Hong Kong Branch | **CMB Wing Lung Bank Limited** | **Guotai Junan International** | **Haitong International**

ICBC (Asia) | **Industrial Bank Co., Ltd. Hong Kong Branch** | **Shanghai Pudong Development Bank Hong Kong Branch**

ABC International | **CCB International**

This announcement is made by the Guarantor pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 18 November 2026 published by the Guarantor.

The offering circular dated 11 November 2026 in relation to the issuance of the Bonds (the "**Offering Circular**") is appended to this announcement. The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published.

By order of the Board of
CHINA EASTERN AIRLINES CORPORATION LIMITED
Li Ganbin
Joint Company Secretary

Shanghai, the People's Republic of China
19 November 2026

As at the date of this announcement, the directors of the Guarantor are Wang Zhiqing (Chairman), Gao Fei (Vice Chairman, President), Yan Fei (Director), Sun Zheng (Independent non-executive Director), Lu Xiongwen (Independent nonexecutive Director), Luo Qun (Independent non-executive Director), Fung Wing Yee Sabrina (Independent non-executive Director) and Zheng Hongfeng (Independent non-executive Director).

As at the date of this announcement, the directors of the Issuer are Shao Zumin, Li Xiaoyu and Zhi Boning.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer or the Guarantor (as defined in the attached offering circular) as a result of such access.

Confirmation of Your Representation: The attached Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached offering circular, you shall be deemed to represent to Bank of China Limited, Bank of China (Hong Kong) Limited, BOCI Asia Limited, DBS Bank Ltd., Citigroup Global Markets Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BNP PARIBAS, BOSC International Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Minsheng Banking Corp., Ltd. Hong Kong Branch, CMB Wing Lung Bank Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, ABCI Capital Limited and CCB International Capital Limited (collectively, the "**Joint Lead Managers**") that (1) you and any customers you represent are not, and the e-mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Joint Lead Managers, the Trustee (as defined in the Offering Circular), the Agents (as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers or any person who controls any of them or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Issuer will provide you with a hard copy version upon request.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION OF THE UNITED STATES AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute, in the United States or elsewhere, a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

Singapore SFA Product Classification — In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Eastern Air Overseas (Hong Kong) Corporation Limited

(incorporated with limited liability in Hong Kong)

CNY2,800,000,000 1.75 per cent. Guaranteed Bonds due 2029

Unconditionally and Irrevocably Guaranteed by

China Eastern Airlines Corporation Limited

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

(HKSE Stock Code: 00670)

Issue Price: 100.00 per cent.

The 1.75 per cent. guaranteed bonds due 2029 in the aggregate principal amount of CNY2,800,000,000 (the "**Bonds**") will be issued by Eastern Air Overseas (Hong Kong) Corporation Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by China Eastern Airlines Corporation Limited (the "**Guarantor**").

The Bonds will bear interest on their outstanding principal amount from and including 18 November 2026 (the "**Issue Date**") at the rate of 1.75 per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on 18 May and 18 November in each year (each an "**Interest Payment Date**"), commencing on 18 May 2027. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 5(c) of the Terms and Conditions of the Bonds), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law to the extent described under "*Terms and Conditions of the Bonds — Taxation*".

The Bonds constitute direct, unconditional, unsubordinated and, subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The Guarantee constitutes direct, unconditional, unsubordinated and, subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Guarantor. The payment obligations of each of the Issuer and the Guarantor shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Bonds will mature on the Interest Payment Date falling on, or nearest to, 18 November 2029. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the CMU Lodging and Paying Agent, at their principal amount together with interest accrued up to but excluding the date fixed for redemption, in the event of certain changes affecting taxes of Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, and subject to the further conditions described in Condition 6(b) of the Terms and Conditions of the Bonds. See "*Terms and Conditions of the Bonds — Redemption and Purchase*".

At any time following a Relevant Event (as defined in the Terms and Conditions of the Bonds), a Bondholder will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. of their principal amount in the case of a Change of Control, or at 100 per cent. of their principal amount in the case of a No Registration Event, in each case together with accrued interest up to, but excluding, the Put Date. A Change of Control occurs if the SASAC ceases directly or indirectly to Control the Guarantor, if the Guarantor ceases directly or indirectly to Control the Issuer, or if the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons acting together, except where such person or persons are Controlled by the SASAC. To exercise the right a Bondholder must deposit a duly completed and signed Put Exercise Notice with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following the Relevant Event or, if later, 30 days following the date on which notice of it is given to Bondholders. See Condition 6(c) of the Terms and Conditions of the Bonds.

Pursuant to the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "**NDRC Administrative Measures**") issued by the National Development and Reform Commission of the PRC (the "**NDRC**") which came into effect on 10 February 2023, and any implementation rules or applicable policies issued by the NDRC from time to time, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 28 September 2026 evidencing such registration, and has undertaken to (i) file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Bonds within 10 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date, and (ii) comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the NDRC Post-issue Filing (as defined in the Terms and Conditions of the Bonds).

The Guarantor will be required to register or cause to be registered with the State Administration of Foreign Exchange or its local branch ("**SAFE**") the Deed of Guarantee (as defined in the Terms and Conditions of the Bonds) within 15 PRC Business Days after the date of execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor has undertaken to use its reasonable endeavours to complete the Cross-Border Security Registration and to obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE Registration Deadline, being the day falling 90 PRC Business Days after the Issue Date. If the Registration Conditions (as defined in the Terms and Conditions of the Bonds, and which include delivery of the certificate and the registration record to the Trustee and the giving of notice to Bondholders within seven PRC Business Days after receipt of the registration record from SAFE) are not satisfied on or before that date, a No Registration Event will occur and Bondholders will have the put right described above.

The Bonds will be issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

Investing in the Bonds involves certain risks. See the section entitled "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see the section entitled "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and the permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group (as defined below) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Bonds will be represented by a global certificate (the "**Global Certificate**") which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service (the "**CMU**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**", together with Euroclear and the CMU, the "**Clearing Systems**", each a "**Clearing System**"), such persons will hold their interests through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU. Except as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China		**DBS Bank Ltd.**
Citigroup	**CITIC Securities**	**China International Capital Corporation**

Joint Bookrunners and Joint Lead Managers

Bank of Communications	**BNP PARIBAS**	**BOSC International**	**China Galaxy International**
China Minsheng Banking Corp., Ltd. Hong Kong Branch	**CMB Wing Lung Bank Limited**	**Guotai Junan International**	**Haitong International**

ICBC (Asia)	**Industrial Bank Co., Ltd. Hong Kong Branch**	**Shanghai Pudong Development Bank Hong Kong Branch**	**ABC International**	**CCB International**

Offering Circular dated 11 November 2026

IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and its subsidiaries and its associates (together with the Issuer, the "**Group**"). Each of the Issuer and the Guarantor (including its subsidiaries, the "**Company**") accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of each of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading. If investors are in any doubt about any of the contents of the Offering Circular, they should obtain independent professional advice.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of the Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Issuer, the Guarantor and the Group, the Bonds or the Guarantee. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the Terms and Conditions of the Bonds, including the merits and risks involved. The Bonds have not been approved or recommended by any regulatory authority in any jurisdiction. Furthermore, no such regulatory authority has passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of the Offering Circular.

In addition, each of the Issuer and the Guarantor confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Group, the Bonds and the Guarantee, which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws), (ii) the statements contained in this Offering Circular are true and accurate in all material respects and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds or the Guarantee the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinions or intentions expressed in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular, (vi) the statistical, industry, and market-related data and forward-looking statements, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer and the Guarantor believe to be accurate and reliable in all material respects, and represent each of their good faith estimates that are made on the basis of data so derived from such sources and (vii) this Offering Circular does not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions

may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Bank of China Limited, Bank of China (Hong Kong) Limited, BOCI Asia Limited, DBS Bank Ltd., Citigroup Global Markets Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Bank of Communications Co., Ltd. Hong Kong Branch, BNP PARIBAS, BOSC International Securities Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Minsheng Banking Corp., Ltd. Hong Kong Branch, CMB Wing Lung Bank Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, ABCI Capital Limited and CCB International Capital Limited (each such party other than the Issuer and the Guarantor are collectively referred to as the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto in certain jurisdictions, including the United States, the United Kingdom, the People's Republic of China, Hong Kong, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see the section entitled "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, China Eastern Air Holding Company ("**CEA Holding**" or the "**Parent**") and the Group, the Bonds or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Joint Lead Managers, the Trustee (as defined in the Terms and Conditions of the Bonds) or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to, and its contents may be disclosed only to, the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates has independently verified the information contained herein. Accordingly, no representation

or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY MANAGER (OR PERSONS ACTING ON ITS BEHALF) AS THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. IN DOING SO, THE STABILISATION MANAGER (OR ANY PERSON ACTING ON ITS BEHALF) SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER, AND ANY LOSS OR PROFIT SUSTAINED AS A CONSEQUENCE OF ANY SUCH OVER-ALLOTMENT OR STABILISATION SHALL BE FOR THE ACCOUNT OF THE STABILISATION MANAGER.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the terms of the offering, including the merits and risks involved. See the section entitled "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates accepts any responsibility for the contents of this Offering Circular or for any

statement made or purported to be made in connection with the Issuer, the Guarantor, the Group, the Guarantee or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, advisers, representatives and affiliates accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor or the Group for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates.

Warning

The contents of this Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Bonds. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

Industry and Market Data

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained based on internal surveys, market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe the information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them, and none of them makes any representation as to the accuracy or completeness of such information. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

Important Notice to Prospective Investors in Relation to Paragraph 21 of the SFC Code

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" (the "**CMIs**") subject to paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (the "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively

impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Presentation of Financial Information

The Guarantor has prepared audited consolidated financial statements as at and for the years ended 31 December 2024 and 2025 (the "**Guarantor Audited Consolidated Financial Statements**") and reviewed consolidated financial statements as at and for the six months ended 30 June 2026 (the "**Guarantor Reviewed Consolidated Financial Statements**"). The Guarantor Audited Consolidated Financial Statements and the Guarantor Reviewed Consolidated Financial Statements included in this Offering Circular have been audited or reviewed, as the case may be, by Deloitte Touche Tohmatsu, certified public accountants, and are prepared in conformity with IFRS Accounting Standards ("**IFRS**"). See "*Index to Consolidated Financial Statements*" and "*Summary Financial Information — Selected Financial Information of the Guarantor*".

The Issuer has prepared audited financial statements as at and for the years ended 31 December 2024 and 2025 (the "**Issuer Audited Financial Statements**"). The Issuer Audited Financial Statements included in this Offering Circular have been audited by Deloitte Touche Tohmatsu, certified public accountants, and are prepared in accordance with the Hong Kong Financial Reporting Standards. See "*Summary Financial Information — Selected Financial Information of the Issuer*".

Certain Definitions, Conventions and Currency Presentation

Unless otherwise indicated, all references in this Offering Circular to "China", the "PRC" or the "Mainland" are to the People's Republic of China and for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, and all references to "Hong Kong" are to the Hong Kong Special Administrative Region of China.

Unless otherwise specified or the context requires, references herein to "Renminbi", "RMB" or "CNY" are to the lawful currency of the PRC, references herein to "Hong Kong dollars", "HK dollars", "HK$", "HK cents" or "HKD" are to the lawful currency of Hong Kong, references herein to "U.S. dollars", "US$", "US cents" or "USD" are to the lawful currency of the United States of America, and references to "IFRS" are to International Financial Reporting Standards or IFRS Accounting Standards.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations or transliterations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, the Company's financial condition, future expansion plans and business strategy. These forward-looking statements are based on the Company's current expectations about future events and speak only as at the date they are made. The Issuer and the Guarantor undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements are, by their nature, subject to inherent risks and uncertainties, some of which are beyond the Company's control, and are based on assumptions and analyses made by the Guarantor in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors which the Guarantor believes are appropriate in particular circumstances. These forward-looking statements include, without limitation, statements relating to:

- the impact of changes in the policies of the Civil Aviation Administration of China, or the "**CAAC**", regarding route rights;
- the impact of the CAAC policies regarding the restructuring of the airline industry in China;
- the impact of macroeconomic fluctuations (including the fluctuations of oil prices, interest and exchange rates);
- certain statements with respect to trends in prices, volumes, operations, margins, risk management, overall market trends and exchange rates;
- the Company's fleet development plans, including, without limitation, related financing, schedule, intended use and planned disposition;
- the Company's strategic plan of the cargo operation;
- the Company's strategic plans, including possible acquisition of other airlines;
- the Company's marketing plans, including the establishment of additional sales offices;
- the Company's plan to add new pilots; and
- the impact of unusual events on the Company's business and operations.

All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". The words or phrases "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to the Company or its management, are intended to identify "forward-looking statements". All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer, the Company and/or the Group discussed in this Offering Circular

regarding matters that are not historical fact. Accordingly, you are cautioned that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement, including, without limitation:

- changes in political, economic, legal and social conditions in China;
- any changes in the regulatory or taxation policies of the CAAC or any regulator or government agency in a jurisdiction where the Company provides services;
- the development of the high-speed rail network in the PRC;
- fluctuations of interest rates and foreign exchange rates;
- the availability of qualified flight personnel and airport facilities;
- the effects of competition on the demand for and price of the Company's services;
- the availability and cost of aviation fuel, including but not limited to pricing trends and risks associated with fuel hedging;
- any significant depreciation of Renminbi or Hong Kong dollars against U.S. dollars, Japanese yen or Euro, the currencies in which the majority of the Company's borrowings are denominated;
- the Company's ability to obtain adequate financing, including any required external debt and acceptable bank guarantees; and
- general economic conditions in markets where the Company operates.

TABLE OF CONTENTS

	Page
GLOSSARY OF TECHNICAL TERMS	1
DEFINITION	3
SUMMARY	6
THE ISSUE	11
SUMMARY FINANCIAL INFORMATION	15
RISK FACTORS	23
TERMS AND CONDITIONS OF THE BONDS	54
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	77
USE OF PROCEEDS	79
CAPITALISATION AND INDEBTEDNESS	80
DESCRIPTION OF THE ISSUER	82
PRC REGULATIONS	83
HISTORY AND DEVELOPMENT OF THE COMPANY	92
DESCRIPTION OF THE COMPANY'S BUSINESS	102
DIRECTORS AND MANAGEMENT	121
PRINCIPAL SHAREHOLDERS	126
TAXATION	128
SUBSCRIPTION AND SALE	132
GENERAL INFORMATION	138
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

GLOSSARY OF TECHNICAL TERMS

Capacity Measurements

"ATK" (available tonne-kilometres)	the number of tonnes of capacity available for the carriage of revenue load (passengers and cargo) multiplied by the distance flown
"ASK" (available seat-kilometres)	the number of seats made available for sale multiplied by the distance flown
"AFTK" (available freight tonne-kilometres)	the number of tonnes of capacity available for the carriage of cargo and mail multiplied by the distance flown

Traffic Measurements

"revenue tonne-kilometres" or "RTK"	load (passenger and cargo) in tonnes multiplied by the distance flown
"revenue passenger-kilometres" or "RPK"	the number of passengers carried multiplied by the distance flown
"revenue freight tonne-kilometres" or "RFTK"	cargo and mail load in tonnes multiplied by the distance flown
"revenue passenger tonne-kilometres" or "RPTK"	passenger load in tonnes multiplied by the distance flown

Load Factors

"overall load factor"	overall load factor
"passenger load factor"	passenger load factor
"cargo load factor"	cargo tonne-kilometres expressed as a percentage of AFTK
"break-even load factor"	the load factor required to equate traffic revenue with the Company's operating costs assuming that the Company's total operating surplus is attributable to scheduled traffic operations

Yield and Cost Measurements

"revenue tonne-kilometres yield"	revenue from airline operations divided by tonne-kilometres

"passenger-kilometres yield" (revenue per passenger-kilometre)	revenue from passenger operations divided by passenger-kilometres
"cargo and mail tonne-kilometres yield" (revenue per cargo tonne-kilometre)	revenue from cargo operations divided by cargo tonne-kilometres
"available tonne-kilometres unit cost"	operating expenses divided by ATK
"tonne"	a metric ton, equivalent to 2,204.6 lbs

"**ADR(s)**"	means American Depositary Receipts.
"**Air China**"	means 中國國際航空股份有限公司 (Air China Limited).
"**Air France**" **or** "**Air France-KLM**"	means Air France-KLM Group.
"**Air Transportation Arrangement**"	the Air Transportation Arrangement between mainland China and Hong Kong signed by the PRC government, acting through the CAAC, and Hong Kong in February 2000.
"**Board**"	means the board of directors of the Company.
"**CAAC**"	means the Civil Aviation Administration of China.
"**CAOSC**"	means the Civil Aviation Oil Supply Company, which is supervised by the SASAC, and is currently the dominant civil aviation fuel supply company in China.
"**CEA Maintenance**"	means 東航飛機維修工程(上海)有限公司 (China Eastern Airlines Aircraft Maintenance Engineering (Shanghai) Co., Ltd.), formerly known as 上海科技宇航有限公司 (Shanghai Technologies Aerospace Co., Ltd.) or STARCO, a wholly-owned subsidiary of the Company.
"**CEA Holding**"	means 中國東方航空集團公司 (China Eastern Air Holding Company), the controlling shareholder of the Company.
"**CEA Technic**"	means 東方航空技術有限公司 (China Eastern Airlines Technic Co., Ltd.), a wholly-owned subsidiary 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 Industrial Finance, a wholly owned subsidiary of CEA Holding and a shareholder of the Company.
"**CES Industrial Finance**"	means 東航產融投資管理有限公司 (China Eastern Industrial Finance Investment Management Co., Ltd.), formerly known as 東航金控有限責任公司 (CES Finance Holding Co., Limited) or "CES Finance", a wholly-owned subsidiary of CEA Holding and a shareholder and connected person of the Company.
"**CES Leasing**"	means 東航國際融資租賃有限公司 (CES International Financial Leasing Corporation Limited), a company incorporated in the China (Shanghai) Pilot Free Trade Zone of the PRC with registered capital of approximately RMB4 billion, and is directly held as to: (i) 65 per cent. by CES Industrial Finance and (ii) 35 per cent. by CES Global (an indirect wholly-owned subsidiary of CEA Holding).

"**CES Media**"	means 東方航空傳媒股份有限公司 (China Eastern Airlines Media Co., Limited), a wholly-owned subsidiary of the Guarantor.
"**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.
"**China Eastern Airlines**", "**CEA**" or "**Guarantor**"	means 中國東方航空股份有限公司 (China Eastern Airlines Corporation Limited).
"**China National Aviation Fuel**"	means 中國航空油料集團公司 (China National Aviation Fuel Holding Company), one of the shareholders of the Company.
"**China Southern**"	means 中國南方航空股份有限公司 (China Southern Airlines Company Limited).
"**China United Airlines**"	means 中國聯合航空有限公司 (China United Airlines Co., Ltd.), a wholly-owned subsidiary of the Company.
"**Code sharing**"	means a widely adopted marketing arrangement for all airlines across the world. Pursuant to the code-sharing agreements entered into with other airlines, an airline may conduct sales for the seats of code-share flights operated by other airlines as its own products.
"**Company**"	means China Eastern Airlines and its subsidiaries.
"**CSRC**"	means the China Securities Regulatory Commission.
"**Ctrip**"	means 攜程旅遊網絡技術(上海)有限公司 (Ctrip Computer Technology (Shanghai) Co., Ltd).
"**Delta**" or "**Delta Air Lines**"	means Delta Air Lines, Inc., one of the shareholders of the Company.
"**Directors**"	means the directors of the Company.
"**Eastern Airlines Industry Investment**"	means 東航產業投資有限公司 (Eastern Airlines Industry Investment Company Limited), a wholly-owned subsidiary of CEA Holding.
"**Eastern Logistics**"	means 東方航空物流有限公司 (Eastern Airlines Logistics Co., Ltd.), a listed subsidiary of CEA Holding.
"**EIT Law**"	means the Enterprise Income Tax Law of the PRC (2018 Revised) (the "**EIT Law**") effective on 29 December 2018.
"**HKSCC**"	Hong Kong Securities Clearing Company Ltd.
"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC.

"**Hong Kong Stock Exchange**"	means The Stock Exchange of Hong Kong Limited.
"**HSR**"	means high-speed rail.
"**IATA**"	means the International Air Transport Association.
"**MOF**"	means the Ministry of Finance of China.
"**MOFCOM**"	means the Ministry of Commerce of China.
"**NDRC**"	means the National Development and Reform Commission of China.
"**NYSE**"	means New York Stock Exchange.
"**PBOC**"	means the People's Bank of China.
"**PRC**"	means the People's Republic of China, and for the purpose of this Offering Circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan.
"**Qantas**"	means Qantas Airways.
"**RMB**"	means Renminbi, the lawful currency of the PRC.
"**SAFE**"	means the State Administration of Foreign Exchange of China.
"**SASAC**"	means the State-owned Assets Supervision and Administration Commission of China.
"**SEC**"	means the United States Securities and Exchanges Commission.
"**Shanghai Airlines**"	means 上海航空有限公司 (Shanghai Airlines Co., Limited), a wholly-owned subsidiary of the Company.
"**Shanghai Airlines Tours**"	means 上海航空國際旅遊(集團)有限公司 (Shanghai Airlines Tours International (Group) Co., Limited), an associate of the Company.
"**SkyTeam**"	means the SkyTeam Alliance, one of the three major airline alliances in the world.
"**SOE**"	means an enterprise directly and majority owned by the SASAC.
"**USA**"	means the United States of America.

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Circular in its entirety.

THE ISSUER

The Issuer is a limited liability company incorporated under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 1614655). It was incorporated in Hong Kong on 10 June 2011. Its registered office is Suites 801–802, 8/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. The Issuer is a wholly-owned subsidiary of the Guarantor.

The Issuer is principally engaged in the trading of aviation fuel and treasury activities. In the future, the Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue additional bonds, acquire additional aircraft and enter into leases of such aircraft, enter into fuel hedging and other related derivative transactions (and engage in other activities related to the aforementioned) and other businesses related to those of the Company and may incur additional liabilities and indebtedness.

THE COMPANY

The Company was one of the three largest air carriers in China in terms of revenue tonne-kilometres (or RTK) and number of passengers carried in 2025. The Company is an important domestic airline that operates primarily from its core hub in Shanghai, which is considered to be the international financial and shipping centre of China, Beijing Daxing main hub and regional hubs in Kunming and Xi' an. The Company's business primarily focuses on the operation of civil aviation, including the provision of passenger, cargo, mail delivery, tour operations and other extended transportation services. As at 30 June 2026, the Company served a route network that covered 945 domestic and foreign destinations in 145 countries through SkyTeam, an international airlines alliance. Compared to 2024, the Company's traffic volume (as measured in RTKs) increased by 10.8 per cent. from 25,249.9 million in 2024 to 27,981.3 million in 2025. The Company's passenger traffic volume (as measured in revenue passenger-kilometres, or RPKs) increased by approximately 10.7 per cent. from 245,892.8 million in 2024 to 272,103.8 million in 2025. The Company's cargo and mail traffic volume (as measured in revenue freight tonne-kilometres, or RFTKs) increased by approximately 10.3 per cent. from 3,682.5 million in 2024 to 4,062.5 million in 2025. For the six months ended 30 June 2026, the Company has achieved approximately 14,258.6 million, 137,119.9 million and 2,183.7 million in terms of traffic volume, passenger traffic volume and cargo and mail traffic volume, respectively.

COMPETITIVE STRENGTHS

The Company's vision is to become a leading airline in Asia and a leading global competitor by emphasising on staff loyalty, customer preference, investor satisfaction and social responsibility. The Company believes that its business model is favourable to that of other major airlines in a number of significant respects, which the Company intends to continue to pursue. The Company's main competitive strengths include the Company's status as a Central SOE (which is defined as an enterprise directly and majority owned by the SASAC),

its position to benefit from the continued high growth of China's international civil aviation market, its favourable connectivity and geographical position, its economies of scale and high operating efficiency, its efficient and lean fleet structure, its stable financial and liquidity position, its strategic SkyTeam membership, its experienced management team and sound corporate governance, as well as strong recognition of the China Eastern Airlines brand associated with top quality customer service.

A Central SOE with strong and direct support from the PRC central government

CEA Holding is one of the 96 Central SOEs directly supervised by the SASAC of the PRC central government. The Company is 55.80 per cent. owned by CEA Holding, which in turn is 100 per cent. owned by the SASAC. The Company enjoys a number of direct and indirect benefits as a result of its status as a Central SOE. For example, the Company has received an aggregate amount of RMB172 million in government subsidies and achieved revenue of RMB2,172 million from routes co-operated with the government for the six months ended 30 June 2026. The Company believes that its status as a Central SOE positions it well to better execute its business plan and to more directly benefit from China's high economic growth.

Favourable connectivity and geographical position

Shanghai is China's leading international financial centre and international shipping centre. Shanghai handled the largest amount of cargo freight in terms of freight and cargo traffic and the largest amount of flight passengers in terms of passenger traffic among all cities in China in 2025. The Company believes that the operation of its services through its hub in Shanghai, combined with its network that covers 945 destinations in 145 countries and regions through SkyTeam and its high frequency of flights as of 30 June 2026, allow it to maximise connectivity across the markets and locations that it serves. On a national level, the Company has built its route network system around four major hubs: Shanghai, Beijing, Kunming, and Xi'an. Shanghai, the Group's core hub, serves as a composite international gateway hub. Located in the world-class Yangtze River Delta urban cluster, it is one of the most economically dynamic, open, and innovative regions in China, serving as a vital nexus for both the "Belt and Road Initiative" and the "Yangtze River Economic Belt". Shanghai has long maintained robust economic and trade ties with the Asia-Pacific region, Europe, and North America. Flight times from Shanghai to major Asian cities typically range from 2 to 5 hours, while flights to Europe or the west coast of North America typically take approximately 10 to 12 hours. Beijing Daxing, the Group's main hub, is a new national gateway hub. As the main airline based there, the Group exclusively enjoys the hub synergy advantages of the "SkyTeam Airline Alliance" at Beijing Daxing. Kunming, the Group's regional hub, serves as a hub radiating to South and Southeast Asia and is a key node on the "Belt and Road" air silk road. Xi'an, the Group's regional hub, possesses irreplaceable geographical advantages as a hub connecting Central Asia and the Middle East along the Silk Road Economic Belt.

Economies of scale and high operating efficiency

The Company has been ranked as one of the 10 largest airlines in the world by IATA in terms of number of scheduled passengers carried. Leveraging on its economies of scale, the Company has continued to improve its operating efficiency in recent years and intends to maintain this momentum. The Company's operating efficiency is indicated by its annual fleet average utilisation rates which were 9.34 hours per passenger aircraft per day in 2025.

According to the 2025 Statistical Bulletin of the Development of Civil Aviation Industry published by the CAAC, the industry average annual fleet utilisation rate was 9.11 hours per aircraft per day.

Efficient and lean fleet structure

The Company is committed to upholding the spirit of green and low-carbon development through the continued renewal and optimisation of its fleet structure. It operates a modern fleet of 833 aircraft, including one of the largest fleets of wide-body aircraft in China, which is market-leading in both commercially and technologically. Leveraging digital tools to optimise fleet allocation and performance, the Company continuously enhances the alignment between its aircraft and route network, while further improving operational efficiency.

Stable financial and liquidity position and diversified sources of funding

The Company's financial and liquidity position has remained generally stable. The Company's liability ratio (defined as total liabilities divided by total assets) has slightly increased from 86.02 per cent. as at 31 December 2025 to 87.01 per cent. as at 30 June 2026. The Company's outstanding funding has been obtained from a number of different sources, including funds generated from operation, operating leases, commercial bank lending, export credit guaranteed bank funding and debt securities issued into the capital markets. Accordingly, the Company has established, and intends to maintain, a diversified portfolio of funding instead of relying on any single source of funding.

Strategic cooperation with SkyTeam Alliance members

On 21 June 2011, the Company became a member of SkyTeam. The Company's membership in SkyTeam has raised the Company's standards in terms of marketing, service and other areas and further strengthened its market presence and traffic volume in the international civil aviation market by offering the Company's customers more convenience and ease when making their international travel plans. As a SkyTeam member, the Company benefits from its strategic alliance with well-known airlines such as Delta Air Lines and Air France-KLM, which allows its passengers to enjoy the benefits such as increased flight choices, smoother transfers for long-distance or inter-continental travels, priority check-in and enhanced frequent flyer programme privileges. In addition to the alliance with SkyTeam, the Company continues to deepen collaboration on code-sharing with other airline companies, such as Japan Airlines and Qantas. As a member of SkyTeam, the Group boasts an aviation transport network covering 945 destinations in 145 countries and regions around the world.

Experienced management team and sound corporate governance

The Company believes that its management team is well experienced in the civil aviation industry and is capable of providing expertise to achieve the Company's business objectives. As at the date of this Offering Circular, the Company's Board is composed of 9 directors, 5 of whom are independent non-executive directors. The Company's Chairman, Mr. Wang Zhiqing, joined the civil aviation industry in China in 1988. Since his appointment as Chairman of the Company, Mr. Wang has, among others, managed a series of strategic initiatives such as the maiden commercial flight of the world's first C919 aircraft by the Company, the subsequent purchases of C919 aircraft fleet by the Company and its large-scale and routine operations in different routes. Mr. Wang also serves as the chairman

and the secretary of Party Leadership Group of CEA Holding. Furthermore, the Company's senior management have implemented a number of important initiatives since 2014, including the formal establishment of foreign airlines service centre, completing the issuance of 1,327,406,822 A shares, the execution of the Management Agreement with China Cargo Airlines and the Marketing Agreement with Air France-KLM, the active integration into the construction of "The Belt and Road Initiative" and forging the "Aerial Silk Road", the establishment of China Eastern Airlines Co., Ltd. Hainan Branch (東航股份海南分公司), China Eastern Airlines Co., Ltd. Xiamen Branch (東航股份廈門分公司), China Eastern Airlines Co., Ltd. Northeast Branch (東航股份東北分公司) and China Eastern Airlines Co., Ltd. Xinjiang Branch (東航股份新疆分公司) and the complete acquisition of CEA Maintenance. Please see the section entitled "*History and Development of the Company*" for more details.

A brand with strong oriental characteristics and high-quality services

Closely aligned with its strategic goal of becoming a "World Class" airline, the Company continues to improve its service quality and to build its service brand. By continuously streamlining its service processes and creating new service products, the Company keeps developing a cabin service that is "precise, refined, meticulous and outstanding", offering passengers an outstanding travel experience. The Company has been selected as one of the "BrandZ Top 100 Most Valuable Chinese Brands" by WPP and Kantar, the "Top 50 Most Valuable Global Airline Brands" by Brand Finance and "Best China Airline" by TTG China for many consecutive years. In 2025, the Company was selected as one of the 2025 Fortune China Top 500. As a result of the Company's continual efforts to develop the "Eastern Miles" programme, the number of members of the frequent flyer programme reached over 80 million as at 30 June 2026. The Company believes that the quality of the service which it offers and the strength of its brand are critical to its continuing success and intends to continue focusing on developing its brand and improving its customer service.

Commitment to high-quality corporate social responsibility

The Company, guided by a strong sense of social responsibility, adheres to environmental, social and governance (ESG) principles and continues to increase investment in areas such as aviation safety, passenger services, employee care, community development and green aviation.

The Company adheres to the concept of sustainable development, accelerates the development of its ESG framework, continuously refines and optimises its ESG management system, and enhances its ESG governance and performance. Under the guidance of the Aviation Safety and Environmental Committee of its board of directors, the Company has formulated and implemented its annual ESG work plans, prepared an "Action Plan for Carbon Dioxide Peaking", actively participated in SkyTeam's "The Aviation Challenge" and actively promoted the deployment and application of sustainable aviation fuel.

The Company has published high-quality social responsibility and ESG reports for 17 consecutive years since 2009. The Company received the "2024 China CSR Ranking by YICAI Global — Environmental and Ecological Contribution Award" and "Golden Bee 2024 Excellent Corporate Sustainability Report — Longevity Award" and was selected as one of the "China ESG Listed Companies Yangtze River Delta Pioneer 50".

STRATEGIES

Development Strategies

With the aim of conveying the charm of the East and increasing the connectivity with the world, the Company adheres to the development vision of "building a world-class and happy CEA" (打造世界一流、建設幸福東航) and the core values of "safety as the foundation, excellence as the priority, people-oriented approach, openness and innovation, and harmony and dedication" (安全為基、精益為要、以人為本、開放創新、和合篤行), and is committed to becoming an outstanding airline with customer trust, societal recognition and employee pride. The Company will strive to achieve the following key objectives:

- Comprehensively improving its safety development capability;
- Considerably enhancing its overall strength;
- Making comprehensive breakthroughs in digital and intelligent transformation;
- Elevating its international development to a new level;
- Further enhancing its brand value; and
- Continuing to unleash the momentum of reform.

Business Strategies

The Company will continue to pursue steady growth while striving for stronger performance, continuously strengthening its core competitiveness and accelerating its high-quality development through the following strategies:

- Enhancing operational safety standards;
- Enhancing market operational capabilities; adhering to the strategy of "Three Flights" ("more long-range flights, more international flights and more flights in emerging markets");
- Strengthening service brand building;
- Enhancing the effectiveness of reform and innovation initiatives; and
- Enhancing corporate governance efficacy.

THE ISSUE

The following is a summary of the terms of the offering and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Unless otherwise defined in this Offering Circular, words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds".

Issuer	Eastern Air Overseas (Hong Kong) Corporation Limited
Guarantor	China Eastern Airlines Corporation Limited
Issue	CNY2,800,000,000 aggregate principal amount of 1.75 per cent. guaranteed bonds due 2029.
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed, as further described in Condition 2(b) of the Terms and Conditions of the Bonds.
Issue Price	100.00 per cent.
Form and Denomination	The Bonds will be issued in registered form in denominations of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.
Issue Date	18 November 2026.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date, at the rate of 1.75 per cent. per annum, payable semi-annually in arrear on 18 May and 18 November in each year (each an "**Interest Payment Date**"), commencing on 18 May 2027. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 5(c) of the Terms and Conditions of the Bonds), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day.
Maturity Date	The Interest Payment Date falling on, or nearest to 18 November 2029.

Status of the Bonds	The Bonds constitute direct, unconditional, unsubordinated and, subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The Guarantee constitutes direct, unsubordinated, unconditional and, subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.
Events of Default	The Bonds will contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer or, as the case may be, the Guarantor shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued but unpaid interest, at any time in the event of certain changes affecting taxes of Hong Kong or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Change of Control	A Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds at 101 per cent. of their principal amount, together with accrued interest up to, but excluding the relevant Put Date, upon the occurrence of a Change of Control. See Condition 6(c) of the Terms and Conditions of the Bonds.
Redemption for No Registration	A Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds at their principal amount, together with accrued interest up to, but excluding the relevant Put Date, upon the occurrence of a No Registration Event. See Condition 6(c) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented by the Global Certificate, which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the CMU. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
International Securities Identification Number ("ISIN")	HK0001366225.
Common Code	353683454.
CMU Instrument Number	BCHKFB26049.
Governing Law	English law.
Trustee	Bank of China (Hong Kong) Limited.
CMU Lodging and Paying Agent, Registrar and Transfer Agent	Bank of China (Hong Kong) Limited.

Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. It is expected that the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange will commence on 19 November 2026.
Further Issues	Subject to compliance with the undertakings in Condition 4(b) of the Terms and Conditions of the Bonds, the Issuer may from time to time, without the consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for making and completing of the NDRC Post-issue Filing and the Cross-Border Security Registration) so as to form a single series with the Bonds, as further described in Condition 16 of the Terms and Conditions of the Bonds.
Use of Proceeds	See the section entitled "*Use of Proceeds*".
Legal Entity Identifier	300300FPZCH0LT8BJ154.
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See the section entitled "*Subscription and Sale*".

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Guarantor as at and for the periods indicated.

Selected Financial Information of the Guarantor

The summary audited consolidated financial information as at and for the years ended 31 December 2024 and 2025 set forth below is derived from the Guarantor's published audited consolidated financial statements for the year ended 31 December 2025, prepared and presented in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance (which have been audited by Deloitte Touche Tohmatsu, certified public accountants, and are included elsewhere in this Offering Circular) and should be read in conjunction with such published audited consolidated financial statements and the notes thereto. The summary unaudited consolidated financial information for the six months ended 30 June 2025 and 2026 and as at 30 June 2026 set forth below is derived from the Guarantor's published unaudited consolidated financial statements for the six months ended 30 June 2026, prepared and presented in accordance with IFRS (the unaudited consolidated financial statements for the six months ended 30 June 2026 have been reviewed by Deloitte Touche Tohmatsu, certified public accountants, and are included elsewhere in this Offering Circular) and should be read in conjunction with such published unaudited consolidated financial statements and the notes thereto.

Consolidated Income Statement Data
(prepared and presented in accordance with IFRS)

	Year ended 31 December		Six months ended 30 June	
	2024	**2025**	**2025**	**2026**
	(audited)	**(audited)**	**(unaudited)**	**(unaudited but reviewed)**
		(RMB million)		
Revenues	132,120	139,941	66,822	74,234
Other operating income and gains	6,503	7,459	3,391	4,240
Operating expenses				
Aircraft fuel	(45,499)	(43,690)	(21,411)	(29,165)
Wages, salaries and benefits	(26,552)	(29,688)	(14,020)	(15,399)
Depreciation and amortisation	(26,644)	(27,894)	(13,328)	(13,990)
Take-off and landing charges	(17,535)	(19,342)	(9,622)	(9,638)
Aircraft maintenance	(6,171)	(6,576)	(3,276)	(3,364)
Food and beverages	(4,227)	(4,631)	(2,274)	(2,459)
Selling and marketing expenses	(3,949)	(4,362)	(2,092)	(2,327)
Civil aviation development fund	(1,122)	(1,159)	(575)	(567)
Ground services and other expenses	(445)	(474)	(177)	(211)
Low value and short-term lease rentals	(26)	(395)	(136)	(257)
Impairment charges	(44)	(30)	(3)	—
Impairment losses on financial assets, net	(38)	(4)	(30)	(11)
Fair value changes of financial assets at fair value through profit or loss ("**FVTPL**")	36	21	35	(38)
Other operating expenses	(4,789)	(5,303)	(2,820)	(2,231)
Total operating expenses	**(137,005)**	**(143,527)**	**(69,729)**	**(79,657)**
Operating income/(loss)	**1,618**	**3,873**	**484**	**(1,183)**
Share of result of associates	225	245	143	149
Share of result of joint ventures	49	32	17	—
Finance income	115	309	41	617
Finance costs	(5,911)	(4,185)	(2,216)	(1,871)
Profit/(loss) before income tax	**(3,904)**	**274**	**(1,531)**	**(2,288)**
Income tax expense	(894)	(2,226)	(61)	(128)
Profit/(loss) for the year/period	**(4,798)**	**(1,952)**	**(1,592)**	**(2,416)**
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
— Fair value loss on hedging instruments designated in cash flow hedges	5	(60)	(22)	(29)
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 ("**FVTOCI**")	(81)	(4)	17	(43)
— Share of other comprehensive (loss)/income of associates and joint ventures, net of tax	2	(2)	(2)	1
— Actuarial gain/(loss) on the post-retirement benefit obligations, net of tax	(152)	61	(12)	(53)

	Year ended 31 December		Six months ended 30 June	
	2024	2025	2025	2026
	(audited)	(audited)	(unaudited)	(unaudited but reviewed)
	(RMB million)			
Other comprehensive expense for the year/period, net of tax	**(226)**	**(5)**	**(19)**	**(124)**
Total comprehensive loss for the year/period	**(5,024)**	**(1,957)**	**(1,611)**	**(2,540)**
Loss is attributable to:				
Owners of the Company	(4,226)	(1,633)	(1,431)	(2,179)
Non-controlling interests	(572)	(319)	(161)	(237)
Loss for the year/period	**(4,798)**	**(1,952)**	**(1,592)**	**(2,416)**
Total comprehensive expense attributable to:				
Owners of the Company	(4,441)	(1,639)	(1,450)	(2,297)
Non-controlling interests	(583)	(318)	(161)	(243)
Total comprehensive loss for the year/period	**(5,024)**	**(1,957)**	**(1,611)**	**(2,540)**
Loss per share attributable to the owners of the Company:				
Basic (expressed in RMB per share)	(0.19)	(0.11)	(0.06)	(0.11)

Consolidated Balance Sheet Data
(prepared and presented in accordance with IFRS)

	As at 31 December		As at 30 June
	2024	2025	2026
	(audited)	(audited) (RMB million)	(unaudited but reviewed)
Non-current assets			
Property, plant and equipment	103,330	107,244	107,369
Investment properties	96	111	101
Right-of-use assets	112,433	123,709	126,114
Intangible assets	11,603	11,944	11,967
Advanced payments on acquisition of aircraft	14,986	11,215	14,395
Investments in associates	2,218	2,399	2,443
Investments in joint ventures	512	191	191
Equity investments designated at FVTOCI	1,417	1,543	1,485
Derivative financial Instruments	—	—	—
Deferred tax assets	9,160	6,996	7,026
Other non-current assets.	3,984	3,218	2,569
	259,739	**268,570**	**273,660**
Current assets			
Flight equipment spare parts	1,680	2,695	2,913
Trade and bills receivables	1,949	2,091	2,934
Prepayments and other receivables	11,184	13,296	14,627
Financial assets at FVTPL	101	124	86
Derivative financial instruments	56	3	—
Restricted bank deposits	61	63	93
Cash and cash equivalents	4,072	7,164	5,507
	19,103	**25,436**	**26,160**
Current liabilities			
Trade and bills payables	14,515	23,435	21,988
Other payables and accruals	20,227	22,379	23,279
Contract liabilities	10,678	11,396	13,167
Current portion of borrowings	49,576	49,411	50,216
Current portion of lease liabilities	16,997	16,623	16,373
Income tax payable	71	29	105
Derivative financial instruments	—	28	63
Current portion of provision for lease return costs for aircraft and engines	1,939	390	819
	114,003	123,691	126,010
Net current liabilities	**(94,900)**	**(98,255)**	**(99,850)**
Total assets less current liabilities	**164,839**	**170,315**	**173,810**

	As at 31 December		As at 30 June
	2024	2025	2026
	(audited)	(audited) (RMB million)	(unaudited but reviewed)
Non-current liabilities			
Borrowings	53,598	52,409	60,006
Lease liabilities	55,852	63,680	62,644
Provision for lease return costs for aircraft and engines	7,619	8,935	8,321
Contract liabilities	632	908	994
Post-retirement benefit obligations	2,240	1,991	2,015
Other long-term liabilities	1,246	1,301	896
Deferred tax liabilities	1	1	1
	121,188	129,225	134,877
Net assets	**43,651**	**41,090**	**38,933**
Equity			
— Share capital	22,291	22,088	22,088
— Perpetual bond	25,067	25,067	25,415
— Reserves	(4,564)	(7,154)	(9,799)
— Treasury Shares	(20)	—	(58)
Equity attributable to owners of the Company	**42,774**	**40,001**	**37,646**
Non-controlling interests	**877**	**1,089**	**1,287**
Total equity	**43,651**	**41,090**	**38,933**

Selected Financial Information of the Issuer

The summary audited financial information as at and for the years ended 31 December 2024 and 2025 set forth below is derived from the Issuer's audited financial statements for the year ended 31 December 2025, prepared and presented in accordance with Hong Kong Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance (which have been audited by Deloitte Touche Tohmatsu, certified public accountants).

Statement of Profit or Loss and Other Comprehensive Income (prepared and presented in accordance with Hong Kong Financial Reporting Standards)

	Year ended 31 December	
	2024	2025
	(audited)	(audited)
	(RMB million)	
Revenue	4,456	4,619
Cost of sales	(4,412)	(4,506)
Gross profit	44	113
Other income and gains	80	52
Finance costs	(59)	(168)
(Loss)/profit before tax	65	(3)
Income tax expense	(6)	(8)
(Loss)/profit and other comprehensive income for the year	**59**	**(11)**

Statement of Financial Position (prepared and presented in accordance with Hong Kong Financial Reporting Standards)

	Year ended 31 December	
	2024	2025
	(audited)	(audited)
	RMB (million)	
Current assets	**4,982**	**4,960**
— Tax recoverable	32	5
— Amount due from the immediate holding company	4,089	2,977
— Cash and cash equivalents	861	1,978
Current liabilities	**113**	**2,757**
— Trade payables	82	—
— Other payables	6	—
— Income tax payable	—	6
— Current portion of bonds payable	25	2,751
Net current assets	**4,869**	**2,203**
Total assets less current liabilities	**4,869**	**2,203**
Non-current liability		
— Bonds payable	2,655	—
Net assets	**2,214**	**2,203**
Capital and reserves		
— Share capital	230	230
— Reserves	1,984	1,973
Total equity	**2,214**	**2,203**

Quarterly Financial Information

On 30 October 2026, the Guarantor published its quarterly report (the "**Quarterly Report**") for the nine months ended 30 September 2026 (the "**Third Quarter**") in accordance with applicable PRC regulations in relation to disclosure of information in quarterly reports for

listed companies. The Quarterly Report contains certain consolidated financial information of the Guarantor for the third quarter prepared in accordance with the PRC Accounting Standards.

In the Quarterly Report, the Guarantor reported decreases in short-term borrowings and non-current liabilities due within one year, which primarily arise from the optimisation of the Guarantor's debt structure according to market conditions. At the same time, the Guarantor also reported a decrease in the monetary capital, which is primarily due to the Guarantor's relatively significant operating expenditure and capital expenditure during the period, and the repayment of certain maturing short-term borrowings and notes. Moreover, the Guarantor reported increases in other receivables, inventory and construction-in-progress, which are primarily due to the increase in receivables for relocation compensation, the increase in the reserve of aviation consumable parts and fleet renewal and ongoing investment in infrastructure projects respectively. In addition, the Guarantor also reported increases in accounts payable, contract liabilities, other current liabilities, long-term borrowings and bonds payable, which are primarily owing to the increase in the unit price of jet fuel, leading to a significant rise in the amount payable for jet fuel procurement, the increase in ticket revenue from advance seat sales, the issuance of ultra-short-term financing bonds and short-term corporate bonds, the adjustment of the Guarantor's debt portfolio, as well as the optimisation of the Guarantor's debt structure and adjustment of its interest-bearing liabilities respectively.

In addition, the Guarantor reported increases in total revenue, gains on disposal of assets and non-operating income, which are primarily driven by the deployment of capacity on international routes and the increase in outbound travel demand, the compensation received by the Guarantor in return for the expropriation of real property by the government and the increase in non-recurring income, such as income from penalty payments, respectively. Moreover, the Guarantor reported a decrease in finance expenses, which is primarily driven by the decrease in interest expenses and in losses arising from exchange rate differences. At the same time, the Guarantor reported increases in operating costs, selling expenses, research and development expenses and income tax expenses, which are primarily due to the increase in the unit price of jet fuel, leading to a significant rise in the amount payable for jet fuel procurement, the increase in the number of travellers, leading to higher agency service fees and system booking fees, the increase in investment in research and development (R&D) projects and the improved profitability of certain of the Guarantor's subsidiaries respectively. Furthermore, the Guarantor reported decreases in other gains and in investment income, as well as reported an operating loss, which are primarily owing to the expiration of subsidy agreements with certain partners on specific routes and the election of the Guarantor not to renew such contracts, resulting in a year-on-year decline in subsidies for those routes, the decrease in investment income from associates and joint ventures and the significant increase in costs (including price of jet fuel) respectively.

The Guarantor reported a decrease in net cash flow from operating activities, which is primarily owing to the increased costs of jet fuel and the settlement of the same by cash. Moreover, the Guarantor reported an increase of net cash outflow from investment activities, which is primarily driven by the increase in aircraft prepayments made during this period. The Guarantor also reported a decrease in net cash outflow from financing activities, which is primarily due to adjustment of the Guarantor's debt portfolio and the increase in cash received from borrowings.

The summary consolidated financial information as at and for the nine months ended 30 September 2025 and 2026 set forth in the Quarterly Report has been prepared and presented in accordance with PRC Accounting Standards and has not been audited or reviewed by the Guarantor's auditor. Consequently, such consolidated quarterly financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such information to evaluate the Guarantor's financial condition, results of operations and results (financial or otherwise). Such consolidated quarterly financial information as at and for the nine months ended 30 September 2026 should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ending 31 December 2026.

Significant Differences Between IFRS And PRC Accounting Standards

The Guarantor's accounting policies, which conform with IFRS, differ in certain aspects from PRC Accounting Regulations. The difference between IFRS and PRC Accounting Standards which has a significant effect on the consolidated profit attributable to the parent and consolidated net assets of the Guarantor is summarised as follows:

(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 IFRS and the PRC Accounting Standards, which result in difference in the intangibles/goodwill recognised arising from the acquisition.

The above analysis is prepared by and is the responsibility of the management of the Company. It is not meant to be an exhaustive description of all significant differences between IFRS and PRC Accounting Standards. In making an investment decision, investors must rely upon their own examination of the Company, the Terms and Conditions of the Bonds and the financial information included herein. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between IFRS and PRC Accounting Standards, and how those differences might affect the financial information included herein.

In addition to other information in this Offering Circular, you should carefully consider the following risk factors, together with all other information contained in this Offering Circular (including the financial statements and the notes thereto), before purchasing the Bonds. The risks and uncertainties described below may not be the only ones that the Company faces. Additional risks and uncertainties that the Company is not aware of or that the Company currently believes are immaterial may also adversely affect its business, financial condition or results of operations. If any of the possible events described below occur, the Company's business, financial condition or results of operations could be materially and adversely affected, the trading price of the Bonds could decline and investors may lose all or part of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP'S BUSINESSES

The Company's indebtedness and other financial obligations may have a material adverse effect on its liquidity and operations.

The Company has a substantial amount of debt, lease and other financial obligations, and will continue to have such obligations in the future. As at 30 June 2026, the Company's total liabilities were RMB260,887 million and its current liabilities exceeded its current assets by approximately RMB99,850 million. The Company's total interest-bearing liabilities (including short-term and long-term bank borrowings, lease liabilities and bonds payable) for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026 were RMB175,969 million, RMB181,928 million and RMB188,993 million, respectively, of which current portion of such interest-bearing liabilities accounted for approximately 37.7 per cent., 36.2 per cent. and 35.1 per cent., respectively. The Company's substantial indebtedness and other financial obligations could materially and adversely affect its business and operations, including requiring it to dedicate additional cash flow from operations to the payment of principal and interest on its indebtedness, thereby reducing the funds available for operations, maintenance and service improvements and future business opportunities, increasing its vulnerability to economic recessions, reducing its flexibility in responding to changing business and economic conditions, placing it at a disadvantage compared to competitors with lower debt, limiting its ability to arrange for additional financing for working capital, capital expenditures and other general corporate purposes, at all or on terms that are acceptable to the Company.

Moreover, the Company is largely dependent upon cash flows generated from its operations and external financing (including super and short-term commercial paper, bank loans and commercial bills) to meet its debt repayment obligations and working capital requirements, which may reduce the funds available for other business purposes. If the Company's operating cash flow is materially and adversely affected by factors such as increased competition, a significant decrease in demand for its services or a significant increase in jet fuel prices, its liquidity would be materially and adversely affected. The Company has arranged financing with domestic and foreign banks in China in order to meet its working

capital requirements. The Company has also tried to ensure its liquidity by structuring a substantial portion of its short-term bank loans to be rolled over upon maturity. However, there is no assurance that such measures would be sufficient to meet the Company's debt payment obligation and working capital requirements at any time and the Company may not be able to roll-over or refinance its existing debts. The Company's ability to obtain financing may be affected by its financial position and leverage, its credit rating and investor perception of the aviation industry, as well as prevailing economic conditions and the cost of financing in general. If the Company is unable to obtain adequate financing for its capital requirements, its liquidity and operations would be materially and adversely affected.

In addition, the airline industry overall is characterised by a high degree of operating leverage. Due to high fixed costs, including payments made in connection with aircraft leases, and landing and infrastructure fees which are set by government authorities and not within the Company's control, the expenses relating to flight operations do not vary proportionately with the number of passengers carried, whilst revenues generated from a particular flight are directly related to the number of passengers carried and the fare structure of the flight. Accordingly, a decrease in revenues may result in a disproportionately higher decrease in profits.

The Company may not be able to secure future financing at terms acceptable to it or at all.

The Company requires significant amounts of external financing to meet its capital commitments for acquiring and upgrading aircraft and flight equipment and for other general corporate needs. In addition, the Company generally acquires aircraft through either long-term capital leases or operating leases. In the past, the Company has obtained guarantees from Chinese banks in respect of payments under its foreign loan and capital lease obligations. However, the Company can give no assurance that it will be able to roll over its bank facilities or continue to obtain bank guarantees in the future. The unavailability of credit facilities or guarantees from Chinese banks or the increased cost of such guarantees may materially and adversely affect its ability to borrow additional funds or enter into international aircraft lease financings or other additional financing on acceptable terms. In addition, if the Company is not able to arrange financing for its aircraft on order, the Company may seek to defer aircraft deliveries or use cash from operations or other sources to acquire the aircraft.

The Company's ability to obtain financing may also be impaired by its financial position, its leverage and its credit rating. In addition, factors beyond its control, such as recent global market and economic conditions, volatile oil prices, and the tightening of credit markets, may result in limited availability of financing and increased volatility in credit and equity markets, which may materially adversely affect its ability to secure financing at reasonable costs or at all. If the Company is unable to obtain financing for a significant portion of its capital requirements, its ability to expand its operations, purchase new aircraft, pursue business opportunities which it believes to be desirable, withstand any future downturn in its business, or respond to increased competition or changing economic conditions may be impaired. The Company has and in the future is likely to continue to have substantial debt. As a result, the interest cost associated with this indebtedness might impair its future profitability and cause its earnings to be subject to a higher degree of volatility.

The Company is subject to the risk of fuel price fluctuations.

Aircraft fuel cost constitutes the most significant part of the Company's operating costs. For each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026, the Company's total aircraft fuel cost was RMB45,499 million, RMB43,690 million and RMB29,165 million, respectively, accounting for approximately 33.2 per cent., 30.4 per cent. and 36.6 per cent., respectively, of its total operating costs during those periods. The fluctuations of international crude oil prices and adjustments on domestic jet fuel prices by the NDRC have a significant impact on the Company's profitability. The Company's results of operations and financial condition are affected by any significant fluctuations that may occur, which are generally due to factors beyond its control. As such, the Company generally counters the pressure from the rise in operating costs arising from the increase in aviation fuel by imposing fuel surcharges, which are subject to government regulations. In order to control fuel costs, the Company had entered into fuel hedging transactions using financial derivative products linked to the price of underlying assets such as United States WTI crude oil and Singapore jet fuel in prior years.

Since 2009, the PRC government has been requiring prior governmental approval for entering into fuel hedging contracts. The Company may, from time to time, seek approval from the PRC government to enter into overseas fuel hedging contracts. However, these hedging strategies may not always be effective and high fluctuations in aviation fuel prices exceeding the locked-in price ranges may result in losses. A significant decline in fuel prices may substantially increase the costs associated with such fuel hedging arrangements. In addition, where the Company may, from time to time, seek to manage the risk of fuel price increases by using derivative contracts, there is no assurance that, at any given point in time, such fuel hedging transactions will provide any particular level of protection against increased fuel costs. In 2025, the Company had engaged in aviation fuel hedging activities and all fuel hedging contracts signed in prior years have been settled before 30 June 2026.

The Company is subject to the risk of exchange rate fluctuation.

The Company operates its business in many countries and territories. The Company generates revenue in different currencies and its foreign currency liabilities are typically much higher than its foreign currency assets. The Company's purchases of aircraft are mainly priced and settled in U.S. dollars. Fluctuations in exchange rates will affect the Company's costs incurred from foreign currency purchases such as aircraft, flight equipment and aviation fuel, and take-off and landing charges in foreign airports. For each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026, the Company's total interest-bearing liabilities denominated in foreign currencies amounted to RMB27,899 million, RMB23,029 million and RMB19,995 million, respectively, of which U.S. dollar liabilities accounted for approximately 90.2 per cent., 87.7 per cent. and 86.3 per cent. of the total amount, respectively. Therefore, a significant fluctuation in the U.S. dollar exchange rates will subject the Company to significant foreign exchange loss/gain arising from the exchange of foreign currency denominated liabilities, which would affect its profitability and business development. The Company typically uses hedging contracts for foreign currencies to reduce the foreign exchange risks for foreign currency revenues generated from flight ticket sales and expenses required to be paid in foreign currencies. As at 31 December 2025 and 30 June 2026, the outstanding foreign currency hedging contracts held by the Company amounted to a notional amount of approximately US$438 million and US$309 million, all of which will expire in 2026.

For each of the two years ended 31 December 2024 and 2025, the Company recorded net foreign exchange losses of RMB763 million, and net foreign exchange gains of RMB205 million, respectively. As a result of the large value of existing net foreign currency liabilities denominated in U.S. dollars, the Company's results could be adversely affected if the Renminbi depreciates against the U.S. dollar or the rate of appreciation of the Renminbi against the U.S. dollar decreases in the future. Since early 2015, the Company expanded its financing channels via multiple financing instruments including super short-term commercial paper, medium-term notes, bills, bank loans, corporate bonds and offshore bonds to broaden its financing channels and proactively optimise the currency denomination mix of its debts.

The Company is subject to the risk of interest rate fluctuation.

The Company's total interest-bearing liabilities (including short-term and long-term bank borrowings, lease liabilities and bonds payable) for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026 were RMB175,969 million, RMB181,928 million and RMB188,993 million respectively, of which current portion of such interest-bearing liabilities accounted for approximately 37.7 per cent., 36.2 per cent. and 35.1 per cent., respectively. A portion of the long-term interest-bearing liabilities carried variable interest rates. Both the Company's variable and fixed rate obligations are affected by fluctuations in current market interest rates.

The Group's interest-bearing liabilities are mainly denominated in U.S. dollars and Renminbi. For each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026, the Group's interest-bearing liabilities denominated in U.S. dollars accounted for approximately 14.3 per cent., 11.1 per cent. and 9.1 per cent., respectively, of total interest-bearing liabilities while the Group's interest-bearing liabilities denominated in Renminbi accounted for approximately 84.1 per cent., 87.3 per cent. and 89.4 per cent., respectively, of total interest-bearing liabilities. Fluctuations in U.S. dollar and Renminbi interest rates have significantly affected the Company's financing costs.

In the first half of 2026, 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 2025 and 30 June 2026, the notional amounts of the outstanding interest rate swap agreements of the Company were nil and nil, respectively. A substantial majority of the Company's borrowings denominated in Renminbi are linked to benchmark five-year lending rates published by the PBOC. A substantial majority of the Company's borrowings denominated in U.S. dollars are linked to floating Secured Overnight Financing Rate rates which fluctuated in recent years. The relevant lending rates may increase in the future as a result of reasons beyond the Company's control, and may result in an adverse effect on its business, prospects, cash flow, financial condition and results of operations. In addition, the Company expects to issue bonds and notes or enter into additional loan agreements and aircraft leases in the future to fund its operations and capital expenditures, and the cost of financing for these obligations will depend greatly on market interest rates.

The Company may suffer losses in the event of an accident or incident involving its aircraft or the aircraft of any other airline.

As an airline company operating a large fleet, an accident or incident involving one of the Company's aircraft could result in delays or require repair or replacement of a damaged aircraft, which could result in consequential temporary or permanent losses from disruption

of service and/or significant liability to injured passengers and others. Unforeseeable or unpredictable events such as inclement weather, mechanical failures, human errors, aircraft and equipment defects or failures and other force majeure events may affect flight safety, which could result in accidents and/or incidents of passenger injuries or deaths that could lead to significant injury and loss claims. For instance, in 2022, a Boeing 737–800 aircraft of the Company (MU5735) had lost contact while flying from Kunming to Guangzhou, over the skies of Wuzhou, Guangxi, and was subsequently confirmed to have crashed. After the aircraft accident, the Company immediately activated its emergency response mechanism and dispatched a working group to the site. As of now, the cause of the accident remains under investigation. Although the Company believes that it currently maintains liability insurance in amounts and of the types generally consistent with industry practice, the amounts of such coverage may not be adequate to fully cover the costs related to an accident or incident, which could adversely affect its results of operations and financial condition. In addition, any aircraft accident or incident, even if fully insured, could cause a public perception that the Company is not as safe or reliable as other airlines, which would harm its competitive position and result in a decrease in its operating revenues. Moreover, a major accident or incident involving an aircraft of any of the Company's competitors may cause the demand for air travel in general to decrease. In recent years, certain of its competitors in the Asia Pacific region experienced major aircraft accidents and incidents, some of which involved destinations and routes that the Company covers. These accidents and incidents were highly publicised in the media and may have affected public perception of the safety of certain air travel routes. The occurrence of any of the foregoing could adversely affect the Company's results of operations and financial condition.

The Company's insurance coverage and costs have increased substantially, which could have an adverse effect on its operations.

Due to the events of 11 September 2001, aviation insurers have significantly reduced the maximum amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events. At the same time, they have significantly increased the premiums for such coverage, as well as for aviation insurance in general. In response to the reduced insurance coverage from aviation insurers, the PRC government has provided insurance coverage to PRC airlines for third-party war liability claims. Such insurance provided by the government is subject to annual review and approval by the government. The Company renews its insurance policies on a yearly basis. However, if the insurers further reduce the amount of insurance coverage available or increase the premium for such coverage when the Company renews its insurance coverage and/or if the PRC government declines to renew its insurance coverage for the Company, the Company's financial condition and results of operations may be materially and adversely affected.

The Company may not be successful in its development and expansion plans.

As the Company expands to new international markets, carries out external investments, mergers and acquisitions and conducts structural adjustments in its existing businesses and assets, it may face risks including business decision making, laws, management and competition risks which may affect the results of implementing the development and expansion strategies of the Company. The Company has been exploring the e-commerce market to reduce aviation operation costs and innovative asset management methods, and has commenced structural adjustments in its existing businesses and assets, with new requirements for the overall operating management abilities of the Company. Some of the

Company's transformation projects or adjusted businesses may not achieve expected results. If the Company is unable to complete its development and expansion plans successfully, the Company's financial condition, results of operations and future growth may be materially and adversely affected.

The Company may experience difficulties integrating its acquisitions, which could result in a material adverse effect on its operations and financial condition.

The Company may from time to time expand its business through acquisitions of airline companies or airline-related businesses. For example, the Company entered into an agreement with Shanghai Airlines on 10 July 2009 to issue a maximum of 1,694,838,860 A Shares to the shareholders of Shanghai Airlines in exchange for all the existing issued shares of Shanghai Airlines. The acquisition price was RMB9,118 million, which was determined based on the quoted market price of the Company's shares issued as at the date nearest to the acquisition date, with adjustments to reflect specific restrictions to certain shares that were issued. On 28 January 2010, the Company completed the exchange of 1,694,838,860 A Shares for all existing issued shares of Shanghai Airlines. In addition, on 20 December 2010, the Company's subsidiary, China Cargo Airlines Co., Ltd. ("**China Cargo Airlines**"), entered into separate acquisition agreements with Great Wall Airlines Company Limited ("**Great Wall Airlines**") and Shanghai Airlines Cargo Int'l Co., Ltd. to acquire each carrier's cargo business and related assets. China Cargo Airlines also purchased relevant business and assets from Shanghai International Freight Airlines Co., Ltd. These acquisitions and the acquisition of Great Wall Airlines have obtained the approval from CAAC, NDRC, and MOFCOM, and were completed on 1 June 2011. Lastly, the Company entered into an equity transfer agreement on 22 August 2012 with its controlling shareholder, CEA Holding, by which the Company acquired the remaining 20 per cent. of the equity interest in China United Airlines for a consideration of RMB83.95 million (the "**China United Airlines Acquisition**") from CEA Holding. China United Airlines primarily provides domestic passenger and freight air transportation services, and is now a wholly-owned subsidiary of the Company.

The Company is devoting significant resources to the integration of its operations in order to achieve the anticipated synergies and benefits of the absorption and acquisitions mentioned above. However, such acquisitions involve uncertainties and a number of risks, including:

- difficulty with integrating the assets, operations and technologies of the acquired airline companies or airline-related businesses, including their employees, corporate cultures, managerial systems, processes and procedures and management information systems and services;

- complying with the laws, regulations and policies that are applicable to the acquired businesses;

- failure to achieve the anticipated synergies, cost savings or revenue-enhancing opportunities resulting from the acquisition of such airline companies or airline-related businesses;

- managing relationships with employees, customers and business partners during the course of integration of new businesses;

- attracting, training and motivating members of its management and workforce;
- accessing its debt, equity or other capital resources to fund acquisitions, which may divert financial resources otherwise available for other purposes;
- diverting significant management attention and resources from its other businesses;
- strengthening its operational, financial and management controls, particularly those of its newly acquired assets and subsidiaries, to maintain the reliability of its reporting processes;
- difficulty with exercising control and supervision over the newly acquired operations, including failure to implement and communicate its safety management procedures resulting in additional safety hazards and risks;
- increased financial pressure resulting from the assumption of recorded and unrecorded liabilities of the acquired airline companies or airline-related businesses; and
- the risk that any such acquisitions may not complete due to failure to obtain the required government approvals.

There is no assurance that the Company will not have difficulties in assimilating the operations, technologies, services and products of newly acquired companies or businesses. Moreover, the continued integration of Shanghai Airlines, China United Airlines and other acquisitions into the Company depends significantly on integrating the pre-absorption of Shanghai Airlines and other acquired employee groups with its employee groups and on maintaining productive employee relations. In the event that the Company is unable to efficiently and effectively integrate newly acquired companies or airline-related businesses, the Company may be unable to achieve the objectives or anticipated synergies of such acquisitions and such acquisitions may adversely impact the operations and financial results of its existing businesses.

The Company operates in a highly competitive industry.

The Company faces intense competition in each of the domestic, regional and international markets that the Company serves. In its domestic markets, the Company competes against airlines that have the same routes, including smaller domestic airlines with lower operating costs. In its regional and international markets, the Company competes against international airline companies, international air alliances and logistics companies, such as UPS, FedEx, and DHL, that have significantly longer operating histories, better brand recognition, more resources or larger sales networks than the Company's sales network or utilise more developed reservation systems than the Company's reservation systems. The public's perception of the safety records of Chinese airlines could also materially and adversely affect its ability to compete against its international competitors. To stay competitive, the Company has, from time to time, lowered airfares for certain of its routes, and may continue to do so in the future. Increased competition and pricing pressures may have a material adverse effect on the Company's financial condition and results of operations.

The Company may be unable to retain key management personnel or pilots.

The Company is dependent on the experience and industry knowledge of its key management personnel and pilots, and there can be no assurance that the Company will be able to retain them. Any inability to retain its key management personnel or pilots, or attract and retain additional qualified management personnel or pilots, could have a negative impact on the Company's operations and profitability.

The Company's controlling shareholder, CEA Holding, holds a majority interest in the Company, and its interests may not be aligned with other shareholders.

Most of the major airline companies in China are currently majority-owned either by the central government of China or by provincial or municipal governments in China. As at the date of this Offering Circular, CEA Holding held, directly or indirectly, 55.80 per cent. of the Company's equity interests on behalf of the PRC government. As a result, CEA Holding could potentially elect the majority of the Company's Board and otherwise be able to control it. CEA Holding also has sufficient voting control to effect transactions without the concurrence of the Company's minority shareholders. The interests of the PRC government as the ultimate controlling person of the Company and most of the other major PRC airlines could conflict with the interests of the Company's minority shareholders. Although the CAAC currently has a policy of equal treatment of all PRC airlines, the Company can give no assurance that the CAAC will not favour other PRC airlines over the Company.

As a controlling shareholder, CEA Holding has the ability to exercise a controlling influence over the Company's business and affairs, including, but not limited to, decisions with respect to:

- mergers or other business combinations;
- the acquisition or disposition of assets;
- the issuance of any additional shares or other equity securities;
- the timing and amount of dividend payments; and
- the management of the Company.

The Company engages in related party transactions, which may result in a conflict of interests.

The Company has engaged in, from time to time, and may continue to engage in, in the future, a variety of transactions with CEA Holding and its various members, from which the Company receives a number of important services, including support for in-flight catering and assistance with importation of aircraft, flight equipment and spare parts. Since the Company is controlled by CEA Holding and CEA Holding may have interests that may conflict with the Company's interests, there is no assurance that CEA Holding will not take actions that will serve its interests or the interests of its other members over the Company's interests.

Any failure or disruption of the Company's computer, communications, flight equipment or other technology systems could have an adverse impact on its business operations, profitability, reputation and customer services.

The Company relies heavily on computer, communications, flight equipment and other technology systems to operate its business and enhance its customer service. Substantially all of its tickets are issued to passengers as electronic tickets, and the Company depends on its computerised reservation system to issue, track and accept these electronic tickets. In addition, the Company relies on other automated systems for crew scheduling, flight despatch and other operational needs. These systems could be disrupted due to various events, including design discrepancies, natural disasters, power failures, terrorist attacks, equipment failures, software failures, operational default or interruption, computer viruses or external network attacks, and other events beyond the Company's control. The Company can give no assurance that the measures taken by the Company to reduce the risk of some of these potential disruptions are adequate to prevent disruptions or failures of these systems. Any substantial or repeated failure or disruption in or breach of these systems could result in the loss of important data and/or delays in the Company's flights, and could have an adverse impact on the Company's business operations, profitability, reputation and customer services, including resulting in liability on its part to pay compensation to customers. Moreover, future upgrades of information technology may challenge the reliability of the Company's existing systems.

If the Company's efforts to protect the security of personal information of its customers are unsuccessful, it could be subject to costly government enforcement actions and private litigation and its reputation may suffer.

The nature of the Company's business involves the receipt and storage of personal information about its customers. The Company has a programme in place to detect and respond to data security incidents. If the Company experiences a significant data security breach or fails to detect and appropriately respond to a significant data security breach, it could be exposed to government enforcement actions and private litigation. In addition, its customers could lose confidence in its ability to protect their personal information, which could cause them to stop using the Company's services. The loss of consumer confidence resulting from a significant data security breach could hurt the Company's reputation and adversely affect its business, results of operations and financial condition.

Interruptions or disruptions in service at one or more of the Company's primary market or regional hub airports could have an adverse impact on the Company.

The Company's business is heavily dependent on its operations at its primary market airports in Shanghai and Beijing, namely, Hongqiao International Airport, Pudong International Airport and Beijing Daxing Airport and its regional hub airports in Kunming and Xi'an. Each of these airports includes flights that connect flights from the Company's primary or regional markets to other major cities. Any significant interruption or disruption in service at one or more of its primary market or regional hub airports could adversely impact its operations.

Terrorist attacks, or the fear of such attacks, even if not made directly on the airline industry, could negatively affect the Company and the airline industry as a whole.

The aviation industry as a whole has been beset with high-profile terrorist attacks, most notably on 11 September 2001 in the United States. The CAAC has also implemented increased security measures in relation to the potential threat of terrorist attacks. Terrorist attacks, even if not made directly towards the Company or on the airline industry, or the fear of or the precautions taken in anticipation of such attacks, including elevated threat warnings or selective cancellation or redirection of flights, could materially and adversely affect the Company and the airline industry. Terrorist attacks targeting aircraft and/or airports not only directly threaten the Company's flight safety, aviation security, operational safety and the safety of overseas institutions and employees, but also bring about on-going adverse impact on the outbound tourism demand for places where terrorist attacks have taken place. In addition, potential or actual terrorist attacks may result in substantial flight disruption costs caused by the grounding of fleets, significant increase of security costs and associated passenger inconvenience, increased insurance costs, substantially higher ticket refunds and significantly decreased traffic and RPK.

The Company's tax liability may increase significantly following the expiry of unutilised tax losses.

The Company's tax liability calculated at the applicable corporate income tax in recent years has been significantly offset by the availability of unutilised tax losses. The Company currently expects these tax losses to expire among the years between 2026 and 2031. Accordingly, the amount of income tax which the Company is liable to pay may increase significantly after the expiry of those tax losses, resulting in a material adverse effect on its financial condition and results of operations. The discharge by the Company of this additional tax liability could result in the non-availability of funding which would otherwise be available to meet the Company's obligations under the Guarantee or to be provided to the Issuer to enable it to meet its obligations under the Bonds.

RISKS RELATING TO THE AVIATION INDUSTRY

The supply and demand dynamics of the airline industry tend to be volatile and are subject to many unpredictable factors, including general economic conditions.

The airline industry is highly cyclical, and the level of demand for air travel is correlated generally to the strength of domestic and global economies and, specifically to the demand for passenger and cargo transportation and the supply of air transportation capacity. The demand for air transportation is subject to seasonal and other changes that may influence travel demand and cargo volume, including, without limitation, general economic conditions, changes in traffic patterns, changes in the amount of import and export activities, the availability of appropriate time slots, the competition among peer airlines or alternative means of transportation, degree of trade protectionism, proliferation of terrorism, natural disasters, epidemics, and social and political unrest, many of which are highly variable and unpredictable. Thus, the financial results for airlines in a given period tend to be volatile and subject to rapid and unexpected change. In particular, the airline industry is highly sensitive to changes in economic conditions. Robust demand for the Company's air transportation services depends largely on favourable general economic conditions, including the strength of global and local economies, increased disposable income, low unemployment levels, strong consumer and business confidence levels and the

availability of consumer and business credit. Adverse economic conditions could cause changes in travel patterns and result in reduced spending for both leisure and business travel. Air transportation is often a discretionary purchase that leisure travellers may limit or eliminate during difficult economic times. In addition, during periods of unfavourable economic conditions, business travellers usually reduce the volume of their travel, or may be more likely to purchase less expensive tickets to reduce costs. These conditions could negatively affect the Company's business and results of operations or cause it to adjust its business strategies. Lastly, the risk remains that the global economy, including the PRC economy, may continue to suffer the continued effects of the global recession and the PRC government may have to readjust its macroeconomic control measures accordingly, causing the growth or demand for the Company's air transport services to slow down and having an adverse impact on its business, financial condition and results of operation. In addition, whilst the PRC government instituted certain initiatives in response to the slowdown in the PRC economy, a rapid increase in liquidity in the market as a result of fiscal stimulus measures has resulted in the PRC government implementing a number of measures to control such increase, including adjusting interest rates. These foregoing factors and any further declines in economic activity may reduce domestic or international demand and the speed at which domestic or international production capacity grows may slow down significantly, which would have a material adverse effect on the Company's revenues, results of operations and liquidity.

The Company's business is subject to extensive government policies and regulations.

The Chinese civil aviation industry is subject to a high degree of regulation by the CAAC. Regulatory policies issued or implemented by the CAAC encompass virtually every aspect of airline operations, including, among other things:

- route allocation and flight slot allocation;
- pricing of domestic airfares;
- the administration of air traffic control systems and certain airports;
- jet fuel pricing;
- market regulation and safety oversight;
- air carrier certification and air operator certification;
- aircraft registration and aircraft airworthiness certification; and
- airport expense policy.

The Company's ability to provide services on international routes is subject to a variety of bilateral civil air transport agreements between China and other countries, international aviation conventions and local aviation laws.

As a result of government regulations, the Company may face significant constraints on its flexibility and ability to expand its business operations or to maximise its profitability. Please see the section entitled "*PRC Regulations*" for more details. In addition, the Company may be subject to government scrutiny and inspection from time to time. Such inspections might create a negative image of the Company regardless the outcome, thereby

affect the Company's reputation. The inspection team's findings of and recommendation for rectification for various deficiencies identified in the Group's internal control and corporate governance systems have drawn the senior management's great attention. The Group will strictly follow the inspection team's recommendations for rectification of these deficiencies to further improve the Group's accounting information and internal control system. However, there is no assurance that such investigation or any further investigation against the Group, its officers or employees would not have an adverse effect on its business and financial performance, or result in fines or administrative penalties. Though this kind of government inspections may not necessarily result in regulatory penalties or fines, the Company may exert extra resources to remedy any issues discovered during the process and if the Company could not rectify any issues discovered, it may in future be penalised or fined by the relevant authorities. Furthermore, changes in domestic and foreign economic environment and the continuous development of the aviation industry could result in the relevant laws and regulations as well as industry and visa policies being adjusted accordingly. These changes may, to a certain extent, result in uncertainties in the future business development and operating results of the Company.

The Company's operations are dependent on Chinese aviation infrastructure, which is currently under development and may be insufficient.

The rapid increase in air traffic volume in China in recent years has put pressure on many components of the Chinese airline industry, including air traffic control systems, the availability of qualified flight personnel and airport facilities. The Company's ability to provide safe air transportation depends on the availability of qualified and experienced pilots and the improvement of maintenance services, national air traffic control and navigational systems and ground control operations at Chinese airports. If any of these is not available or is inadequate, the Company's ability to provide safe air transportation will be compromised and its financial condition and results of operations may be materially and adversely affected.

The Company's results of operations tend to be volatile and fluctuate due to seasonality.

The aviation industry is characterised by annually high and low travel seasons. The Company's operating revenue is substantially dependent on the passenger and cargo traffic volume carried, which is subject to seasonal and other changes in traffic patterns, the availability of appropriate time slots for the Company's flights and alternative routes, the degree of competition from other airlines and alternative means of transportation, as well as other factors that may influence passenger travel demand and cargo and mail volume. As a result, the Company's results tend to be volatile and subject to rapid and unexpected changes.

The Company expects to face substantial competition from the rapid development of the Chinese rail network.

The PRC government has been aggressively implementing the expansion of its HSR network, which has provided train services at a speed of up to 350km per hour connecting major cities such as Beijing, Shanghai, Guangzhou and Hong Kong. The expansion of the coverage of this network, improvements in railway service quality, increased passenger capacity and stations located closer to urban centres than competing airports could enhance the relative competitiveness of the railway service and affect the Company's market share

on some of its key routes, in particular its routes of between 500km to 800km. Increased competition and pricing pressures from railway service may have an adverse effect on the Company's business, financial condition and results of operations.

The airline industry is subject to increasing environmental regulations, which would increase costs and affect profitability.

In recent years, regulatory authorities in China and other countries have issued a number of directives and other regulations to address, among other things, aircraft noise and aircraft engine emissions, the use and handling of hazardous materials, aircraft age and environmental contamination remedial clean-up measures. These requirements impose high fees, taxes and substantial ongoing compliance costs on airlines, particularly as new aircraft brought into service will have to meet the environmental requirements during their entire service life.

The Company has significant expenditures with respect to environmental compliance, which may affect its operations and financial condition. The Company has expedited the application of new civil aviation technologies, continuously focused on the development of renewable resources and concentrated on the invention and application of new technologies and applications to achieve "greener" flying. The Company actively participated in the development of the sustainable aviation fuel (SAF) sustainable certification standard system for China's civil aviation, and promoted the application of sustainable aviation fuel. In the first half of 2026, fuel consumption per unit turnover decreased by 5.4 per cent. year-on-year, while carbon emissions per unit turnover decreased by 5.1 per cent. year-on-year. In addition, all of the Company's B737 aircraft and some of its newly introduced A320 Series aircraft are equipped with a winglet or sharklet, which is an additional lifting surface to reduce fuel consumption and noises. The Company also took measures to reduce the impact of its operations on the environment by optimising its route network and flight schedules as well as installing energy-saving environmentally-friendly engines. However, these measures have resulted in significant costs and expenditures. The Company expects to continue to incur significant costs and expenditures on an ongoing basis to comply with environmental regulations, which could restrict its ability to modify or expand facilities or continue operations, or could require it to instal additional costly pollution control equipment.

Limitations on foreign ownership of PRC airlines may affect the Company's access to funding in the international equity capital markets or pursuing business opportunities.

The current PRC laws and regulations limit foreign ownership of PRC airlines. Under these rules, non-PRC residents, including Hong Kong, Macau or Taiwan residents, cannot hold a majority equity interest in a PRC airline. As a result, the Company's access to funding in the international equity capital markets may be limited. This restriction may also limit the opportunities available to the Company to obtain funding or other benefits through the creation of equity-based strategic alliances with foreign carriers. The Company can give no assurance that the CAAC will increase these limits in the near future or at all.

Any jet fuel shortages or any increase in domestic or international jet fuel prices may materially and adversely affect the Company's financial condition and results of operations.

The availability and prices of jet fuel have a significant impact on the Company's financial condition and results of operations. In the past, jet fuel shortages have occurred in China and, on limited occasions, caused the Company to delay or cancel flights. Although jet fuel shortages have not occurred since the end of 1993, the Company can give no assurance that jet fuel shortages will not occur in the future. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world, Organization of Petroleum Exporting Countries policies, the rapid growth of the economies of certain countries, including China and India, the levels of inventory carried by industries, the amounts of reserves built by governments, disruptions to production and refining facilities and weather conditions. In addition, the NDRC has adjusted gasoline and diesel prices in China from time to time, taking into account the changes in international oil prices, thereby affecting jet fuel prices. Due to the highly competitive nature of the airline industry, the Company may be unable to fully or effectively pass on to its customers any increased jet fuel costs that it may encounter in the future. Furthermore, the fuel efficiency of the Company's aircraft decreases as they advance in age, resulting in an overall increase in its aviation fuel costs. These and other factors that impact the global supply and demand for jet fuel may affect the Company's financial performance due to its sensitivity to fuel prices.

Any adverse public health developments, including COVID-19, SARS, Ebola, avian flu, or influenza A (H1N1), or the occurrence of natural disasters may, among other things, lead to travel restrictions and reduced levels of economic activity in the affected areas, which may in turn significantly reduce demand for the Company's services and have a material adverse effect on its financial condition and results of operations.

Adverse public health epidemics or pandemics could disrupt businesses and the national economy of China and other countries where the Company does business. The outbreak of Severe Acute Respiratory Syndrome, or "SARS", in early 2003 led to a significant decline in travel volume and business activities and substantially affected businesses in Asia. Moreover, some Asian countries, including China, have encountered incidents of the H5N1 strain of avian flu, many of which have resulted in fatalities. In addition, outbreaks of, and sporadic human infection with, influenza A (H1N1) in 2009, a highly contagious acute respiratory disease, were reported in Mexico and an increasing number of countries with some cases resulting in fatalities. In addition, in April 2013, there was an outbreak of the H7N9 strain of the avian flu, which was largely centred in eastern China, and resulted in fatalities in that region, including Shanghai. Furthermore, in 2014, an outbreak of Ebola virus, a highly contagious haemorrhagic fever with a relatively high fatality rate, in certain African countries spread to the United States and Europe. From 2019 to 2023, the COVID-19 pandemic resulted in numerous reported cases and death toll, as well as severe disruptions to the global economy. The Company is unable to predict the potential impact, if any, that another outbreak of COVID-19, SARS, influenza A (H1N1), any other strain of the avian flu, Ebola or any other serious contagious disease or epidemic may have on its business.

Natural disasters, such as earthquakes, snowstorms, floods or volcanic eruptions may also disrupt or seriously affect air travel activity. Any period of sustained disruption to the airline industry may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company conducts a certain part of its business in foreign countries and regions that are subject to foreign economic, regulatory, social and political uncertainties and sanctions.

The Group conducts its business in some countries in Asia, the Americas, Europe, and Australia, where economic, regulatory, social and political conditions are often subject to instability and uncertainties. Its business is therefore subject to constantly changing international economic, regulatory, social and political conditions, as well as local conditions in the jurisdictions in which the Group conducts business. Conducting business in the international marketplaces also exposes the Group to a number of risks, including:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations related to the PRC or other relevant countries;
- economic, financial and market instability and credit risks, including those relating to potential deterioration of the credit markets and other economic conditions in other countries;
- changes in foreign government regulations or policies;
- dependence on foreign governments or entities controlled by such foreign governments for electricity, water, telecommunications, transportation, other utilities and/or infrastructural needs;
- unfamiliarity with local operating and market conditions, which could result in unfavourable consequences such as inaccurate bidding prices for projects;
- lack of understanding of local construction, taxation, labour, customs and other laws, regulations, standards and other requirements;
- risks and uncertainties associated with using foreign workers and subcontractors in connection with the Group's overseas operations, including adverse labour conditions or strikes;
- preferential treatments or corruptive business practices;
- tax increases or adverse tax policies;
- trade protectionism, trade restrictions or embargoes;
- sanctions (economic or otherwise) imposed by certain countries or self-regulated organisations against the Group's transactions with other countries, individuals or entities which may limit its ability to conduct business with such countries, individuals or entities, or to obtain funding for certain overseas projects;
- stringent environmental protection laws;
- expropriation and nationalisation of the Group's assets in foreign countries;

- lack of a well-developed or independent legal system in the foreign countries in which the Group operates or conducts business, which may create difficulties in the enforcement of contractual or legal rights;

- foreign currency controls and fluctuations; and

- natural disaster.

In some of the high-risk locations where the Group has employees, business or operations, it may incur additional costs in safeguarding its personnel and assets, and its measures aimed at protecting its personnel and assets overseas may not always be sufficient and effective. To the extent that its overseas business or operations are affected by unexpected and adverse foreign economic, regulatory, social and political conditions, it may experience project disruptions, losses of assets and personnel and other indirect losses that could adversely affect its business, financial condition and results of operations.

RISKS RELATING TO THE PRC

Changes in the economic policies of the PRC government may materially and adversely affect the Company's business, financial condition and results of operations.

Since the late 1970s, the PRC government has been reforming the Chinese economic system. These reforms have resulted in significant economic growth and social progress. These policies and measures may be modified or revised from time to time. Adverse changes in economic and social conditions in China, in the policies of the PRC government or in the laws and regulations of China, if any, may have a material adverse effect on the overall economic growth of China and investments in the domestic airline industry. These developments, in turn, may have material adverse effects on the Company's business, financial condition and results of operations.

Foreign exchange regulations in the PRC may result in fluctuations of the Renminbi and adversely affect the Company's ability to pay dividends or to satisfy its foreign currency liabilities.

A significant portion of the Company's revenue and operating expenses are denominated in Renminbi, whilst a portion of its revenue, capital expenditures and debts are denominated in U.S. dollars and other foreign currencies. The Renminbi is currently freely convertible under the current account, which includes dividends, trade and service-related foreign currency transactions, but not in the capital account, which includes foreign direct investment, unless approval from or registration or filing with the relevant authorities, is obtained. As a foreign invested enterprise approved by MOFCOM, the Company can purchase foreign currencies without the approval of SAFE for settlement of current account transactions, including payment of dividends, by providing commercial documents evidencing these transactions. The Company can also retain foreign currencies in its current accounts, subject to a maximum amount approved by SAFE, to satisfy foreign currency liabilities or pay dividends. The relevant PRC government authorities may limit or eliminate the Company's ability to purchase and retain foreign currencies in the future. Foreign currency transactions in the capital account are still subject to limitations and require approvals from SAFE. This may affect the Company's ability to raise foreign capital through debt or equity financing, including by means of loans or capital

contributions. The Company can give no assurance that it will be able to obtain sufficient foreign currencies to pay dividends to overseas shareholders, if any, or satisfy its foreign currency liabilities.

Furthermore, the value of the Renminbi against the U.S. dollar and other currencies may fluctuate significantly and is affected by, among other things, the PRC government policies, domestic and international economic and political conditions and changes in the supply and demand of such currencies. On 21 July 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in the appreciation of the Renminbi against the U.S. dollar by approximately 7.0 per cent. in 2008. Whilst there was no material appreciation of the Renminbi against the U.S. dollar in 2009, the Renminbi against the U.S. dollar appreciated by approximately 3.0 per cent. in 2010 and by approximately 5.1 per cent. in 2011. In April 2012, the PBOC widened the daily trading band of the Renminbi against the U.S. dollar, and the Renminbi was allowed to appreciate or depreciate by 1.0 per cent. from the PBOC central parity rate. In March 2014, the PBOC further widened the daily trading band of the Renminbi against the U.S. dollar, and the Renminbi was allowed to appreciate or depreciate by 2.0 per cent. from the daily central parity rate. On 11 August 2015, the PBOC executed a 2 per cent. devaluation in the Renminbi. Within the following two days, the Renminbi depreciated 3.5 per cent. against the U.S. dollar. The Renminbi depreciated 6.7 per cent. against the U.S. dollar from 4 January 2016 to 30 December 2016. Since 2017, fluctuations of the value of the Renminbi against the U.S. dollar have remained, and there have been different phases of appreciation and depreciation in recent years. However, it remains unclear what further fluctuations may occur or what impact this will have on the value of the Renminbi. It is possible that the PRC government could adopt a more flexible foreign exchange policy, which could result in further and more significant revaluations of the Renminbi against the U.S. dollar or any other foreign currency. Any resulting fluctuations in exchange rates as a result of such policy changes may have an adverse effect on the Company's financial condition and results of operations.

The operations of the Company may be adversely affected by fluctuating inflation rates in the PRC.

Inflation rates in the PRC have been fluctuating in recent years. In earlier years, the PRC government had undertaken numerous contractionary policies, including raising interest rates and reserve requirement ratios, and curbing bank lending, to slow down excessive economic growth and control price hikes. Increases in inflation rates are due to many factors beyond the Company's control, such as rising food prices, rising production and labour costs, high lending levels, changes in the PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. In recent years, however, there has been a slowdown in the inflation rate, with the annual consumer price index averaging at approximately 1% in the past 5 years due to sluggish domestic demand and persistent deflationary pressure. The Company can give no assurance that inflation rates will not continue to fluctuate or increase again in the future. If inflation rates rise beyond the Company's expectations, the costs of its business operations, including wages and employee benefits, may become significantly higher than it has anticipated, and it may be unable to pass on such higher costs to consumers in amounts that are sufficient to cover those increased operating costs. Furthermore, the PRC government has promulgated new laws and regulations to enhance labour protection in recent years, such as the Labour Contract Law and the Social Insurance Law. As the interpretation and implementation of

these new laws and regulations are still evolving, the Company's employment practice may not always be deemed in compliance with the new laws and regulations, and the Company may incur significant compliance costs in the future. As a result, further inflationary pressures and the possibility of incurring significant compliance costs and labour dispute liabilities within the PRC may have a material adverse effect on the Company's business, financial condition and results of operations, as well as its liquidity and profitability.

Any withdrawal of, or changes to, tax incentives in the PRC may adversely affect the Company's results of operations and financial condition.

Prior to 1 January 2008, except for a number of preferential tax treatment schemes available to various enterprises, industries and locations, business enterprises in China were subject to an enterprise income tax rate of 33 per cent. under the then applicable PRC Enterprise Income Tax Law. On 16 March 2007, China passed a new enterprise income tax law, or the EIT Law, which took effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018. The EIT Law imposes a uniform income tax rate of 25 per cent. for domestic enterprises and foreign invested enterprises. Business enterprises enjoying preferential tax treatment that was extended for a fixed term prior to 1 January 2008 will still be entitled to such treatment until such fixed term expires. Certain of the Company's subsidiaries are entitled to preferential tax treatment, allowing the Company to enjoy a lower effective tax rate that would not otherwise be available to it. To the extent that there are any increases in the applicable effective tax rate, withdrawals of, or changes in its preferential tax treatment or tax exemptions, the Company's tax liability may increase in the future.

Uncertainties embodied in the PRC legal system may limit certain legal protection available to investors.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, decided legal cases have little precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Legislation over the past 20 years has significantly enhanced the protection afforded to foreign investors in China. However, the interpretation and enforcement of some of these laws, and regulations involve uncertainties that may limit the legal protection available to investors. Such uncertainties are expected to continue to exist as the legal system in the PRC continues to evolve. Even where adequate laws exist in the PRC, the enforcement of the existing laws or contracts may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement, including enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited as reference but have limited authority as precedents. As such, any litigation in the PRC may be protracted and result in substantial costs and diversion of the Company's resources and management's attention.

In addition, although the Company has full or majority Board control over the management and operation of all of its subsidiaries established in the PRC, the control over these PRC entities and the exercise of shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in the PRC, which may be different from the laws of other developed jurisdictions.

The PRC has not developed a fully integrated legal system and certain recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. The relative lack of experience of the PRC's judiciary in many cases also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, in case of new laws and regulations, the interpretation, implementation and enforcement of these laws and regulations would involve uncertainties due to the lack of established practice or published court decisions available for reference. The Company cannot predict the effect of future legal development in the PRC, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between the local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Company and investors of the Bonds. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Company may not be aware of any violations until sometime after the violation has occurred. This may also limit the remedies available to investors of the Bonds and to the Company in the event of any claims or disputes with third parties.

Any litigation in the PRC may be protracted and result in substantial costs and diversion of the Company's resources and management attention.

The Issuer may be categorised as a PRC resident enterprise under the enterprise income tax law of the PRC and become subject to a corporate tax rate that is higher than the corporate tax rate in Hong Kong.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management organisation" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Issuer's "de facto management organisation" is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, the Issuer confirms that it has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or with income that have no actual connection to its establishment inside the PRC shall pay enterprise income tax at the rate of 10 per cent. on its income sourced inside the PRC, and such income tax shall be withheld at source with the PRC payer acting as the obligatory withholder, who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it shall withhold income tax from the payments of interest in respect of the Bonds for each non-PRC resident Bondholder.

RISKS RELATING TO THE GUARANTEE AND THE BONDS

The Bonds and the Guarantee are unsecured obligations.

As the Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor respectively, the repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The Bonds may not be a suitable investment for all investors

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds and the merits and risks of investing in the Bonds and the information contained in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios of economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Issuer and the Guarantor may not be able to meet their outstanding obligations under the Bonds.

The Issuer is required under the Terms and Conditions of the Bonds to redeem the Bonds upon maturity or upon redemption following a Relevant Event (as defined in the Terms and Conditions of the Bonds). The source of funds for any such redemption would be the Guarantor's and the Issuer's available cash or third-party financing. However, the Guarantor or the Issuer may not have sufficient available funds to redeem the Bonds upon maturity or upon redemption following a Relevant Event. A failure to redeem the outstanding Bonds when due would constitute an Event of Default (as defined in the Terms and Conditions of the Bonds) under the Bonds. The Event of Default may in turn constitute an event of default under other indebtedness, any of which could cause related debt to be accelerated after any applicable notice or grace periods. If other debt of the Issuer or the Guarantor were to be accelerated, the Issuer or the Guarantor may not have sufficient funds or assets to redeem the Bonds and repay the debt.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Company's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in the prices of securities of companies comparable to the Guarantor could cause the price of the Bonds to change. Any such development may result in large and sudden changes in the volume and price at which the Bonds will trade. There is no assurance that these developments will not occur in the future.

Any failure to complete the relevant filings under the NDRC Administrative Measures within the prescribed timeframe following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Guarantor and/or the investors of the Bonds.

The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023 and is supplemented and amended by other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time. According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued, with a maturity term of more than one year, outside the PRC with the NDRC prior to the completion of the issue of the securities and submit the information report within 10 working days after the completion of the issue of the securities, file with the NDRC the requisite information and documents of the relevant issues through the NDRC Online Reporting System within 10 working days after the completion of the issue of the securities, and within 10 working days after the expiration date of the examination registration certificate (企業借用外債審核登記證明) obtained from the NDRC. In addition, so long as any of such securities issued remain outstanding, such enterprise should file with the NDRC the requisite information and documents through the NDRC Online Reporting System periodically and upon the occurrence of any material event that may affect the due performance of its obligations under the securities issued and other obligations set out in the NDRC Administrative Measures.

The NDRC Administrative Measures provide for rectification orders and warnings in cases of non-compliance with the post-issue reporting requirements, although the practical intensity of enforcement remains to be observed.

However, the NDRC Administrative Measures may be subject to further changes upon the issuance of further clarification rules or interpretation by competent authorities. There remains uncertainty as to the application of the NDRC Administrative Measures.

There may be logistical hurdles for cross-border payment under the Guarantee if registration of the Guarantee is not completed within the prescribed timeframe.

On 12 May 2014, the SAFE promulgated the Notice concerning the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees and the related implementation guidelines (collectively the "**SAFE Regulations**") which stipulate that any guarantee provided by PRC-incorporated entities in favour of offshore creditors in connection with debt financing granted to offshore debtors is required to be registered with the SAFE. Under the SAFE Regulations, the Guarantor is required to register the Deed of Guarantee with the SAFE as a procedural matter within 15 PRC Business Days after the date of execution of the Deed of Guarantee. In the event that the Guarantor is required to perform its payment obligations under the Guarantee of the Bonds, the Guarantor must submit the registration documents issued by the SAFE to banks, which upon reviewing such registration documents will process its remittance request directly.

Pursuant to the SAFE Regulations, the registration or record-filing of a cross-border guarantee contract by the SAFE, and other administrative matters and requirements specified therein, will not constitute prerequisites for the cross-border guarantee contract to enter into effect. However, failure to complete the registration as required may result in a fine up to RMB300,000 or a fine of not more than 30% of the amount involved in the violation under the Foreign Exchange of Cross Border Guarantee Measures and the Regulations on Foreign Exchange Administration. In addition, where the Guarantor fails to complete the registration with the SAFE, the Guarantor must, before performing the obligations under the Guarantee of the Bonds, complete a remedial registration. Only by submitting the registration documents or remedial registration documents will the Guarantor be able to remit funds outside PRC in order to perform its payment obligations under the Guarantee of the Bonds. In addition, if the guarantee liability is a repayment obligation for an issuer under the offshore bond issuance, the equity interests of such issuer must be directly or indirectly held by an onshore entity and the proceeds of the bond issuance must be used for an offshore project in which the onshore entity has an equity interest and the issuer and such offshore project must have been duly approved by, registered and filed with the relevant authorities in charge of outbound investment.

The SAFE Regulations may be subject to a degree of executive and policy discretion and interpretation by the SAFE.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction.

In certain circumstances (including the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee will not be obliged to take any such actions if not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed, the Terms and Conditions of the Bonds and the applicable law and regulations, it will be for the Bondholders to take such actions directly.

An active trading market for the Bonds may not develop.

There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market was to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price, depending on many factors, including prevailing interest rates, the Company's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

Developments in the international financial markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for securities of entities with PRC operations is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets or in any country in the future, the market price of the Bonds could be adversely affected.

The insolvency laws of the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Guarantor and its significant subsidiaries are incorporated under the laws of the PRC, any insolvency proceeding relating to them is likely to involve PRC insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Additional procedures may be required to be taken to bring English law governed matters to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters.

The Terms and Conditions of the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken. As compared to other similar debt securities issuances in the international capital market where the relevant bondholders would not typically be deemed to have submitted to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the jurisdiction of the Hong Kong courts, and thus the Bondholders' ability to initiate a claim outside of Hong Kong will be limited.

In the Mainland, the Supreme People's Court promulgated a judicial interpretation to implement the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**") on 25 January 2024 (the "**Judicial Interpretation**"). The New Arrangement came into effect on 29 January 2024 and applies to judgments made on or after 29 January 2024. Under the New Arrangement, where a Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the New Arrangement and the Judicial Interpretation. However, recognition and enforcement of a Hong Kong court judgment could be refused in certain circumstances, including where the PRC courts consider that the enforcement of such judgment is manifestly contrary to the basic principles of the laws of the PRC or the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as the New Arrangement has only recently come into effect and there is limited publicly available practice in respect of its implementation.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement and/or the Deed of Guarantee by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of

the Terms and Conditions of the Bonds, the Trust Deed, the Deed of Guarantee or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

Restrictions and covenants in the debt agreements of the Issuer, the Guarantor or any other member of the Group may limit the Group's ability to incur additional indebtedness and restrict its future operations, and failure to comply with these restrictive covenants may result in a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the Group's or, as the case may be, the relevant subsidiary's, business operations or financing activities, that restrict the relevant borrower from incurring additional indebtedness, creating security or granting guarantees or changing their business and corporate structure and declaring or paying dividends unless it is able to satisfy certain requirements, including but not limited to meeting certain financial ratios or obtaining the relevant lender's prior consent. The ability of the Group to meet such requirements may be affected by events beyond its control, and the Group may not be in compliance with such restrictions from time to time. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions in time, pursue the business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in the Group's business. Any of these factors could materially and adversely affect the ability of the Issuer, the Guarantor and other members of the Group to satisfy its obligations under the Bonds and/or other debt, as the case may be.

If the Issuer is unable to comply with the restrictions and covenants in the Bonds, or if any of the Guarantor or its subsidiaries, including the Issuer, is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Group or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some of the Group's financing agreements contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements to require the Group to immediately repay their loans or declare a default as a result of the acceleration or default of other financing agreements by any other member of the Group. As a result, the default by the Guarantor or the relevant subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there is no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Group or its subsidiaries would be sufficient to repay in full all of the respective debts as they become due, or that the Group or its subsidiaries would be able to find alternative financing. Even if the Group or its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Group or, as the case may be, its subsidiaries.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consent of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, and the timing for making and completing of the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds). There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The Bonds will initially be represented by a Global Certificate and holders of a beneficial interest in a Global Certificate must rely on the procedures of the CMU.

The Bonds will initially be represented by a Global Certificate. Such Global Certificate will be registered in the name of, and lodged with a sub-custodian for, the Operator of the CMU. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Operator will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the CMU.

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the CMU to receive payments under the Bonds. Payments will be made by the CMU Lodging and Paying Agent to the Operator, which will make payments to the relevant CMU participants, and any payments by CMU participants to indirect participants will depend on arrangements agreed between them. None of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders will be permitted to act only to the extent that they are enabled by the CMU to appoint appropriate proxies.

Bondholders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more minimum specified denominations. If definitive Certificates are issued, holders should be aware that a definitive Certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the MOF and the State Administration of Taxation jointly issued the Circular of Full Implementation of Business Tax to VAT Reform (Cai Shui [2016] No.36) (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (財稅[2016]36號) ("**Circular 36**"), which provides that all business tax payers are included into the pilot programme to pay value-added tax (the "**VAT**") from 1 May 2016. Further, Circular 36 was partially amended by the Announcement of MOF, SAT and General Administration of Customs on Matters relating to Deepening the VAT Reform (財政部、税務總局、海關總署關於深化增值税改革有關政策的公告) which was issued on 20 March 2019 and became effective on 1 April 2019. VAT is applicable where the entities or individuals provide services within the PRC. The issuance of the Bonds is likely to be treated as the Bondholders providing loans to the Issuer, which consequently shall be regarded as financial services for VAT purposes. Therefore, the Bondholders may be regarded as providing financial services within the PRC and consequently, the Issuer maybe obligated to withhold VAT of 6 per cent. on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders who do not have business establishments in the PRC.

RISKS RELATING TO BONDS DENOMINATED IN RENMINBI

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC.

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC FDI Measures**") on 13 October 2011, which was amended on 5 June 2015, as part of the PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI, which was amended on 5 June 2015. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with PBOC is still necessary. On 31 December 2020, PBOC, together with several other PRC governmental authorities, promulgated the Notice on Further Optimising Cross-Border Renminbi Policies to Support Stable Foreign Trade and Foreign Investment (《關於進一步優化跨境人民幣政策支持穩外貿穩外資的通知》), which, among other things, provides that enterprises are no longer required to provide approval or filing documents issued by the competent commerce authorities when conducting Renminbi settlement of FDI-related business, and cancelled certain special deposit account administration requirements in respect of FDI, including the Renminbi reinvestment special deposit account, the Renminbi capital special deposit account, the Renminbi merger and acquisition special deposit account and the Renminbi equity transfer special deposit account.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the Circular on Issues in relation to Cross-Border Renminbi Foreign Direct Investment (關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the

MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 13 February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**"), which was amended on 30 December 2019, to simplify foreign exchange rules for cross-border investments. According to Circular 13, foreign exchange registration for foreign direct investment and outbound direct investment will be exempted from the approval by SAFE and the registration rights will be delegated from SAFE to the qualified banks from 1 June 2015. Under Circular 13, foreign investors could open foreign exchange accounts in qualified banks directly after providing the banks with registration documents, with no need to obtain separate government approval. Under Circular 13, such qualified banks will administer foreign exchange transactions according to the registration information provided by the parties and SAFE will indirectly supervise foreign exchange registration by verifying and inspecting the qualified banks.

On 30 March 2015, SAFE promulgated the Circular of SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign- invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結算管理方式的通知) ("**Circular 19**"), which was amended on 9 June 2016, 30 December 2019 and 23 March 2023, and relaxed the capital account settlement for all foreign invested enterprises across the nation from 1 June 2015.

On 9 June 2016, SAFE further promulgated the Circular of SAFE on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("**Circular 16**"). According to Circular 16, in case of any discrepancy between Circular 19 and Circular 16, Circular 16 shall prevail. Circular 16 allows all foreign invested enterprises across the PRC to convert 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on SAFE's system for account crediting for such capital contribution) into Renminbi at their own discretion without providing various supporting documents. However, to use the converted Renminbi, a foreign invested enterprise still needs to provide supporting documents and go through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under Circular 16.

In addition, pursuant to the Notice of SAFE on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) ("**Circular No. 3 [2017]**") promulgated on 26 January 2017, when conducting outward remittance of a sum equivalent to more than U.S.$50,000 for a domestic institution, the bank shall, under the principle of genuine transaction, check the profit distribution resolution made by the board of directors (or profit distribution resolution made by partners), original of tax filing form and audited financial statements, and stamp with the outward remittance sum and date on the original of tax filing form. In addition, the domestic institution shall make up its losses of previous

years under the applicable laws. On 24 March 2017 and 27 April 2017 respectively, SAFE posted two series of questions and answers on its official website, in order to further explain Circular No. 3 [2017].

On 5 January 2018, the PBOC promulgated the Notice on Further Improving Policies of Cross-Border Renminbi Business to Promote Trade and Investment Facilitation (關於進一步完善人民幣跨境業務政策促進貿易投資便利化的通知), which supports enterprises to use Renminbi in cross-border settlement and for the investment income such as profits and dividends legally obtained by overseas investors in the PRC, banks shall review relevant materials as required before processing cross-border Renminbi settlement and ensure free remittance of profits of foreign investors in accordance with the law.

As these are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC. There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Guarantor to source Renminbi to finance their obligations under Bonds denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Bonds and the Issuer's ability to source Renminbi outside the PRC to service such Bonds.

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licenced banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. In July 2010, further amendments were made to the Settlement Agreement on the Clearing of Renminbi Business (關於人民幣業務的清算協議) (the "**Settlement Agreement**") between the PBOC and Bank of China (Hong Kong) Limited (the "**Renminbi Clearing Bank**") to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a "**Renminbi Clearing Bank**"), including London, Frankfurt and Singapore to further internationalise the Renminbi.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for

participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service its Bonds, there is no assurance that either the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal, premium and interest on the Bonds in Renminbi (the "**Specified Currency**"). This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Bonds, (2) the Investor's Currency equivalent value of the principal payable on the Bonds and (3) the Investor's Currency equivalent market value of the Bonds. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the CNY2,800,000,000 in aggregate principal amount of 1.75 per cent. guaranteed bonds due 2029 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by a shareholder's resolution and a resolution of the Board of Directors of Eastern Air Overseas (Hong Kong) Corporation Limited (the "**Issuer**") passed on 26 June 2026 and 2 November 2026, respectively, and the guarantee of the Bonds was authorised by a resolution of the Board of Directors of China Eastern Airlines Corporation Limited (the "**Guarantor**") on 26 June 2026. The Bonds are constituted by a trust deed dated 18 November 2026 (the "**Issue Date**") (as amended and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and Bank of China (Hong Kong) Limited (the "**Trustee**" which expression shall include its successor(s)) as trustee for the holders of the Bonds. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee dated the Issue Date (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") executed by the Guarantor relating to the Bonds. An agency agreement dated the Issue Date (as amended and/or supplemented from time to time, the "**Agency Agreement**") relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, Bank of China (Hong Kong) Limited as CMU lodging and paying agent (in such capacity, the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU lodging and paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the "**Registrar**", which expression shall include its successor(s)) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any other transfer agent appointed in connection with the Bonds).

For so long as any Bond is outstanding, copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection by the Bondholders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) at the principal office of the Trustee (being at the Issue Date at 5/F, Bank of China Building, 2A Des Voeux Road Central, Central, Hong Kong) following prior written request and proof of holding and identity satisfactory to the Trustee. References herein to "**Paying Agents**" mean the CMU Lodging and Paying Agent and includes any successor or additional paying agents appointed from time to time in connection with the Bonds and "**Agents**" mean the CMU Lodging and Paying Agent, any other Paying Agents, the Registrar, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Trust Deed and the Deed of Guarantee, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, DENOMINATION AND TITLE

(a) **Form and denomination**: The Bonds are issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. A certificate (each, a "**Certificate**") will be issued to each holder of Bonds in respect of its registered holding of Bonds. Each Certificate shall be numbered serially and shall have an identifying number which shall be recorded on the relevant Certificate and in the register of holders of the Bonds (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service (the "**CMU**"). The Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive Certificates in respect of their individual holdings of Bonds.

(b) **Title**: Title to the Bonds shall pass only by transfer and registration of title in the Register. The holder of any Bond shall, except as ordered by a court of competent jurisdiction or as otherwise required by law, be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on (other than the endorsed form of transfer), or the theft or loss of, the Certificate issued in respect of it), and no person shall be liable for so treating the holder. In these Conditions, "**holder of the Bonds**", "**holder**" and "**Bondholder**" in relation to a Bond shall mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

*For so long as any of the Bonds are represented by the Global Certificate, each person who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (the "**accountholder**") (in which regard any certificate or other document issued by the Operator as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Agents and the Operator as the holder of such principal amount of such Bonds for all purposes other than with respect to the payment of principal, premium (if any) and interest on the Bonds, the right to which shall be vested, as against the Issuer, the Guarantor, the Trustee, the Agents and the Operator, solely in the registered holder of the Global Certificate in accordance with and subject to its terms (and the expressions "**Bondholder**" and "**holder**" and related expressions shall be construed accordingly).*

2 STATUS AND GUARANTEE

(a) **Status**: The Bonds constitute direct, unconditional, unsubordinated and, subject to Condition 4(a), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment

obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Guarantee**: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The Guarantee constitutes direct, unconditional, unsubordinated and, subject to Condition 4(a), unsecured obligations of the Guarantor. The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) **Register**: The Issuer will cause the Register to be kept at the specified office of the Registrar (which shall be outside the United Kingdom in all circumstances) and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and details of the registered accounts (as defined in Condition 7(a)(ii)) of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) **Transfers**: Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer endorsed on such Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or any Transfer Agent; provided, however, that a Bond may not be transferred unless the principal amount of the Bond being transferred and (where only part of the principal amount of the Bond is being transferred) the principal amount of the balance of the Bond not being transferred are specified denominations. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures for the time being of the relevant clearing systems.

(c) **Delivery of new Certificates**: Each new Certificate to be issued upon a transfer of Bonds will, within seven business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds but free of charge to the holder and at the expense of the Issuer, failing whom the Guarantor, to the address specified in the form of transfer. The form of transfer is available at the specified office of any Transfer Agent. Where only part of the principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, a new Certificate in

respect of the Bonds not so transferred will, within seven business days (as defined below) of delivery of the original Certificate to the Registrar or Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred (but free of charge to the holder and at the expense of the Issuer, failing whom the Guarantor) to the address of such holder appearing on the Register.

(d) **Formalities free of charge**: Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment (or the giving of such indemnity or security or pre-funding as the Issuer, the Registrar or the relevant Transfer Agent may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied that the regulations concerning transfer of Bonds have been complied with.

(e) **Closed periods**: No Bondholder may require the transfer of a Bond to be registered during the period of (i) seven business days ending on (but excluding) the due date for any payment of principal in respect of that Bond; and (ii) ten days ending on (and including) any Interest Record Date (as defined in Condition 7(a)).

(f) **Regulations**: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the expense of the Issuer, failing whom the Guarantor) by the Registrar to any Bondholder upon request and is available for inspection by any Bondholder at all reasonable times during normal business hours at the specified office of the Registrar following prior written request and proof of holding and identity satisfactory to the Registrar.

In this Condition 3, "**business day**" shall mean a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in the city in which the specified office of the Registrar or (as the case may be) such Transfer Agent with whom a Certificate is deposited in connection with a transfer, is located.

4 COVENANTS

(a) **Negative pledge**: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of their respective Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge, other security interest or form of encumbrance having a similar effect upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to

the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as the Trustee may in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

(b) **Undertakings relating to the Guarantee**

(i) **Registration with SAFE**: The Guarantor undertakes that it will (a) register or cause to be registered with SAFE the Deed of Guarantee within 15 PRC Business Days after the date of execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"), (b) use its reasonable endeavours to complete the Cross-Border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the SAFE Registration Deadline, and to comply with all applicable PRC laws and regulations in relation to the Guarantee, and (c) within seven PRC Business Days after receipt of the registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE), (1) provide the Trustee with a certificate in substantially the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-Border Security Registration, together with a copy of the relevant SAFE registration record (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor, and (2) give notice to the Bondholders in accordance with Condition 15 confirming the completion of the Cross-Border Security Registration (the items in (1) and (2) above collectively, the "**Registration Documents**").

The Trustee shall have no obligation to monitor or ensure or in any way assist with the registration of the Guarantee with SAFE on or before the SAFE Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and the Registration Documents or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to the Bondholders or any other person for not doing so.

(ii) **Notification to NDRC**: The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and effective from 10 February

2023, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**") and to comply with all applicable PRC laws and regulations in relation to the issue of the Bonds.

The Guarantor shall submit the NDRC Post-issue Filing within the prescribed timeframe and comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing. The Guarantor shall within seven PRC Business Days after submission of such NDRC Post-issue Filing provide the Trustee with (A) a certificate in English in substantially the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming (I) the completion of the NDRC Post-issue Filing and (II) that no Change of Control, Event of Default or Potential Event of Default (as defined in Condition 4(c)(i)) has occurred; and (B) copies of the document(s) filed with the NDRC, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (the items specified in (A) and (B) together, the "**NDRC Filing Documents**"). In addition, the Guarantor shall, within five PRC Business Days after the NDRC Filing Documents are delivered to the Trustee, give notice to the Bondholders in accordance with Condition 15 confirming the completion of the NDRC Post-issue Filing.

The Trustee shall have no obligation or duty to monitor or ensure or in any way assist with the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation, or other documents in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to Bondholders or any other person for not doing so.

(c) **Financial Reports and Compliance Certificates**: Each of the Issuer and the Guarantor has undertaken in the Trust Deed that, within 14 days of its annual audited financial statements being made available to its members, and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate in English signed by two Authorised Signatories of the Issuer or, as the case may be, by two Authorised Signatories of the Guarantor to the effect that having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor as at a date (the "**Certification Date**") not more than five days prior to the date of the certificate:

(i) no Event of Default (as defined in Condition 9) or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become an Event of Default (each a "**Potential Event of Default**") had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of such non-compliance; and

(ii) each of the Issuer and the Guarantor has complied with all its obligations under the Trust Deed, the Guarantee (in the case of the Guarantor) and the Bonds or, if non-compliance has occurred, giving details of such non-compliance.

(d) **Definitions**: In these Conditions:

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions only, shall exclude the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or a public holiday) on which commercial banks are generally open for business in Beijing, the PRC;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

a "**Subsidiary**" of any person means (i) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**SAFE**" means the State Administration of Foreign Exchange or its local branch; and

"**SAFE Registration Deadline**" means the day falling 90 PRC Business Days after the Issue Date.

5 INTEREST

(a) **Interest rate and Interest Payment Dates**: The Bonds bear interest from and including the Issue Date at the rate of 1.75 per cent. per annum, payable semi-annually in arrear on 18 May and 18 November in each year (each an "**Interest Payment Date**"), commencing on the first Interest Payment Date after the Issue Date. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 5(c)), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event it shall be brought forward to the immediately preceding business day. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

(b) **Interest Payments**: Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition 5 (both before and after judgement) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day seven days after the Trustee or the CMU Lodging and Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

(c) **Calculation of interest**: Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be calculated by applying the rate of interest specified in Condition 5(a) to the Calculation Amount and multiplying such product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). In this Condition 5, "**Day Count Fraction**" means, in respect of any period, the actual number of days in the Interest Period divided by 365. For the purposes of this Condition 5, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business and settlement of Renminbi payments in Hong Kong.

6 REDEMPTION AND PURCHASE

(a) **Final redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to 18 November 2029. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for taxation reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the CMU Lodging and Paying Agent, at their principal amount together with interest accrued to but excluding the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

(i) it (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8(c) as a result of any change in, or amendment to, the laws or regulations of Hong Kong, in the case of the Issuer, or the PRC, in the case of the Issuer or the Guarantor, or in each case any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 November 2026, and

(ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts if a payment in respect of the Bonds (or the Guarantee, as the case may be) were then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by two Authorised Signatories of the Issuer (or by two Authorised Signatories of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions set out in (i) and (ii) above, in which event the same shall be conclusive and binding on the Bondholders.

(c) **Redemption for Relevant Events**: At any time following a Relevant Event, a Bondholder will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, in each case together with accrued interest up to, but excluding the Put Date. To exercise such right, the relevant Bondholder must deposit at the specified office of the CMU Lodging and Paying Agent or any Transfer Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the CMU Lodging and Paying Agent or any Transfer Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, within 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 15. The "**Put Date**" shall be the fourteenth day (or, if such day is not a Payment Business Day, the next Payment Business Day immediately following such day) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of Put Exercise Notices delivered as aforesaid on the Put Date.

The Issuer shall give notice to Bondholders in accordance with Condition 15 and to the Trustee and the CMU Lodging and Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event has occurred and shall not be responsible or liable to Bondholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

For the purposes of this Condition 6(c):

a "**Change of Control**" occurs when:

(i) the SASAC ceases to directly or indirectly Control the Guarantor;

(ii) the Guarantor ceases to directly or indirectly Control the Issuer; or

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or persons, acting together, except where such person(s) is/are Controlled by the SASAC;

"**Control**" means (where applicable): (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the nomination or designation of no less than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person. For the avoidance of doubt, a person is deemed to Control another person so long as it fulfils one of the three foregoing requirements;

a "**No Registration Event**" occurs when the Registration Conditions are not satisfied on or before the SAFE Registration Deadline;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity);

a "**Relevant Event**" means a Change of Control or a No Registration Event;

"**Registration Conditions**" means the receipt of the Registration Documents by the Trustee and the giving of the notice to Bondholders by the Guarantor within seven PRC Business Days after the receipt of the registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) as set out in Condition 4(b)(i);

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC or its successor; and

"**Voting Rights**" means the right generally to vote at a general meeting of shareholders of the Guarantor (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition).

(d) **Notices of redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 6 has occurred or for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(e) **Purchase**: The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor and their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in Renminbi by wire transfer to the registered account of the Bondholder. Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Interest Record Date**"). Payments of interest on each Bond shall be made in Renminbi by wire transfer to the registered account of the Bondholder.

(ii) For the purposes of this Condition 7, a Bondholder's "**registered account**" means the Renminbi account maintained by or on behalf of it with a bank in Hong Kong that processes payments in Renminbi, details of which appear on the Register at the close of business on the Interest Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid

and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate at the Issuer's expense with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*For so long as any of the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, payments of interest, premium or principal will be made by the CMU to the persons for whose account a relevant interest in the Global Certificate is credited as being held by the Operator at the close of business of the Clearing System Business Day immediately prior to the date of payment, where "**Clearing System Business Day**" means a day on which the CMU is operating and open for business. Any such payment made in accordance with the foregoing shall discharge the obligations of the Issuer and the Guarantor in respect of that payment.*

Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants, and none of the Issuer, the Guarantor, the Trustee and the Agents shall have any liability to the Bondholders, the CMU participants or the indirect participants in respect of such payments.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the CMU Lodging and Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The CMU Lodging and Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The CMU Lodging and Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor (or in certain limited circumstances, the Trustee) and do not assume any obligation or

relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the CMU Lodging and Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a CMU Lodging and Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 15.

(e) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or a day on which the bank where a registered account is maintained is open for receipt of such transfers, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 7(a) reaches the registered account of the Bondholder after the due date for payment.

(f) **Payment Business Days**: In these Conditions, "**Payment Business Day**" means a day (other than a Saturday or Sunday or public holiday) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 TAXATION

(a) All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or, in each case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

(b) Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 11 November 2026 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

(c) If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate or if the Issuer is required to make a deduction or withholding by or within Hong Kong, the Issuer or, as the case may be, the Guarantor shall pay such additional

amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(x) **Other connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong or the PRC in the case of payments by the Issuer, or the PRC in the case of payments made by the Guarantor, other than the mere holding of the Bond; or

(y) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date, except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, charge, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessment, charge, withholding or other payment in any jurisdiction or be responsible to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of such tax, duty, assessment, charge, withholding or other payment.

9 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or secured

and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: the Issuer and the Guarantor each fails to pay the principal of or any interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds or the Deed of Guarantee or the Trust Deed (where applicable) which default is, in the opinion of the Trustee, incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(c) **Cross-Default**: (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) has occurred equals or exceeds U.S.$50 million or its equivalent in any other currency (as determined on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which such amount becomes due and payable or is not paid); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, a material part of the property, assets or revenues of the Issuer, the Guarantor or any of the Principal Subsidiaries and is not discharged or stayed within 30 days of having been so levied, enforced or sued out; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Principal Subsidiaries over the whole or, a material part of the assets of the Issuer, the Guarantor or any of the Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 30 days; or

(f) **Insolvency**: the Issuer, the Guarantor or any of the Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in

respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of the Principal Subsidiaries; or

(g) **Winding-up**: an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any of the Principal Subsidiaries, or the Issuer or the Guarantor or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or, substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of the Principal Subsidiaries; or

(h) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Deed of Guarantee or the Trust Deed; or

(j) **Unenforceability of Guarantee**: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(k) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(g) (both inclusive).

The Trustee shall have no obligation to monitor whether an Event of Default or a Potential Event of Default has occurred or may occur, and shall not be liable to the Bondholders or any other person for not doing so.

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 5 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including,

for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement is at least 5 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 5 per cent. of the amount which equals the amount included in the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to become a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition,

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has Subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has Subsidiaries) or total assets (or consolidated total assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or total assets (or consolidated total assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9 has occurred since the issue date of the Bonds and is continuing, exceeds 5 per cent. of the consolidated revenue, consolidated gross profit or consolidated total assets of the Guarantor and its Subsidiaries.

Subject to compliance with the requirement set forth below, a certificate in English prepared by any director of the Guarantor that in his or her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. The certificate must be accompanied by a report by an internationally recognised firm of accountants addressed to the director of the Guarantor as to proper extraction and basis of the figures used by the Guarantor in determining the Principal Subsidiaries of the Guarantor and mathematical accuracy of the calculation.

10 PRESCRIPTION

Claims in respect of principal and interest will become void unless made as required by Condition 7 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date (as defined in Condition 8).

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any other Agent subject to all applicable laws or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as (i) the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice) or (ii) any Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS AND MODIFICATION

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Deed of Guarantee, the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. A resolution passed in writing or by Electronic Consent will be binding on all Bondholders whether or not they participated or voted in such resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification**: The Trustee may agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement, that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall

be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable.

(c) **Entitlement of the Trustee**: In connection with the exercise of its functions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Guarantor (save as provided in Condition 8) or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take any steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed and the Bonds and/or the Guarantee, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds outstanding (as defined in the Trust Deed), and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 TRUSTEE AND AGENTS

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking any steps and/or actions and/or instituting any proceedings to enforce its rights under the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or these Conditions and/or in respect of the Bonds and/or from taking other steps and/or actions and/or instituting proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling the Trustee to be paid or reimbursed for its fees, costs, expenses and indemnity payments and for any liabilities incurred by it in priority to the claims of Bondholders. The Trustee, the Agents and their respective affiliates are entitled (i) to enter into business transactions with the Issuer, the Guarantor and/or any entity related to the Issuer or the Guarantor, (ii) to act as trustee for the holders of any other securities or other obligations of the Issuer, the Guarantor or any other person, as freely as if the Trustee were not appointed under the Trust Deed and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may accept and rely conclusively without liability to Bondholders or any other person on any report, confirmation, certificate or information from or any opinion or any advice of any accountants, lawyers, financial advisers, financial institution or any other expert or professional adviser, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other

person or in any other manner) by reference to a monetary cap, methodology or otherwise and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the Guarantor and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders. The Trustee shall be entitled to rely conclusively without liability on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor or any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor and the Trustee shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee in respect thereof.

15 NOTICES

Notices to Bondholders will be valid if mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer, failing whom the Guarantor, shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to each relevant accountholder via the CMU, in substitution for mailing or publication as required by the Conditions, and shall be deemed to have been given on the date of delivery to the CMU. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

16 FURTHER ISSUES

Subject to compliance with the undertakings in Condition 4(b), the Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for making and completing of the NDRC Post-issue Filing and the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds), provided that such further securities may only be issued if such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

17 CURRENCY INDEMNITY

Renminbi is the sole currency of account and payment for all sums payable by the Issuer or the Guarantor under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than Renminbi (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor (as the case may be) shall only constitute a discharge to the Issuer and the Guarantor to the extent of the Renminbi amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Renminbi amount is less than the Renminbi amount expressed to be due to the recipient under any Bond, the Issuer and the Guarantor (as the case may be) shall indemnify it against any loss sustained by it as a result. In any event, the Issuer or the Guarantor (as the case may be) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 17, it will be sufficient for the Bondholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgement or order.

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any rights or remedies which exist or are available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 13.

19 GOVERNING LAW

(a) **Governing Law**: The Bonds, the Deed of Guarantee and the Trust Deed, and any non-contractual obligations arising out of or in connection with them, are all governed by and shall be construed in accordance with English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds, the Trust Deed and the Deed of Guarantee and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Trust Deed and/or the Deed of Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has, in the Trust Deed, and the Guarantor has, in the Deed of Guarantee, irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Service of Process**: Each of the Issuer and the Guarantor irrevocably agrees to receive service of process at the Issuer's principal place of business currently at Suites 801–802, 8F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong in any Proceedings in Hong Kong. If the Issuer ceases to have a place of business in Hong Kong, each of the Issuer and the Guarantor shall forthwith appoint a person in Hong Kong to accept service of process on its behalf and deliver to the Trustee a copy of such person's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**: Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions of the Bonds set out in this Offering Circular have the meaning in the paragraphs below.

1. EXCHANGE OF BONDS REPRESENTED BY THE GLOBAL CERTIFICATE

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if the CMU or any other clearing system (an "**Alternative Clearing System**") through which the Bonds are cleared is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, provided that the person with an interest in the Bonds in respect of which the Global Certificate is issued has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

2. PROMISE TO PAY

For so long as the Global Certificate is held by or on behalf of the Operator, payments of interest, premium or principal will be made to the CMU which will credit the same in accordance with the CMU Rules to the person(s) shown in the records of the Operator as the holder of a particular principal amount of Bonds (each an "**accountholder**") at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business** Day" means a day on which the CMU is operating and open for business. Payment made in accordance with the CMU Rules as set out in the immediately preceding sentence shall discharge the obligations of the Issuer and the Guarantor in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants, and the Trustee and the CMU Lodging and Paying Agent shall have no liability to the Bondholders, the Issuer, the Guarantor, the CMU participants, the indirect participants or any other person in respect of such payment.

3. NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator or any Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to each relevant accountholder via the CMU, in substitution for notification as required by the Terms and Conditions of the Bonds. Indirect participants will have to rely on the CMU

participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

4. MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each CNY10,000 in principal amount of Bonds for which the Global Certificate is issued.

5. BONDHOLDER'S REDEMPTION

The Bondholder's redemption option specified in the Terms and Conditions of the Bonds may be exercised by the Operator giving notice to the CMU Lodging and Paying Agent within the time limits specified in the Terms and Conditions of the Bonds, in accordance with the rules and procedures of the CMU or any Alternative Clearing System, and stating the principal amount of Bonds in respect of which the option is exercised.

6. ISSUER'S REDEMPTION

The option of the Issuer provided for in the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

7. TRANSFERS

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of the CMU (or any Alternative Clearing System) and its participants in accordance with the rules and procedures of the CMU (or any Alternative Clearing System) and its direct and indirect participants.

8. CANCELLATION

Cancellation of any Bond represented by the Global Certificate will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Schedule to the Global Certificate.

9. TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is held on behalf of the Operator, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

USE OF PROCEEDS

The Issuer estimates the gross proceeds to it from its sale of the Bonds to be CNY2,800 million before deducting underwriting commissions and expenses. The Company intends to use the net proceeds from the sale of the Bonds for prepayment for purchase of aircraft and repayment of existing debt.

Capitalisation and Indebtedness of the Guarantor

The following table sets forth the total capitalisation of the Guarantor as at 30 June 2026 and adjusted to give effect to the issue of the Bonds.

	As at 30 June 2026	
	Actual	As Adjusted[3]
	(RMB million)	
Current borrowings		
Current portion of long-term bank borrowings	7,440	7,440
Short-term bank borrowings	17,403	17,403
Short-term debenture	21,084	21,084
Guaranteed bonds	4,189	4,189
Current portion of unsecured bonds	100	100
Total current borrowings	**50,216**	**50,216**
Non-current borrowings		
Long-term bank borrowings	48,506	48,506
Unsecured bonds	11,500	11,500
Bonds to be issued[1]	—	2,800
Total non-current borrowings	**60,006**	**62,806**
Total borrowings	**110,222**	**113,022**
Equity		
Share capital	22,088	22,088
Perpetual bond	25,415	25,415
Reserves	(9,799)	(9,799)
Treasury shares	(58)	(58)
Non-controlling interests	1,287	1,287
Total equity	**38,933**	**38,933**
Total capitalisation[2]	**149,155**	**151,955**

Notes:

(1) The aggregate principal amount of the Bonds to be issued has not taken into account the effect of transaction costs and expenses.

(2) Total capitalisation equals the sum of total borrowings and total equity.

(3) Figures in the "As Adjusted" column reflect the aggregate principal amount of the Bonds.

Save as disclosed in this Offering Circular, there has been no material adverse change in the Guarantor's capitalisation and indebtedness since 30 June 2026.

Capitalisation and Indebtedness of the Issuer

As at the date of this Offering Circular, the authorised share capital of the Issuer is HK$280,000,000, divided into 280,000,000 ordinary shares of HK$1.0 each, all of which are held by the Guarantor and are fully paid, representing the entire issued share capital of the Issuer.

The following table sets forth the capitalisation of the Issuer as at 30 June 2026, as adjusted to give effect to the issue of the Bonds:

	As at 30 June 2026	
	Actual	As Adjusted[3]
	(RMB million)	
Current borrowings		
Non-current liabilities due within one year	2,654	2,654
Non-current borrowings		
Bonds to be issued[1]	—	2,800
Total borrowings	**2,654**	**5,454**
Equity		
Share capital	230	230
Reserve	506	506
Total equity	**736**	**736**
Total capitalisation[2]	**3,390**	**6,190**

Notes:

(1) The aggregate principal amount of the Bonds to be issued has not taken into account the effect of transaction costs and expenses.

(2) Total capitalisation equals the sum of total borrowings and total equity.

(3) Figures in the "As Adjusted" column reflect the aggregate principal amount of the Bonds.

Save as disclosed in this Offering Circular, there has been no material adverse change in the Issuer's capitalisation and indebtedness since 30 June 2026.

DESCRIPTION OF THE ISSUER

Formation

The Issuer is a limited liability company incorporated under the Companies Ordinance (Cap. 622) of Hong Kong (CR No. 1614655). It was incorporated in Hong Kong on 10 June 2011. Its registered office is Suites 801–802, 8/F., Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong. The Issuer is a wholly-owned subsidiary of the Guarantor.

Business Activity

The Issuer is principally engaged in the trading of aviation fuel and treasury activities. In the future, the Issuer may, either itself or through direct and indirect subsidiaries and associated companies, issue additional bonds, acquire additional aircraft and enter into leases of such aircraft, enter into fuel hedging and other related derivative transactions (and engage in other activities related to the aforementioned) and other businesses related to those of the Company and may incur additional liabilities and indebtedness.

Directors and Officers

The directors of the Issuer are Mr. Shao Zumin, Mr. Li Xiaoyu and Mr. Zhi Boning. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer.

Share Capital

The authorised share capital of the Issuer is HK$280,000,000, divided into 280,000,000 ordinary shares of HK$1.0 each, all of which are held by the Guarantor and are fully paid. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

PRC REGULATIONS

The PRC Civil Aviation Law provides the framework for regulation of many important aspects of civil aviation activities in China, including:

- the administration of airports and air traffic control systems;
- aircraft registration and aircraft airworthiness certification;
- operational safety standards; and
- the liabilities of carriers.

The Chinese airline industry is also subject to a high degree of regulation by the CAAC. Regulations issued or implemented by the CAAC encompass virtually every aspect of airline operations, including route allocation, domestic airfare, licensing of pilots, operational safety standards, aircraft acquisition, aircraft airworthiness certification, fuel prices, standards for aircraft maintenance and air traffic control and standards for airport operations. The development of the industry is guided by the five-year plans for civil aviation development jointly issued by the CAAC, the NDRC, and the Ministry of Transport, including the 14th Five-Year Plan for Civil Aviation Development (《"十四五"民用航空發展規劃》), covering 2021–2025, and the 14th Five-Year Plan for Green Development of Civil Aviation (《"十四五"民航綠色發展專項規劃》), together with the 15th Five-Year Plan for Civil Aviation Development (《民用航空發展"十五五"規劃》), covering 2026–2030.

Although China's airlines operate under the supervision and regulation of the CAAC, they are accorded a significant degree of operational autonomy. These areas of operational autonomy include:

- whether to apply for any route;
- the allocation of aircraft among routes;
- the airfare pricing for the international and regional passenger routes;
- the airfare pricing within the limit provided by the CAAC for the domestic passenger routes;
- the acquisition of aircraft and spare parts;
- the training and supervision of personnel; and
- many other areas of day-to-day operations.

Although the Company has generally been allocated adequate routes in the past to accommodate its expansion plans and other changes in its operations, those routes are subject to allocation and re-allocation in response to changes in governmental policies or otherwise at the discretion of the CAAC. Consequently, the Company can give no assurance that its route structure will be adequate to satisfy its expansion plans.

The CAAC has established regulatory policies intended to promote controlled growth of the Chinese airline industry. The Company believes those policies will be beneficial to the development of and prospects for the Chinese airline industry as a whole. Nevertheless, those regulatory policies could limit its flexibility to respond to changes in market conditions, competition or its cost structure. Moreover, whilst the Company generally benefits from regulatory policies that are beneficial to the airline industry in China as a whole, the implementation of specific regulatory policies may from time to time materially and adversely affect its business operations.

Since the Company provides services on international routes, the Company is also subject to a variety of bilateral civil air transport agreements between China and other countries. In addition, China is a contracting state as well as a permanent member of the International Civil Aviation Organisation, an agency of the United Nations established in 1947 to assist in the planning and development of international air transportation. The International Civil Aviation Organisation establishes technical standards for the international airline industry. China is also a party to a number of other international aviation conventions. The business operations of the Company are also subject to these international aviation conventions, as well as certain foreign country aviation regulations and local aviation laws with respect to route allocation, landing rights and related flight operation regulations.

Domestic Route Rights

Chinese airlines must obtain from the CAAC the right to carry passengers or cargo on any domestic route. Domestic route administration is governed by the Rules of the PRC on the Evaluation of Domestic Route and Flight Entitlements (《中國民航國內航線航班評審規則》) (民航規[2024]26號, the "**Route Evaluation Rules**"), most recently revised in March 2024 with effect from the 2024 summer/autumn season. The revised Route Evaluation Rules apply classified and graded management (approval-based routes and registration-based routes), incorporate load-factor and carrier-number indicators for the fine-tuned regulation of routes, introduce an assessment system known as the "five rates" (五率), and streamline the filing requirements for extra flights and temporary operation flights.

The CAAC's policy on domestic route rights is to assign routes to the airline or airlines suitable for a particular route. The CAAC will take into account whether an applicant for a route is based at the point of origin or termination of a particular route. This policy benefits airlines, such as the Company, that have a hub located at each of the active air traffic centres in China. The CAAC also considers other factors that will make a particular airline suitable for an additional route, including the applicant's safety record, previous on-time performance and level of service and availability of aircraft and pilots. The CAAC will consider the market conditions applicable to any given route before such route is allocated to one or more airlines. Generally, the CAAC will permit additional airlines to service a route that is already being serviced only when there is strong demand for a particular route relative to the available supply. The CAAC's current general policy is to require the passenger load factor of one or two airlines on a particular route to reach a certain level before another carrier is permitted to commence operations on such route.

Regional Route Rights

The Air Transportation Arrangement provides for equal opportunity for airlines based in Hong Kong and mainland China. Competition from airlines based in Hong Kong has increased after the execution of the Air Transportation Arrangement. The CAAC normally

will not allocate an international route or a Hong Kong route to more than one domestic airline unless certain criteria, including minimum load factors on existing flights, are met. There is more than one Chinese airline company on certain of the Company's Hong Kong routes.

The CAAC and the Economic Development and Labour Bureau of Hong Kong entered into an agreement in 2007 to further expand the Air Transportation Arrangement. This agreement increases the routes between Hong Kong and mainland China to expand coverage to most major cities in mainland China. The capacity limits for passenger and/or cargo services on most routes will also be gradually lifted. Beginning in 2007, each side designated three airline companies to operate passenger and/or cargo flights and another airline company to operate all-cargo flights on the majority of the routes between Hong Kong and mainland China.

Prior to 2003, there was no direct air link between mainland China and Taiwan. Following a series of limited chartered flights operated between a number of mainland Chinese cities and Taiwan, from July 2008, 36 direct flights between Taiwan and mainland China were permitted on weekends from Fridays through Mondays on a regular basis. On 15 December 2008, mainland China and Taiwan commenced mutual direct air and sea transport and postal services, ending a nearly six-decade ban on regular links between the two sides since 1949. Under an agreement signed by the governments of mainland China and Taiwan in early November 2008, the new air links expanded from weekend charters to a daily service, with the two sides operating a total of 108 flights per week in 2008 and approximately 270 and 370 regular direct flights per week in 2009 and 2010, respectively. Mainland China and Taiwan agreed to increase flight destinations for air links between the two sides to 33 airports in various PRC cities in 2010, whilst flight destinations in Taiwan continue to include eight airports in various cities in Taiwan. At the end of 2012, the two sides agreed to increase the total number of flights to 616 per week and to increase the total number of destination airports in mainland China and Taiwan to 64. The two sides also previously agreed to launch chartered cargo flights between two terminals in mainland China, namely, Shanghai Pudong and Guangzhou airports, and two terminals in Taiwan, namely, the Taoyuan and Kaohsiung airports. On 12 August 2013, the two sides agreed to increase the total number of flights to 670 per week and to add three terminals for chartered cargo flights to and from Tianjin, Zhengzhou and Ningbo airports. At the end of 2014, mainland China and Taiwan agreed to increase the total number of flights to 924 per week and to increase the total number of destination airports in mainland China to 65. In April 2015, the fifth batch of Mainland pilot cities was opened for individual tours to Taiwan, including Haikou, Hohhot, Lanzhou, Yinchuan, Changzhou, Zhoushan, Huizhou, Weihai, Longyan, Guilin and Xuzhou, and the number of Mainland cities with free line tours to Taiwan has reached 47. Prior to 2020, cross-strait air transport reached its peak. Thereafter, cross-strait flights were materially reduced. As of 2026, cross-strait direct air services have partially resumed but remain subject to restrictions imposed by the Taiwan side. Only a limited number of Mainland cities are permitted to operate regular cross-strait passenger routes, with around 300 scheduled passenger flights per week in 2026, which is well below the pre-2020 peak level. Multiple new routes have been resumed on a phased basis since 2026, including Shanghai-Taibei and Chengdu-Taichung. The Mainland side continues to call for full normalisation of cross-strait direct air services, subject to agreement by the competent authorities on both sides. The volume, route network and frequency of cross-strait flights remain subject to bilateral negotiation and regulatory constraints, which may affect the Company's cross-strait route business and operating results.

International Route Rights

International route rights, along with the corresponding landing rights, are derived from air services agreements negotiated between the PRC government, acting through the CAAC, and the government of the relevant foreign country. Each government grants to the other the right to designate one or more domestic airlines to operate scheduled services between certain points within each country. The CAAC awards the relevant route to an airline based on various criteria, including:

- availability of appropriate aircraft and flight personnel;
- safety record;
- on-time performance; and
- hub location.

Although hub location is an important criterion, an airline may be awarded a route which does not originate from an airport where it has a hub. The route rights awarded do not have a fixed expiry date and can be terminated at the discretion of the CAAC.

Airfare Pricing Policy

The PRC Civil Aviation Law provides that airfares for domestic routes are determined jointly by the CAAC and the agency of the State Council responsible for price control, primarily based upon average airline operating costs and market conditions. From February 1999 to March 2001, all domestic airlines were required to adhere to unified domestic airfares published by the CAAC from time to time and discounted sales were prohibited. In 2001, the CAAC gradually relaxed its control over domestic airfare pricing and, effective 1 March 2001, domestic airlines were permitted to offer discounts on several major domestic routes.

On 17 March 2004, China's State Council approved the Pricing Reform Plan for the Domestic Civil Aviation Industry, or the Pricing Reform Plan, effective on 20 April 2004. Pursuant to the Pricing Reform Plan, the governmental authorities responsible for price control no longer directly set the airfares for domestic routes, but indirectly control the airfares for domestic routes by setting basic airfare levels and permitted ranges within which the actual fares charged by Chinese airlines can deviate from such basic airfare levels. Chinese airlines are able to set their own airfares for their domestic routes within the permitted ranges and adopt more flexible sales policies to promote their services.

The CAAC and the NDRC jointly publish pricing guidelines from time to time, which set forth the basic airfare levels and permitted ranges. Pursuant to the current pricing guidelines, the basic airfares for most domestic routes are the published airfares implemented by Chinese airlines immediately prior to the approval of the Pricing Reform Plan. Except for certain domestic routes, the actual airfare set by each Chinese airline for its domestic routes cannot be 25 per cent. higher than the basic airfare. Domestic routes that are not subject to the deviation range restrictions include short-haul routes between cities in the same province or autonomous region, or between a municipality and adjacent provinces, autonomous regions or another municipality. Certain tourist routes and routes served by only one Chinese airline are not subject to the bottom range restriction. The CAAC and the NDRC will announce the routes that are not subject to the deviation range

restrictions through the airfare information system known as Airtis.net. Chinese airlines may apply to the CAAC and the NDRC for exemption from the bottom range restriction for a particular route. Chinese airlines are also required to file the actual airfare they set for their domestic routes within the ranges through Airtis.net 30 days prior to its implementation.

The CAAC and the NDRC will regularly review the average operating costs of Chinese airlines, and may adjust the basic airfare for particular domestic routes that, in their view, is not at a reasonable level. The CAAC and the NDRC issued a notice on 13 April 2010, effective on 1 June 2010, pursuant to which airlines may set first-class and business-class airfares in accordance with market prices, subject to relevant PRC laws. Such pricing must be filed 30 days before effectiveness with the CAAC and the NDRC. The Company expects that, as this and other reforms continue, it will have more flexibility in operating its aviation business in the future. The promotion by Chinese regulators of a regulated and orderly market and a fair and positive competition mechanism will also provide a favourable environment for the growth of the Company's business.

At the end of 2014, the CAAC and the NDRC jointly promulgated The Notice on Further Improving the Problems About Civil Aviation Domestic Air Transport Price Policy, which lifted the control over the civil domestic airlines cargo freight rate and changed the prices of specific airlines from government- oriented pricing to market-oriented pricing.

At the end of 2015, the CAAC announced the Implementation Opinion on the Reform of Mechanism of Prices and Service Fee in Civil Aviation Transport, which sets the goal to generally lift the control over the prices and service fee in competitive part of civil aviation transport by 2017, and to generally set up a basically optimised, scientific, standardised, transparent and market-oriented pricing regulatory system by 2020.

In October 2016, the CAAC and the NDRC jointly promulgated the Circular on the Further Reform of Passenger Transport Price Policy in Civil Aviation Domestic Air Transport, which loosened control over the civil domestic airlines passenger transportation and changed the prices from government-oriented pricing to market-oriented pricing. According to the circular, the price of routes under 800km or routes over 800km that are in competition with HSRs for passenger transportation can be determined independently. From 2020 onwards, regulatory authorities have continued to refine the pricing framework, granting airlines greater flexibility to adjust air ticket fares. Although airlines now enjoy increased autonomy over ticket pricing, they remain subject to regulatory constraints, such as prohibitions against price gouging, and must comply with requirements regarding fare filing, public disclosure and consumer protection.

Under the PRC Civil Aviation Law, maximum airfares on regional and international routes are set in accordance with the terms of the air services agreements pursuant to which these routes are operated. In the absence of an air services agreement, airfares are set by the airlines themselves or by the CAAC with reference to comparable market prices, taking into account the international airfare standards established through the coordination of the International Air Transport Association, which organises periodic air traffic conferences for the purpose of coordinating international airfares. Discounts are permitted on regional and international routes. For the airline industry in China as a whole, the airfare per kilometre is substantially higher for regional and international routes than that for domestic routes.

Passenger Service and Consumer Protection

The Provisions on the Administration of Public Air Transport Passenger Services (《公共航空運輸旅客服務管理規定》), promulgated by the Ministry of Transport on 3 March 2021 and effective from 1 September 2021, replaced the former domestic and international passenger and baggage carriage rules issued in 1996 and 1997. The Provisions consolidate requirements on conditions of carriage, ticket changes and refunds (including a seven-working-day deadline for processing refunds), baggage tracking, overbooking handling, complaint-handling (a ten-working-day response requirement) and the protection of passenger personal information under the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), effective on 1 November 2021 and the Data Security Law (《中華人民共和國數據安全法》), effective on 1 September 2021. Flight punctuality and consumer rights are further governed by the Provisions on the Administration of Flight Regularity (《航班正常管理規定》), effective 1 January 2017, which impose delay-disclosure, compensation and service-recovery obligations on carriers, airports and air traffic control units.

Acquisition of Aircraft and Spare Parts

The Company is permitted to import aircraft, aircraft spare parts and other equipment for its own use from manufacturers through Eastern Aviation Import & Export Co., Ltd. (the "**EAIEC**"), which is 55 per cent. owned by CEA Holding and 45 per cent. owned by the Company. This gives the Company freedom in rationalising its maintenance practices by allowing it to maintain a relatively lower overall inventory level of aircraft parts and equipment than the Company otherwise would have to maintain. The Company is still required to obtain an approval from the NDRC and may be subject to appraisal of the relevant competent authorities for any import of aircraft. The Company generally pays a commission to EAIEC in connection with these imports.

Domestic Fuel Supply and Pricing

The CAOSC, which is supervised by the State-owned Assets Supervision and Administration Commission, or the SASAC, is currently the dominant civil aviation fuel supply company in China. The Company currently purchases a significant portion of its domestic fuel supply from the China National Aviation Fuel Co., Ltd. (the "**CNAF**"), a subsidiary of CAOSC. The PRC government determines the fuel price at which the CAOSC acquires fuel from domestic suppliers and the CAAC issues a guidance price. The retail price at which the CAOSC resells fuel to airline customers is set within a specified range based on this guidance price.

In 2005, the NDRC, the CAAC and the China Air Transport Association jointly launched the linkage mechanism for aviation fuel prices and transportation prices by airline companies. The fuel surcharge standards for domestic passenger routes were adjusted according to a series of notices regarding the adjustments of passenger fuel surcharges on domestic routes issued by the NDRC and the CAAC from 2006 to 2008. In the second half of 2008, international crude oil prices decreased significantly, leading the NDRC and the CAAC to suspend fuel surcharges for domestic passenger routes with effect from 15 January 2009. A Notice Concerning the Relevant Issues on Establishing Linkage Mechanism for Passenger Fuel Surcharges on Domestic Routes and the Price of Domestic Aviation Coal Oil Fuel (the "**2009 Notice**") by the NDRC and the CAAC, with effect from 14 November 2009, provided that fuel surcharges shall be charged by the

airlines, at the airline's discretion, but within certain limits for imposing fuel surcharges as set forth in the 2009 Notice. On 24 March 2010, the NDRC and the CAAC issued the Notice Regarding the Publication of Passenger Fuel Surcharges Rate on Domestic Routes, which reduced the maximum standard fuel surcharge by 3.1 per cent. for domestic routes. In addition, on 30 March 2011, the NDRC and the CAAC issued another similar notice, which further adjusted the maximum standard fuel surcharge downwards. From 1 August 2011, according to the Announcement on the Linking Mechanism for Fuel Surcharges and Aviation Coal Oil Fuel, issued by the NDRC and the CAAC, the rate of domestic route fuel surcharges will be adjusted each month if the difference in consolidated purchase costs for domestic aviation coal oil fuel exceeds RMB250 per ton.

On 24 March 2015, the CAAC and the NDRC jointly promulgated the Notice on Adjustment of the Linking Mechanism for Fuel Surcharges and Aviation Coal Oil Fuel in Passenger Transport of Domestic Airlines, in which they decided to increase the base price of aviation coal oil fuel from RMB4,140 per ton to RMB5,000 per ton. The domestic aviation kerosene procurement price is now adjusted monthly with reference to international crude oil and Singapore market prices, subject to the regulatory framework administered by the NDRC and the CAAC.

Safety

The CAAC has made the improvement of air traffic safety in China a high priority. The CAAC is responsible for the establishment of operational safety, maintenance and training standards for all Chinese airlines, which have been formulated based on international standards. Each Chinese airline is required to provide flight safety reports to the CAAC, including reports of flight incidents or accidents involving its aircraft, which occurred during the relevant reporting period and other safety related problems. The CAAC conducts safety inspections on each airline periodically. The safety legal framework has been reinforced in recent years, including by the amendment of the PRC Work Safety Law (《中華人民共和國安全生產法》), effective on 1 September 2021, which materially increased penalties and strengthened the safety-management obligations of enterprises and their responsible persons.

The CAAC oversees the training of most Chinese airline pilots through its operation of the pilot training college. The CAAC implements a unified pilot certification process applicable to all Chinese airline pilots and is responsible for the issuance, renewal, suspension and cancellation of pilot licences. Each pilot is required to pass the CAAC-administered examinations before obtaining a pilot licence and is subject to an annual examination in order to have such certification renewed.

All aircraft operated by Chinese airlines, other than a limited number of leased aircraft registered in foreign countries, are required to be registered with the CAAC. All of the Company's aircraft are registered with the CAAC. All aircraft operated by Chinese airlines must have a valid certificate of airworthiness issued and annually renewed by the CAAC. In addition, maintenance permits are issued to a Chinese airline only after the maintenance capabilities of that Chinese airline have been examined and assessed by the CAAC. These maintenance permits are renewed annually. All aircraft operated by Chinese airlines may be maintained and repaired only by CAAC-certified maintenance facilities, whether located within or outside China. Aircraft maintenance personnel must be certified by the CAAC before assuming aircraft maintenance posts.

In early 2013, the CAAC amended the original Civil Aviation Incidents Standards and published the new Civil Aviation Incidents Standards (MH/T2001–2013), which became effective as at 1 March 2013. The CAAC amended the Management Rules on Safety Information of Civil Aviation which became effective on 4 April 2016 and required that related Chinese airlines should arrange a certain number of specialists that satisfied certain special requirements to take charge of the management of safety information. The CAAC promulgated the new Administrative Provisions on Emergencies of China's Civil Aviation which became effective from 17 April 2016 and formulated the duties and responsibilities of Chinese airlines on the prevention and emergency preparedness, prediction and early warning, emergency disposal, handling and other emergency work of civil aviation. The Company has policies to ensure its relevant employees implement the new standards, which will enable it to enhance its daily operations. For more information on the safety standards and measures implemented by us, see *"Description of the Company's Business — Maintenance and Safety*". In 2016, the CAAC promulgated the new Administrative Provisions on Civil Aviation Safety Information. As a result, the Company formulated new internal regulations on aviation safety information to strengthen the safety of its information system.

The principal operational rules for large-aircraft commercial carriers, the Rules for the Operation Certification of Large Airplane Public Air Transport Carriers (《大型飛機公共航空運輸承運人運行合格審定規則》) ("**CCAR-121**"), have been amended from time to time, most recently by Ministry of Transport Order No. 7 of 2024, requiring, among other things, certified safety management systems, mandatory flight data monitoring through quick access recorders (QAR), competency-based training and assessment (including upset prevention and recovery training), and enhanced operational control. The CAAC has also continued to revise its rules and standards on civil aviation safety information, emergency response and incident investigation, and airlines are required to designate qualified specialists for safety-information management and to maintain emergency-response capabilities. The Company believes that it is in compliance with all applicable safety regulations.

Security

The CAAC establishes and oversees the implementation of security standards and regulations based on the PRC laws and standards established by international civil aviation organisations. Each airline is required to submit to the CAAC an aviation security handbook describing specific security procedures established by the airline for the day-to-day operations and security training for staff. Such security procedures must be formulated based on the relevant CAAC regulations. Chinese airlines that operate international routes must also adopt security measures in accordance with the requirements of the relevant international agreements and applicable local laws. The Company believes that it is in compliance with all applicable security regulations.

Noise and Environmental Regulation

All airlines and airports in China are required to comply with noise and environmental regulations of the Ministry of Ecology and Environment that are modelled on international standards. The CAAC regulations allow Chinese airports to refuse take-off and landing rights to any aircraft that does not comply with State noise regulations. The Company believes that it is in compliance with all applicable noise and environmental regulations.

Chinese Airport Policy

Prior to September 2003, all civilian airports in China were operated directly by the CAAC or by provincial or municipal governments. In September 2003, as part of the restructuring of the aviation industry in China, the CAAC transferred 93 civilian airports to provincial or municipal governments. The CAAC retained the authority to determine the take-off and landing charges, as well as charges on airlines for the use of airports and airport services. Prior to 2004, Chinese airlines were generally required to collect from their passengers on behalf of the CAAC a levy for contribution to the civil aviation infrastructure fund, which was used for improving China's civilian airport facilities. The Company's revenue for the previous years is shown net of this levy. In 2003, the levy was 5 per cent. of domestic airfares and 2 per cent. of international airfares. The levy was waived by the CAAC from 1 May 2003 to 31 December 2003. With effect from September 2004, the civil aviation infrastructure levies, now paid to the Ministry of Finance, have been reflected in airfares of Chinese airlines rather than collected as a separate levy.

On 28 December 2007, the CAAC and the NDRC released the Implementing Scheme for the Civil Aviation Airport Charges Reform Implementation Plan, which was implemented on 1 March 2008. This new plan divides airport charges into three parts: charges related to airline businesses; charges related to important non-airline items; and other non-airline charges. The charges related to airline businesses and important non-airline items must follow the national guide prices, in which the standard prices are rarely increased, whilst reduced rates can be negotiated between the airport or the service provider and the users. The plan grants the Company the right to negotiate with airports on the airport charges.

The refunded levy for China's aviation industry during the said period amounted to approximately RMB4 billion in total. The ten measures also include measures to enhance safety, reduce taxes, invest in infrastructure and optimise the airspace and air routes.

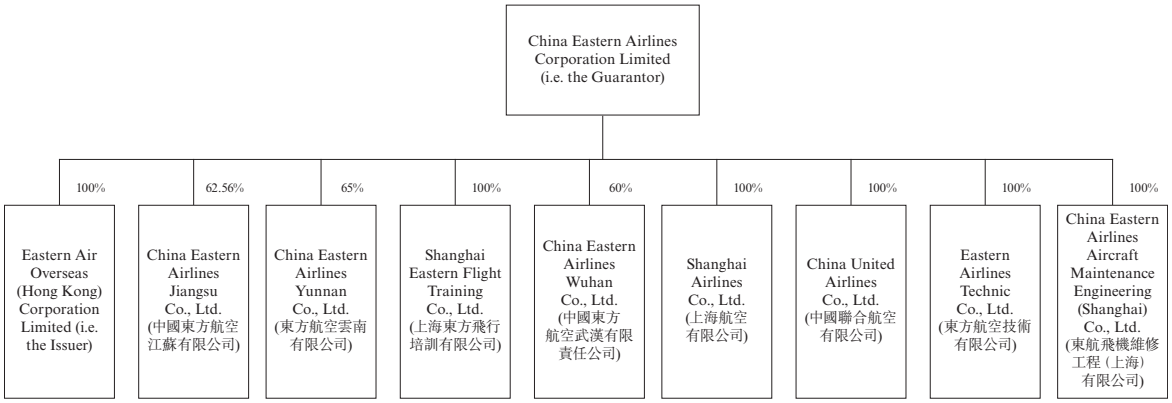
Limitations on Foreign Ownership

The current PRC laws and regulations limit foreign ownership in Chinese airlines. Under these limits, non-Chinese residents and Hong Kong, Macau or Taiwan residents cannot individually or together hold a majority of the Company's total outstanding shares.

For PRC public air transportation companies, pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2024 Edition) jointly promulgated by the NDRC and MOFCOM, public air transport companies must be controlled by Chinese investors, and the investment of a single foreign investor and its affiliated enterprises shall not exceed 25 per cent, with the legal representative required to be a Chinese citizen.

The Guarantor was established on 14 April 1995 under the laws of China as a company limited by shares in connection with the restructuring of its predecessor and its initial public offering. The Guarantor's predecessor was one of the six original airlines established in 1988 as part of the decentralisation of the airline industry in China undertaken in connection with China's overall economic reform efforts. Prior to 1988, the CAAC was responsible for all aspects of civil aviation in China, including the regulation and operation of China's airlines and airports. In connection with its initial public offering, the Guarantor's predecessor was restructured into two separate legal entities, the Guarantor and the Eastern Air Group Company, or "EA Group". According to the restructuring arrangement, by operation of law, the Guarantor succeeded to substantially all of the assets and liabilities relating to the airline business of its predecessor. EA Group succeeded to its predecessor's assets and liabilities that do not directly relate to the airline operations and do not compete with the Guarantor's businesses. Assets transferred to EA Group included the Guarantor's predecessor's equity interests in companies engaged in import and export, real estate, advertising, in-flight catering, tourism and certain other businesses. In connection with the restructuring, the Guarantor entered into various agreements with EA Group and its subsidiaries for the provision of certain services to the Guarantor. CEA Holding assumed the rights and liabilities of EA Group under these agreements after it was formed by merging EA Group, Yunnan Airlines Company and China Northwest Airlines Company in October 2002.

The following chart sets forth the simplified organisational structure of the Guarantor and its significant subsidiaries as at 30 June 2026:



The Guarantor is the first China-based airline to have its shares listed simultaneously on the Hong Kong Stock Exchange, NYSE and the Shanghai Stock Exchange. In February 1997, the Guarantor completed its initial public offering of 1,566,950,000 ordinary H Shares, par value RMB1.00 per share, and listed its ordinary H Shares on The Stock Exchange of Hong Kong Limited, or the "Hong Kong Stock Exchange", and American Depositary Receipts, or "ADRs", representing its H Shares, on NYSE. In October 1997, the Guarantor completed a public offering of 300,000,000 new ordinary domestic shares in the form of A Shares to public shareholders in China and listed such new shares on the Shanghai Stock Exchange. H Shares are its ordinary shares listed on the Hong Kong Stock Exchange, and A Shares are its ordinary shares listed on the Shanghai Stock Exchange. The Guarantor's H Shares and A Shares are identical in respect of all rights and preferences, except that the listed A Shares may only be held by Chinese domestic investors and certain qualified foreign institutional investors.

In January 2023, the Company has notified NYSE of its voluntary application for delisting of its ADRs from NYSE, with the effective date of 3 February 2023.

Since its initial public offering, the Guarantor has expanded its operations through acquisitions and joint ventures.

On 10 July 2009, the Guarantor entered into an absorption agreement with Shanghai Airlines in relation to the proposed acquisition of Shanghai Airlines. The proposed acquisition was approved in a shareholders' meeting of the Guarantor on 9 October 2009. On 30 December 2009, the Guarantor received approval of its proposed acquisition of Shanghai Airlines from the CSRC. On 28 January 2010, the Guarantor issued 1,694,838,860 A shares to the shareholders of Shanghai Airlines in exchange for all existing issued shares of Shanghai Airlines. In 2010, the Guarantor integrated the operations of Shanghai Airlines by undertaking and completing various post-acquisition administrative measures, such as the transfer and registration of properties and other assets, as well as the integration of the two airlines' frequent flyer mileage programmes.

On 26 July 2010, the State-owned Assets Supervision and Administration Commission of the People's Government of Yunnan Province, or "Yunnan SASAC", entered into an agreement with the Guarantor to jointly establish Eastern Airlines Yunnan Limited Corporation, or EA Yunnan. The Guarantor would contribute 65 per cent. of the registered capital of EA Yunnan, with the remaining 35 per cent. to be contributed by Yunnan SASAC. EA Yunnan focuses on the provision of general civil aviation transportation and maintenance services.

On 20 December 2010, China Cargo Airlines, a subsidiary of the Guarantor, as purchaser, and Great Wall Airlines, as vendor, entered into an agreement for the acquisition of the assets, being all valuable business carried on by, and all valuable assets of, Great Wall Airlines, at RMB386.9 million (subject to adjustments). The acquisition aligned with the development strategy of the Guarantor and enhanced China Cargo Airlines' capability for sustainable development, whilst avoiding horizontal competition. China Cargo also purchased relevant business and assets from Shanghai International Freight Airlines Co., Ltd. Both acquisitions obtained approval from the CAAC, the NDRC and the MOFCOM. Both acquisitions were completed on 1 June 2011.

On 11 August 2011, the Issuer issued offshore CNY denominated bonds in an amount of CNY2.5 billion at 4 per cent. due 2014 which are listed on the Singapore Exchange Securities Trading Limited. The Guarantor guaranteed the bond issue.

On 23 March 2012, the Guarantor entered into a binding memorandum of understanding (the "**MOU**") with Jetstar Airways, a wholly-owned subsidiary of Qantas, to establish Jetstar Hong Kong Airways Limited ("**Jetstar Hong Kong**"), a new joint venture low-cost airline to be based in Hong Kong. On 24 August 2012, the Issuer entered into a shareholders' agreement (the "**Shareholders' Agreement**") with Jetstar International Group Holdings Co., Limited ("**JIGH**"), a wholly-owned Hong Kong-based subsidiary of Qantas, pursuant to which the Issuer and JIGH invested in Jetstar Hong Kong. The Guarantor and JIGH made equal initial capital contributions of US$57.5 million each, and the joint venture, Jetstar Hong Kong, had a total initial capital of US$115 million. Depending on certain terms and conditions, the Guarantor and JIGH each contributed equal capital amounts to increase the capital of Jetstar Hong Kong to US$198 million. Under the terms of the MOU and the Shareholders' Agreement, the Guarantor and JIGH would hold equal

equity interests in Jetstar Hong Kong. In September 2012, Jetstar Hong Kong received the Certificate of Incorporation issued by the relevant Hong Kong government authorities. In January 2013, Jetstar Hong Kong successfully passed MOFCOM's merger review. On 5 June 2013, the Issuer, JIGH and Go Harvest Investments Limited ("**Shun Tak Investor**"), a wholly-owned Hong Kong-based subsidiary of Shun Tak Holdings Limited, entered into a restated and amended shareholders' agreement (the "**Restated and Amended Shareholders' Agreement**"). Pursuant to the Restated and Amended Shareholders' Agreement, Shun Tak Investor would become a new strategic shareholder of Jetstar Hong Kong and hold $33^{1}/_{3}$ per cent. of the total issued share capital of Jetstar Hong Kong.

On 27 April 2012, the board of directors of the Guarantor resolved and approved to issue short-term commercial paper in the aggregate principal amount of not more than RMB10 billion and for a term of not more than 270 days for each issuance, which can be issued in multiple tranches on a rolling basis. On 13 September 2012, the Guarantor issued the first tranche of short-term commercial paper in the amount of RMB4 billion at 4.1 per cent. due within 270 days of the issuance. The proceeds from the issuance were to be used to repay bank loans, improve the Guarantor's financing structure and replenish short-term working capital.

On 12 June 2012, the board of directors of the Guarantor resolved and approved to issue corporate bonds in the aggregate principal amount of not more than RMB8.8 billion and for a term of not more than ten years for a single or multiple issuances. The Guarantor received CSRC approval for the issuance on 12 December 2012. On 18 March 2013, the Guarantor issued the first tranche of corporate bonds in the amount of RMB4.8 billion at 5.05 per cent. due 2023. The proceeds from the issuance were to be used to repay bank loans, improve the Guarantor's financing structure and replenish short-term working capital.

On 11 September 2012, the board of directors of the Guarantor resolved and approved the "Proposal for the non-public issuance of A Shares to specific placees by China Eastern Airlines Corporation Limited" and the "Proposal for the non-public issuance of H Shares to specific places by China Eastern Airlines Corporation Limited", according to which, (i) CEA Holdings and CES Finance would subscribe in cash for 241,547,927 and 457,317,073 new A Shares, respectively, at the subscription price of RMB3.28 per share; and (ii) CES Global would subscribe in cash for 698,865,000 new H Shares (nominal value of RMB1.00 each) at the subscription price of HK$2.32 per share. On 31 January 2013, the CSRC approved the Guarantor's proposed issue of no more than 698,865,000 new H Shares with a nominal value of RMB1.00 each. The Public Offering Review Committee of CSRC reviewed and conditionally approved the Guarantor's application relating to the non-public issue of new A Shares of the Guarantor on 25 February 2013. The issuance of the 698,865,000 new A Shares was completed on 18 April 2013 and the issuance of the 698,865,000 new H Shares was completed on 21 June 2013.

On 27 December 2012, the Guarantor's wholly-owned subsidiary, Shanghai Airlines Tours entered into an equity transfer agreement with Eastern Air Tourism Investment Group Co., Ltd. ("**Eastern Tourism**"), a wholly-owned subsidiary of CEA Holding, and Shanghai Dongmei Aviation Travel Co., Ltd. ("**Shanghai Dongmei**") which was held as to 72.84 per cent. by Eastern Tourism and 27.16 per cent. by the Guarantor, pursuant to which Shanghai Tours purchased the entire issued share capital of Xi'an Dongmei Aviation Travel Co., Ltd.

("**Xi'an Dongmei**") held by Eastern Tourism and Shanghai Dongmei. Upon completion of this acquisition, Xi'an Dongmei becomes an indirect wholly-owned subsidiary of the Guarantor.

On 27 December 2012, Shanghai Tours entered into an equity transfer agreement with Eastern Tourism and Shanghai Dongmei, pursuant to which Shanghai Tours purchased the entire issued share capital of Kunming Dongmei Aviation Travel Co., Ltd. ("**Kunming Dongmei**") held by Eastern Tourism and Shanghai Dongmei. Upon completion of this acquisition, Kunming Dongmei becomes an indirect wholly-owned subsidiary of the Guarantor.

On 10 January 2013, Shanghai Tours entered into an equity transfer agreement with Eastern Tourism, pursuant to which Shanghai Tours purchased the entire issued share capital in Shanghai Eastern Air International Travel Service Co., Ltd ("**Eastern Travel**") held by Eastern Tourism. Upon completion of this acquisition, Eastern Travel becomes an indirect wholly-owned subsidiary of the Guarantor.

On 5 June 2013, the Guarantor issued the guaranteed bonds in the amount of RMB2.2 billion at 3.875 per cent. due 2016. The proceeds from the issuance were to be used for working capital and other general corporate purposes.

On 7 June 2013, the Guarantor issued the first tranche of super short-term commercial paper in the amount of RMB4 billion at 3.95 per cent. due within 270 days of the issuance. The proceeds from the issuance were to be used to replenish corporate working capital.

On 30 August 2013, the Guarantor renewed a series of agreements for the provision of goods and/or services with certain members of CEA Holding and its subsidiaries and other associates (excluding the Group) ("**CES Holding Group**"), including (i) property leasing agreement with CEA Holding, (ii) financial services agreement with East Air Group Finance Company Limited, (iii) import and export agency agreement with Eastern Aviation Import & Export Company, (iv) catering services agreement with Eastern Air Catering Investment Co. Ltd., (v) sales agency services agreement with Shanghai Dongmei, (vi) maintenance and repair services agreement with CEA Development Co., and (vii) advertising services agreement with Eastern Aviation Advertising Company Limited.

On 24 December 2013, the Guarantor and CEA Holding, both being the shareholders of CES Media passed a shareholders' resolution regarding the capital injection in CES Media. Upon completion of this capital injection, the total registered capital of CES Media increased by RMB80 million from RMB120 million to RMB200 million, while the respective 45 per cent. and 55 per cent. equity interests held by the Guarantor and CEA Holding in the then enlarged registered capital of CES Media remain unchanged. Out of the RMB80 million contributed to the registered capital of CES Media under this capital injection, the Guarantor contributed a pro-rata amount of RMB36 million in cash and CEA Holding contributed the remaining pro-rata amount of RMB44 million in cash.

On 17 July 2014, Eastern Air Overseas (Hong Kong) Corporation Limited ("**EAO**" or the "**Issuer**"), a wholly-owned subsidiary of the Guarantor, and Jetstar Hong Kong, an associated company of the Guarantor, entered into a loan agreement, pursuant to which EAO would provide a loan of US$60 million to Jetstar Hong Kong at fair market interest rates. The principal of the loan was repaid on 30 April 2015.

On 15 August 2014, Shanghai Airlines Tours, a wholly-owned subsidiary of the Guarantor, entered into an equity transfer agreement with Eastern Tourism, pursuant to which Shanghai Airlines Tours acquired 72.84 per cent. equity interest in Shanghai Dongmei from Eastern Tourism with consideration of RMB32,147,700. This acquisition was completed and Shanghai Dongmei became an indirect subsidiary of the Guarantor.

On 22 December 2014, the Guarantor, CEA Holding and CES Finance (as shareholders of Eastern Air Finance) agreed to inject a total of RMB1,500 million into Eastern Air Finance in proportion according to their respective shareholding in Eastern Air Finance. In February 2015, the Guarantor contributed a pro-rata amount of RMB375 million in cash.

On 29 March 2015, China United Airlines, a wholly-owned subsidiary of Guarantor, fully adopted the low-cost carrier service model.

On 30 May 2015, the Guarantor received approval from the Ministry of Industry and Information Technology to offer in-flight Wi-Fi services using KU-band satellite onboard 21 aircraft.

On 9 July 2015, the Guarantor entered into the B737 Aircraft Purchase Agreement with Boeing Company in Shanghai to purchase fifty B737 series aircraft from Boeing Company.

On 27 July 2015, the Guarantor entered into a conditional subscription agreement (the "**Subscription Agreement**") with Delta Air Lines, pursuant to which Delta Air Lines agreed to subscribe for 465,910,000 shares of the newly issued ordinary H shares of the Guarantor in an amount of HK$3,488,895,000, representing approximately 3.55 per cent. of the then total share capital of the Guarantor. On 9 September 2015, the Guarantor completed the issue of 465,910,000 ordinary H shares to Delta Air Lines, with a par value of RMB1.00 each at an issue price of HK$7.49 per share.

On 14 August 2015, the board of directors of the Guarantor approved the "Resolution on the Termination of the Proposed Establishment of Jetstar Hong Kong and its Winding Up". The board of directors of the Guarantor considered that the termination of the proposed establishment of Jetstar Hong Kong would have no material adverse impact on the financial conditions and production and operation of the Guarantor. See the announcement furnished to the SEC on Form 6-K dated 17 August 2015.

On 28 August 2015, the Guarantor formally established the foreign airlines service centre.

On 1 September 2015, Delta Air Lines and the Guarantor entered into a marketing agreement and a letter of confirmation on the Subscription Agreement. Pursuant to the marketing agreement, both parties would have greater cooperation in terms of code-sharing, revenue management, schedule coordination, sales cooperation, airport facilities sharing, frequent-flyer programme, lounge and system investment as well as staff exchange. On 9 September 2015, the Guarantor completed the issue of 465,910,000 ordinary H shares with a par value of RMB1.00 each at an issue price of HK$7.49 per share.

On 6 November 2015, the CAAC officially announced and granted the "Safe Flight Diamond Award", the highest award for flight safety in the PRC civil aviation industry, to the Guarantor.

In January 2016, the Guarantor received the "Approval for the Non-Public Issuance of A Shares by China Eastern Airlines Corporation Limited" (Zheng Jian Xu Ke [2016] No. 8) issued by the CSRC, approving the Guarantor to issue not more than 2,329,192,546 A Shares by way of non-public issuance.

On 21 April 2016, the Guarantor and Ctrip entered into a strategic cooperation framework agreement in Shanghai, pursuant to which both parties will commence extensive cooperation, including business cooperation, equity cooperation and cooperation in the capital market, in line with the principle of complementary strength and mutual benefit and success in order to further consolidate their leading position in their respective industry.

On 25 April 2016, the Guarantor and Shanghai Disneyland Resort launched the first painted aircraft of CEA with theme of Disneyland in public debut.

On 28 April 2016, the Guarantor entered into the Airbus Purchase Agreement with Airbus SAS to purchase twenty Airbus A350–900 aircraft. On the same day, the Guarantor entered into the Boeing Purchase Agreement with Boeing Company to purchase fifteen brand new Boeing B787–9 aircraft. On the same day, the Guarantor entered into the 2016 Aircraft Finance Lease Framework Agreement and the 2017–2019 Aircraft Finance Lease Framework Agreement with CES Leasing, pursuant to which CES Leasing agreed to provide finance leasing to the Guarantor in relation to aircraft.

On 23 May 2016, the Guarantor introduced platinum card membership level under "Eastern Miles".

On 5 July 2016, the Guarantor announced the issuance of 1,327,406,822 A shares which raised RMB8,548.5 million of proceeds.

On 30 August 2016, the Guarantor renewed a series of agreements for the provision of goods and/or services with certain members of the CEA Holding Group and the Group, including: (i) property leasing agreement with China CEA Holding, (ii) financial services agreement with East Air Group Finance Company Limited, (iii) import and export agreement with Eastern Aviation Import & Export Company, (iv) catering services agreement with Eastern Air Catering Investment Co. Ltd., (v) complementary services agreement with CEA Development Co., and (vi) advertising services agreement with China Eastern Airlines Media Company Limited.

On 1 November 2016, the Guarantor and Commercial Aircraft Corporation of China Limited signed a cooperation framework agreement, according to which the Company became the first user of C919 large passenger aircraft in the world.

On 15 November 2016, the Guarantor was awarded the most important honour under CAPA Aviation Awards for Excellence 2016 — Airline of the Year in Asia-Pacific region and was the first airline company in China awarded this honour.

On 23 November 2016, the Guarantor was awarded China Securities Golden Bauhinia Award — Listed company with best investment value in 13th Five-year Plan period.

On 29 November 2016, the Guarantor entered into the Disposal Agreement with Eastern Airlines Industry Investment, a wholly-owned subsidiary of CEA Holding, pursuant to which, the Guarantor conditionally agreed to sell, and Eastern Airlines Industry Investment conditionally agreed to purchase, the entire equity interest in Eastern Logistics. On the

same day, the Guarantor and Eastern Logistics entered into the Freight Logistics Daily Connected Transactions Framework Agreement, pursuant to which Eastern Logistics agreed to provide the Group with daily operation services of freight logistics business. On 8 February, the disposal of Eastern Logistics was completed.

On 1 January 2017, the Guarantor and China Cargo Airlines entered into the Management Agreement, pursuant to which China Cargo Airlines was entrusted to manage the bellyhold space freight business of the Group.

On 27 July 2017, the Guarantor entered into a Marketing Agreement with Air France-KLM. On the basis of good business relationship between the two parties, the comprehensive business partnership has been further strengthened.

In 2018, the Guarantor introduced the first B787–9 aircraft in Shanghai Hongqiao International Airport, which became the 100th aircraft of Shanghai Airlines. The Guarantor has demonstrated to the world its latest, brand new and outstanding passenger service system through its first B787–9 aircraft.

In 2018, the first A350–900 aircraft of the Guarantor has landed in Shanghai Hongqiao International Airport. This aircraft is equipped with brand new and the world's top-notch cabinet service style. Apart from the basic features, features such as "booth style business class" and "meeting rooms in aircraft" are the highlights first seen in the world and first applied in the industry, which has redefined the standards and styles for quality services provided for international long-haul travelling routes.

In 2019, the Guarantor successfully completed important tasks for the CEA base in Beijing Daxing International Airport, such as overall planning, construction and inspection, comprehensive drills, trial and inaugural flight, business operation, transitions due to change of seasons and brand promotion. Meanwhile, the Guarantor completed the construction and operation at high quality as well as the transfer of the first airline, China United Airlines to the Beijing Daxing International Airport.

In 2019, the Guarantor has made new progress by actively integrating into the construction of "The Belt and Road Initiative" and forging the "Aerial Silk Road". From 31 March 2019, the Guarantor started using the latest generation of wide-body aircraft, A350–900, for the Shanghai-Rome route and added new flights. On 7 June 2019, the Guarantor launched the domestically first direct flight to Hungary. In the 70th anniversary of establishment of diplomatic relations between China and Hungary, the Guarantor, the Hungarian government, the Sichuan provincial government and the Shaanxi provincial government jointly announced the launching of two new "The Belt and Road" routes, which are Shanghai Pudong-Chengdu-Budapest and Shanghai PudongXi'an-Budapest, during the year.

In 2020, in the face of the sudden outbreak of COVID-19, the Guarantor arranged the first flight for COVID-19 prevention and control in China, sent the first charter flight in China for rendering support to other countries, and resumed the first flight in Wuhan upon the containment of COVID-19. The Guarantor took the lead in the industry for the development of the "Online Passenger Health Reporting Procedure" application, was the first to introduce ticket refunds and changes with "three free-of-charge" services, and transported more than 60 million passengers in the cabin with zero infected case of COVID-19.

25 September 2020 marked the first anniversary of the commencement of operation of Beijing Daxing International Airport. On that day, the Guarantor's "CIIE Aircraft" (進博號) arrived at Daxing, and the launch of "Exploring through Daxing" (大興隨心飛) was announced. Since the construction and commencement of operation of Daxing Airport, the Guarantor is the only airline to participate in the full-phase flight testing process, the first airline to pass the completion acceptance inspection, the first airline to officially and exclusively commence operation and the only airline of the SkyTeam with its main base in Beijing.

On 6 April 2021, the air travel product "MileagePlus" of CEA Holding was officially launched. The Guarantor launched the first domestic product priced by route distance to speed up the innovation in supply-side reform, which provided more flexible and convenient air service products for general passengers.

On 27 June 2021, CEA Holding executed the maiden trip of Chengdu Tianfu International Airport. On 12 August 2021, the Guarantor executed the maiden trip of Qingdao Jiaodong International Airport, officially opening the prelude of transfer operation.

On 16 September 2021, CEA Holding established China Eastern Airlines Co., Ltd. Hainan Branch (東航股份海南分公司), officially opening a new chapter that focuses on comprehensively serving the construction of free trade port with Chinese characteristics.

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

On 12 October 2022, the A320NEO series aircraft received by the Guarantor conducted the first flight using 5% of sustainable aviation fuel from Tianjin to Xi'an. It marked the in-depth research on industry sustainable development by CEA and a new practice of promoting "energy saving, carbon reduction and green flights" with industry partners.

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

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

In 2023, upon signing the strategic cooperation framework agreement with the Shanghai Municipal People's Government, the Guarantor has focused on its main responsibilities and main businesses and has been striving to be a super carrier in aviation industry.

In 2024, the Guarantor completed a total traffic volume of 25.250 billion tonne-kilometres and served 141 million passengers, representing a year-on-year increase of 36.32% and 21.58%, reaching a record high.

In 2024, the Guarantor added 11 international routes such as Shanghai — Riyadh, Shanghai — Marseille and Shanghai — Kazan, developed seven international express such as Shanghai — Singapore and Shanghai — Bangkok, and significantly increased the number of flights from Shanghai to Europe and Australia.

On 28 May 2024, as one of the first batch of customers of C919 aircraft, the Guarantor celebrated the first anniversary of the commercial operation of C919 aircraft and received the first aircraft out of 100 aircraft it ordered. In 2024, the Guarantor had many first-time experience with C919 aircraft, including but not limited to serving the Spring Festival Travel Rush, flying abroad to participate in the Singapore Airshow, providing commercial charter services for the Shanghai-Hong Kong route, arranging commercial flights with sustainable aviation fuel and replacing the engine.

On 4 December 2025, the Guarantor launched the Shanghai Pudong-Auckland-Buenos Aires route, the world's longest air route, strategically Guarantor the "southbound channel" and building an efficient "Air Silk Road" for travel between China and South America.

In 2025, as the world's largest and first operator of the domestically produced C919 civil aircraft, the Company celebrated the second anniversary of C919 aircraft's commercial operation and was the first to launch regular Shanghai-Hong Kong route. As at the end of 2025, the Guarantor's C919 fleet completed more than 45 thousand hours of safe flights and transported over 2.6 million passengers, achieving large-scale and routine operation.

In 2025, the Guarantor established branches in Northeast China and Xinjiang, as well as bases in Chongqing and Fuzhou, and other cities, enhancing the domestic interconnected network of trunk and feeder routes. By increasing the frequency of flights on key routes and expanding domestic air corridors, the number of domestic "Air Express" routes increased to 47, further enhancing the hub advantages.

In 2025, the Guarantor acquired the 49% equity interest in CEA Maintenance from Singapore Technologies Aerospace Ltd. Since then, CEA Maintenance became a wholly-owned subsidiary of the Group.

The table below sets forth details of the Company's operating fleet under finance leases and operating leases since 2024 and planned introduction plan for the second half of 2026 and 2027:

	Number of Aircraft under Finance Leases	Number of Aircraft under Operating Leases	Number of Aircraft under Finance Leases	Number of Aircraft under Operating Leases	Planned Introduction	
	2024		2025		Second half of 2026	2027
B777 Series	8	0	8	0	0	0
B787 Series	9	0	14	0	1	2
A350 Series	13	0	13	0	0	0
A330 Series	15	5	15	5	0	0
A320 Series	113	108	129	92	19	16
B737 Series	67	101	52	96	4	25
C919 Series	6	0	10	0	3	6
C909 Series	9	0	16	0	3	0
Total	**240**	**214**	**257**	**193**	**30**	**49**

(1) A330 Series include A330–200, A330–300 and other aircraft models;

(2) A320 Series include A319, A320, A320NEO, A321, A321NEO and other aircraft models;

(3) B787 Series include B787–9 and other aircraft models;

(4) B737 Series include B737–700, B737–800, B737–8 and other aircraft models;

(5) COMAC added the commercial name of C909 to ARJ21 aircraft model; and

(6) The Company will optimise and adjust its aircraft introduction and retirement plans in a timely manner based on changes in the external environment and market conditions, as well as the Company's capacity planning.

DESCRIPTION OF THE COMPANY'S BUSINESS

BUSINESS OVERVIEW

The Company was one of the three largest air carriers in China in terms of revenue tonne-kilometres (or RTK) and number of passengers carried in 2025. The Company is an important domestic airline that operates primarily from its core hub in Shanghai, which is considered to be the international financial and shipping centre of China, Beijing Daxing main hub and regional hubs in Kunming and Xi' an. The Company's business primarily focuses on the operation of civil aviation, including the provision of passenger, cargo, mail delivery, tour operations and other extended transportation services. As at 30 June 2026, the Company served a route network that covered 945 domestic and foreign destinations in 145 countries through SkyTeam, an international airlines alliance. Compared to 2024, the Company's traffic volume (as measured in RTKs) increased by approximately 10.8 per cent. from 25,249.9 million in 2024 to 27,981.3 million in 2025. The Company's passenger traffic volume (as measured in revenue passenger-kilometres, or RPKs) increased by approximately 10.7 per cent. from 245,892.8 million in 2024 to 272,103.8 million in 2025. The Company's cargo and mail traffic volume (as measured in revenue freight tonne-kilometres, or RFTKs) increased by approximately 10.3 per cent. from 3,682.5 million in 2024 to 4,062.5 million in 2025. For the six months ended 30 June 2026, the Company has achieved approximately 14,258.6 million, 137,119.9 million and 2,183.7 million in terms of traffic volume, passenger traffic volume and cargo and mail traffic volume, respectively.

COMPETITIVE STRENGTHS

The Company's vision is to become a leading airline in Asia and a leading global competitor by emphasising on staff loyalty, customer preference, investor satisfaction and social responsibility. The Company believes that its business model is favourable to that of other major airlines in a number of significant respects, which the Company intends to continue to pursue. The Company's main competitive strengths include the Company's status as a Central SOE (which is defined as an enterprise directly and majority owned by the SASAC), its position to benefit from the continued high growth of China's international civil aviation market, its favourable connectivity and geographical position, its economies of scale and high operating efficiency, its efficient and lean fleet structure, its stable financial and liquidity position, its strategic SkyTeam membership, its experienced management team and sound corporate governance, as well as strong recognition of the China Eastern Airlines brand associated with top quality customer service.

A Central SOE with strong and direct support from the PRC central government

CEA Holding is one of the 96 Central SOEs directly supervised by the SASAC of the PRC central government. The Company is 55.80 per cent. owned by CEA Holding, which in turn is 100 per cent. owned by the SASAC. The Company enjoys a number of direct and indirect benefits as a result of its status as a Central SOE. For example, the Company received an aggregate amount of RMB172 million in government subsidies and achieved revenue of RMB2,172 million from routes co-operated with the government for the six months ended 30 June 2026. The Company believes that its status as a Central SOE well positions it to better execute its business plan and to more directly benefit from China's high economic growth.

Favourable connectivity and geographical position

Shanghai is China's leading international financial centre and international shipping centre. Shanghai handled the largest amount of cargo freight in terms of freight and cargo traffic and the largest amount of flight passengers in terms of passenger traffic among all cities in China in 2025. The Company believes that the operation of its services through its hub in Shanghai, combined with its network that covers 945 destinations in 145 countries and regions through SkyTeam and its high frequency of flights as at 30 June 2026, allow it to maximise connectivity across the markets and locations that it serves. On a national level, the Company has built its route network system around four major hubs: Shanghai, Beijing, Kunming, and Xi'an. Shanghai, the Group's core hub, serves as a composite international gateway hub. Located in the world-class Yangtze River Delta urban cluster, it is one of the most economically dynamic, open, and innovative regions in China, serving as a vital nexus for both the "Belt and Road Initiative" and the "Yangtze River Economic Belt". Shanghai has long maintained robust economic and trade ties with the Asia-Pacific region, Europe, and North America. Flight times from Shanghai to major Asian cities typically range from 2 to 5 hours, while flights to Europe or the west coast of North America typically take approximately 10 to 12 hours. Beijing Daxing, the Group's main hub, is a new national gateway hub. As the main airline based there, the Group exclusively enjoys the hub synergy advantages of the "SkyTeam Airline Alliance" at Beijing Daxing. Kunming, the Group's regional hub, serves as a hub radiating to South and Southeast Asia and is a key node on the "Belt and Road" air silk road. Xi'an, the Group's regional hub, possesses irreplaceable geographical advantages as a hub connecting Central Asia and the Middle East along the Silk Road Economic Belt.

Economies of scale and high operating efficiency

The Company has been ranked as one of the 10 largest airlines in the world by IATA in terms of number of scheduled passengers carried. Leveraging on its economies of scale, the Company has continued to improve its operating efficiency in recent years and intends to maintain this momentum. The Company's operating efficiency is indicated by its annual fleet average utilisation rates which were 9.34 hours per passenger aircraft per day in 2025. According to the 2025 Statistical Bulletin of the Development of Civil Aviation Industry published by the CAAC, the industry average annual fleet utilisation rate was 9.11 hours per aircraft per day.

Efficient and lean fleet structure

The Company is committed to upholding the spirit of green and low-carbon development through the continued renewal and optimisation of its fleet structure. It operates a modern fleet of 833 aircraft, including one of the largest fleets of wide-body aircraft in China, which is market-leading in both commercially and technologically. Leveraging digital tools to optimise fleet allocation and performance, the Company continuously enhances the alignment between its aircraft and route network, while further improving operational efficiency.

Stable financial and liquidity position and diversified sources of funding

The Company's financial and liquidity position has remained generally stable. The Company's liability ratio (defined as total liabilities divided by total assets) has slightly increased from 86.02 per cent. as at 31 December 2025 to 87.01 per cent. as at 30 June 2026. The Company's outstanding funding has been obtained from a number of different sources, including funds generated from operation, operating leases, commercial bank lending, export credit guaranteed bank funding and debt securities issued into the capital markets. Accordingly, the Company has established, and intends to maintain, a diversified portfolio of funding instead of relying on any single source of funding.

Strategic cooperation with SkyTeam Alliance members

On 21 June 2011, the Company became a member of SkyTeam. The Company's membership in SkyTeam has raised the Company's standards in terms of marketing, service and other areas and further strengthened its market presence and traffic volume in the international civil aviation market by offering the Company's customers more convenience and ease when making their international travel plans. As a SkyTeam member, the Company benefits from its strategic alliance with well-known airlines such as Delta Air Lines and Air France-KLM, which allows its passengers to enjoy the benefits such as increased flight choices, smoother transfers for long-distance or inter-continental travels, priority check-in and enhanced frequent flyer programme privileges. In addition to the alliance with SkyTeam, the Company continues to deepen collaboration on code-sharing with other airline companies, such as Japan Airlines and Qantas. As a member of SkyTeam, the Group boasts an aviation transport network covering 945 destinations in 145 countries and regions around the world.

Experienced management team and sound corporate governance

The Company believes that its management team is well experienced in the civil aviation industry and is capable of providing expertise to achieve the Company's business objectives. As at the date of this Offering Circular, the Company's Board is composed of 9 directors, 5 of whom are independent non-executive directors. The Company's Chairman, Mr. Wang Zhiqing, joined the civil aviation industry in China in 1988. Since his appointment as Chairman of the Company, Mr. Wang has, among others, managed a series of strategic initiatives such as the maiden commercial flight of the world's first C919 aircraft by the Company, the subsequent purchases of C919 aircraft fleet by the Company and its large-scale and routine operations in different routes. Mr. Wang also serves as the chairman and the secretary of Party Leadership Group of CEA Holding. Furthermore, the Company's senior management have implemented a number of important initiatives since 2014, including the formal establishment of foreign airlines service centre, completing the issuance of 1,327,406,822 A shares, the execution of the Management Agreement with China Cargo Airlines and the Marketing Agreement with Air France-KLM, the active integration into the construction of "The Belt and Road Initiative" and forging the "Aerial Silk Road", the establishment of China Eastern Airlines Co., Ltd. Hainan Branch (東航股份海南分公司), China Eastern Airlines Co., Ltd. Xiamen Branch (東航股份廈門分公司), China Eastern Airlines Co., Ltd. Northeast Branch (東航股份東北分公司) and China Eastern Airlines Co., Ltd. Xinjiang Branch (東航股份新疆分公司) and the complete acquisition of CEA Maintenance. Please see the section entitled "*History and Development of the Company*" for more details.

A brand with strong oriental characteristics and high-quality services

Closely aligned with its strategic goal of becoming a "World Class" airline, the Company continues to improve its service quality and to build its service brand. By continuously streamlining its service processes and creating new service products, the Company keeps developing a cabin service that is "precise, refined, meticulous and outstanding", offering passengers an outstanding travel experience. The Company has been selected as one of the "BrandZ Top 100 Most Valuable Chinese Brands" by WPP and Kantar, the "Top 50 Most Valuable Global Airline Brands" by Brand Finance and "Best China Airline" by TTG China for many consecutive years. In 2025, the Company was selected as one of the 2025 Fortune China Top 500. As a result of the Company's continual efforts to develop the "Eastern Miles" programme, the number of members of the frequent flyer programme reached over 80 million as at 30 June 2026. The Company believes that the quality of the service which it offers and the strength of its brand are critical to its continuing success and intends to continue focusing on developing its brand and improving its customer service.

Commitment to high-quality corporate social responsibility

The Company, guided by a strong sense of social responsibility, adheres to environmental, social and governance (ESG) principles and continues to increase investment in areas such as aviation safety, passenger services, employee care, community development and green aviation.

The Company adheres to the concept of sustainable development, accelerates the development of its ESG framework, continuously refines and optimises its ESG management system, and enhances its ESG governance and performance. Under the guidance of the Aviation Safety and Environmental Committee of its board of directors, the Company has formulated and implemented its annual ESG work plans, prepared an "Action Plan for Carbon Dioxide Peaking", actively participated in SkyTeam's "The Aviation Challenge" and actively promoted the deployment and application of sustainable aviation fuel.

The Company has published high-quality social responsibility and ESG reports for 17 consecutive years since 2009. The Company received the "2024 China CSR Ranking by YICAI Global — Environmental and Ecological Contribution Award" and "Golden Bee 2024 Excellent Corporate Sustainability Report — Longevity Award" and was selected as one of the "China ESG Listed Companies Yangtze River Delta Pioneer 50".

STRATEGIES

Development Strategies

With the aim of conveying the charm of the East and increasing the connectivity with the world, the Company adheres to the development vision of "building a world-class and happy CEA" (打造世界一流、建設幸福東航) and the core values of "safety as the foundation, excellence as the priority, people-oriented approach, openness and innovation, and harmony and dedication" (安全為基、精益為要、以人為本、開放創新、

和合篤行), and is committed to becoming an outstanding airline with customer trust, societal recognition and employee pride. The Company will strive to achieve the following key objectives:

- Comprehensively improving its safety development capability;
- Considerably enhancing its overall strength;
- Making comprehensive breakthroughs in digital and intelligent transformation;
- Elevating its international development to a new level;
- Further enhancing its brand value; and
- Continuing to unleash the momentum of reform.

Business Strategies

The Company will continue to pursue steady growth while striving for stronger performance, continuously strengthening its core competitiveness and accelerating its high-quality development through the following strategies:

- Enhancing operational safety standards;
- Enhancing market operational capabilities; adhering to the strategy of "Three Flights" ("more long-range flights, more international flights and more flights in emerging markets");
- Strengthening service brand building;
- Enhancing the effectiveness of reform and innovation initiatives; and
- Enhancing corporate governance efficacy.

THE COMPANY'S BUSINESS

Operations by Activity

The following table sets forth the Company's traffic revenues by activity for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026:

	Year ended 31 December		Six months ended 30 June
	2024	2025	2026
	(Millions of RMB)		
Passenger	121,483	129,349	68,594
Cargo and mail	5,331	5,457	3,130
Total traffic revenues	**126,814**	**134,806**	**71,724**

Passenger Operations

The following table sets forth certain passenger operating statistics of the Company by route for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026:

	Year ended 31 December		Six months ended 30 June
	2024	2025	2026
Passenger Traffic (in RPKs) (millions)	**245,892.8**	**272,103.8**	**137,119.9**
Domestic	170,123.5	180,244.9	88,307.0
International	70,539.6	86,544.1	46,156.0
Regional (Hong Kong, Macau and Taiwan)	5,229.7	5,314.8	2,656.8
Passenger Capacity (in ASKs) (millions)	**296,890.0**	**316,930.5**	**157,720.1**
Domestic	202,432.7	206,516.1	101,325.6
International	87,796.3	103,997.2	53,284.0
Regional (Hong Kong, Macau and Taiwan)	6,661.1	6,417.2	3,110.5
Passenger-kilometres Yield (RMB)	**0.51**	**0.49**	**0.52**
Domestic	0.52	0.49	0.51
International	0.49	0.48	0.51
Regional (Hong Kong, Macau and Taiwan)	0.68	0.70	0.74
Passenger Load Factor (%)	**82.82**	**85.86**	**86.94**
Domestic	84.04	87.28	87.15
International	80.34	83.22	86.62
Regional (Hong Kong, Macau and Taiwan)	78.51	82.82	85.41

Route Network

The primary focus of the Company's business is the provision of domestic, regional and international passenger airlines services. As at 30 June 2026, by connecting to the route networks of other SkyTeam member airlines, the Company's flights had access to 945 destinations in 145 countries.

In 2015, the Company entered into a strategic partnership with Delta Air Lines to further deepen their cooperation in terms of code-sharing, cabin-sharing and joint sales. By forming an industry-leading route network, both parties commenced code-sharing on 123 routes, including nine international major routes and 114 domestic routes in the PRC and the USA. Through offering joint sales to corporate customers, the Company believes that it will be better position to tap into the market for North American corporate customers. In the European market, the Company and Air France-KLM have commenced inter-airline transit services for flights departing from and arriving at Shanghai, Dalian, Paris and Nice. In the Australian market, the Company officially began joint operation with Qantas was officially commenced to start code-sharing on major routes such as Shanghai-Sydney and Shanghai- Melbourne routes, in order to tap their respective customer bases.

In 2016, the Company opened new routes to Prague, St. Petersburg, Amsterdam, Madrid, Chicago and Brisbane, and cancelled routes to Kathmandu from Shanghai Pudong via Kunming.

In recent years, the Company has been actively promoting cooperation with internal and external partners of SkyTeam, and has established a more stable and closer comprehensive strategic cooperation relationship with Delta and Air France-KLM in the European and American markets through capital and business collaboration. Through carrying out strategic cooperation with Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) ("**Juneyao Airlines**"), the competitiveness of the Group's Shanghai main base has been further enhanced. The Group has entered into a bilateral frequent flyer partnership with Etihad Airways, enabling the exchange of points in the membership systems of both parties.

The Company's passenger revenue for domestic routes amounted to RMB43,843 million, representing an increase of 6.19 per cent. from the same period last year, and accounted for approximately 63.92 per cent. of its passenger revenues for the six months ended 30 June 2026. The Company's domestic routes cover all provincial capital cities in China and many other specifically-designated cities. The Company's domestics routes connecting Shanghai and other large commercial and business centres, such as Beijing, Guangzhou and Shenzhen, are always heavily travelled. In addition, the Company has set up subsidiaries in various provinces and cities including Shanghai, Beijing, Shaanxi, Jiangsu, Wuhan, Yunnan, Zhejiang, Anhui, Jiangxi, Shandong, Hubei, Shanxi, Gansu, Sichuan, Hebei and Guangdong as at 30 June 2026 to accommodate the huge market demand for air travel.

Fleet Structure

The Company constantly optimise its fleet structure, and increased its fleet to 826 aircraft as at the end of 2025, including 14 C919 aircraft. In 2025, focusing on new mainline models, the Company introduced a total of 48 aircraft and had 26 aircraft retired. As at the end of 2025, the Company's average flight age was approximately 9.4 years. The Company mainly introduces long-haul B787 Series aircraft in trans-Pacific routes; and A320 Series, C919 Series and C909 aircraft in domestic and surrounding countries and regions routes, which the Company believes enhances the matching level between fleet models and routes, transportation capacities and relevant markets.

For the six months ended 30 June 2026, the Company introduced a total of 17 new model aircraft and a total of 10 aircraft were retired. The fleet structure has been made younger. As the world's first user of the domestic C919 passenger aircraft, the Group operated a total of 17 C919 aircraft as at 30 June 2026, helping accumulate experience in large-scale operation of domestically manufactured large aircraft. As at 30 June 2026, the Company operated a fleet of 833 aircraft.

Transportation Hubs

The Company had built its route network system around four major hubs, namely the Shanghai core hub, the Beijing Daxing main hub and the Kunming and Xi'an regional hubs, and has been continuously strengthening the same. Shanghai, the Group's core hub, serves as a composite international gateway hub. Located in the world-class Yangtze River Delta urban cluster, it ranks first in China in terms of passenger volume, international transfer efficiency, and the quality of business passengers. Beijing Daxing, the Group's main hub, is a new national gateway hub. As the main airline based there, the Group exclusively enjoys the hub synergy advantages of the "SkyTeam Airline Alliance" at Beijing Daxing. Kunming, the Group's regional hub serves as a hub radiating to South and Southeast Asia and is a key node on the "Belt and Road" air silk road. Xi'an, the Company's regional hub, possesses irreplaceable geographical advantages as a hub connecting Central Asia and the

Middle East along the Silk Road Economic Belt. The Company's domestic route network covers all provincial capitals and major cities in China. Its "Air Express" product boasts industry-leading coverage and frequency density, providing high-frequency hinterland passenger source for transit hubs. In terms of the international market, the Company operates various routes across six continents, covering 93 international destinations in 40 countries, making it the domestic airline covering the most international destinations in 2025. It also maintains a strong presence in traditional high-yield international markets such as Japan and South Korea. As a member of the SkyTeam, for the two years ended 31 December 2024 and 2025 and for the six months ended 30 June 2026, the Company's route network reaches 1000, 945 and 945 destinations in 160, 145 and 145 countries and regions worldwide, respectively.

With Shanghai as its core hub, Beijing Daxing as the main hub and Kunming and Xi'an as its regional hubs, the Company believes that it will benefit from the level of development and growth opportunities in eastern, northern and western China as a whole by providing direct services between various cities in those regions and between those regions and other major cities in China. The Company has steadily improved its flight system for its core hubs by introducing new flight destinations and increasing the frequency of certain flights, thereby enhancing its transfer and connection capability in these hub markets. In 2026, the Company will actively capture key market resources and continue to carry out the establishment and management optimisation of transportation hubs in Shanghai, Beijing, Kunming and Xi'an.

Cargo and Mail Operations

The following table sets forth certain cargo and mail operating statistics of the Company by geography for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026:

	Year ended 31 December		Six months ended 30 June
	2024	2025	2026
Cargo and Mail Traffic (in RFTKs) (millions)	**3,682.5**	**4,062.5**	**2,183.7**
Domestic	952.3	1,001.0	488.7
International	2,700.3	3,033.6	1,682.4
Regional (Hong Kong, Macau and Taiwan)	29.9	28.0	12.5
Cargo and Mail Capacity (in AFTKs) (millions)	**9,514.4**	**10,248.6**	**5,241.9**
Domestic	3,676.5	3,733.0	1,808.3
International	5,653.9	6,354.8	3,356.2
Regional (Hong Kong, Macau and Taiwan)	184.0	160.8	77.3
Cargo and Mail Yield (RMB) (including co-operation routes and fuel surcharge)	**1.448**	**1.343**	**1.433**
Domestic	0.705	0.668	0.665
International	1.678	1.534	1.624
Regional (Hong Kong, Macau and Taiwan)	4.281	4.828	5.765
Cargo and Mail Load Factor (%)	**38.70**	**39.64**	**41.66**
Domestic	25.90	26.81	27.03
International	47.76	47.74	50.13
Regional (Hong Kong, Macau and Taiwan)	16.25	17.39	16.15

The Company is required to obtain from the CAAC the right to carry passengers or cargo on any domestic or international route. The Company's cargo and mail business generally utilises the same route network used by its passenger airline business. The Company carries cargo and mail on its freight aircraft as well as in available cargo space on its passenger aircraft. The Company's most significant cargo and mail routes are international routes.

The following table sets forth certain operating statistics of the Company for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026:

	Year ended 31 December		Six months ended 30 June
	2024	2025	2026
Capacity (in ATK) (millions)	36,234.5	38,772.4	19,436.7
Capacity (in ASK) (millions)	296,890.0	316,930.5	157,720.1
Capacity (in AFTK) (millions)	9,514.4	10,248.6	5,241.9
RTKs (millions)	25,249.9	27,981.3	14,258.6
RPKs (millions)	245,892.8	272,103.8	137,119.9
RFTKs (millions)	3,682.5	4,062.5	2,183.7
Number of passengers transported (thousands)	140,566.0	149,944.4	72,762.9
Cargo transported (million kg)	1,051.2	1,126.2	575.0
Cargo Load Factor (%)	38.70	39.64	41.66

Operations by Geographical Area

The Company's revenues by geographical area are analysed based on the following criteria:

- Traffic revenue from services within the PRC (excluding Hong Kong, Macau and Taiwan, collectively, "**Regional**") is classified as domestic operations. Traffic revenue from inbound and outbound services between the PRC, regional or overseas markets is attributed to the areas based on the origin and destination of each flight area.

- Revenue from ticket handling services, airport ground services and other miscellaneous services are classified on the basis of where the services are performed.

The following table sets forth the Company's revenues by geographical area for each of the two years ended 31 December 2024 and 2025 and the six months ended 30 June 2026, after reclassification of business tax and expected sales in advance of carriage:

	Year ended 31 December		Six months ended 30 June
	2024	2025	2026
	(Millions of RMB)		
Domestic	90,676	90,419	46,425
International	37,853	45,733	25,825
Regional (Hong Kong, Macau and Taiwan)	3,591	3,789	1,984
Total	**132,120**	**139,941**	**74,234**

COMPETITION

The civil aviation industry, as an important strategic industry of the country, constitutes a key component in building a powerful transportation nation and provides vital support for advancing Chinese modernisation.

In recent years, the development of the civil aviation industry has been severely impacted by infectious diseases and various other factors. Faced with a complex environment and severe challenges, the entire civil aviation sector has adhered to the general principle of pursuing progress while maintaining stability, coordinated development and safety, and firmly upheld the bottom line of aviation safety. The economic performance of the civil aviation industry has shown a momentum of safe and orderly recovery, and new progress has been achieved in the high-quality development of the industry.

Statistics show that in 2025, China's civil aviation industry recorded a total turnover of 164.083 billion tonne-kilometres, passenger traffic of 770 million person-times and cargo and mail traffic of 10.1721 million tonnes, representing year-on-year increases of 10.5%, 5.5% and 13.3% respectively. Compared with the corresponding period in 2019, the above metrics rose by 26.44%, 16.67% and 35.05% respectively. The industry's transportation scale has recovered to the pre-pandemic level, and industrial development has gradually returned to the growth track.

At present, China's civil aviation market features a competitive landscape dominated by three major airlines, namely the Guarantor, Air China Limited and China Southern Airlines Company Limited, alongside numerous other airlines. Competition and cooperation within the domestic and international air transport sector keep evolving, and competition in the Asia-Pacific aviation market is becoming increasingly intense. For medium-and short-haul routes, low-cost carriers that achieved rapid growth in the past are actively capturing market share. With the liberalisation of air traffic rights in high-yield markets in Japan and the Republic of Korea, competition in regional markets will further intensify. The synchronous headwinds of a global economic downturn and external uncertainties affect not only demand for air passenger and cargo markets, but also trigger wide fluctuations in oil prices and heightened volatility of the RMB exchange rate.

The Group has actively responded to industry competition, proactively strived for new air traffic rights and time slot resources 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. In response to the relevant national policies on rectifying involution competition, the Group further strengthened its competitiveness through innovating its service products and improving service quality to enhance passenger experience.

For more details in respect of the Company's competitive strength, see *"— Competitive Strengths*".

MAINTENANCE AND SAFETY

The rapid increase in air traffic volume in China in recent years has put pressure on many components of China's airline industry, including air traffic control systems, the availability of qualified flight personnel and airport facilities. In recent years, the CAAC has placed increasing emphasis on the safety of airline operations in China and has implemented a number of measures aimed at improving the safety record of the airlines. The Company's

ability to provide safe air transportation in the future depends on the availability of qualified and experienced pilots in China and the improvement of maintenance services, national air traffic control and navigational systems and ground control operations at Chinese airports. The Company has a good safety record and regards the safety of its flights as one of the most important components of its operations.

Overall Stability in Safe Operation

The Company has always firmly upheld the bottom line of safe development. In the first half 2026, the Company advanced the development of its safety system, improved the risk prevention and control mechanisms, strengthened the development of the safety workforce and conducted safety culture promotion and implementation, thereby precisely preventing and mitigating various safety risks and ensuring overall stable and safe operations.

The Company implemented the "Ten Stringent Measures" for Work Safety of State-owned Assets Supervision and Administration Commission of the State Council, formulated 28 specific measures and fully strengthened work safety accountability across all levels. It advanced the three-year action plan for tackling root causes and making fundamental improvements in work safety, and promoted the implementation of 20 long-term tasks and 5 closing-phase tasks under the plan. The Company also carried out initiatives to enhance the effectiveness of safety performance management, and established targeted and measurable quality control standards. For standardised governance, the Company established its internal standard management committee and updated the Safety Operation Management Manual for Domestic Civil Aircraft (《國產民機安全運營管理手冊》).

The Company extended the dual prevention work mechanism to frontline operational levels. It regularised the advancement of special initiatives including cross-departmental interface management, change in risk management, and enhancement of frontline teams' capability in hazard identification and remediation. Targeted inspections and supervision over terminal management and special rectification campaigns for apron operation safety were conducted, whilst coordinated remediation of risks and hazards was progressed across areas including aviation security, ground operations, catering safety, cyber and information security.

The Company refined the measures for developing a safety workforce featuring "strong political competence, high business proficiency, excellent work style and strict discipline". It promulgated an implementation plan for the development of a flight training system and advanced its implementation, improved the full-lifecycle pilot competency management system, and implemented integrated management of "training, management, support and cultivation" for flight trainees.

The Company thoroughly carried out a series of activities under the "Safety Culture Year" campaign, completed the construction of the Company's safety education centre and put it into operation, and fully incorporated the promotion and implementation of safety culture, as well as the cultivation of safety awareness, into its annual safety education and training system.

FUEL SUPPLIES

One of the Company's main operating expenses is aircraft fuel costs. The Company purchases a significant portion of the aviation fuel for its domestic routes from regional branches of the CAOSC. Fuel costs in China are affected by costs at domestic refineries and limitations in the transportation infrastructure, as well as by insufficient storage facilities for aviation fuel in certain regions of China. Fuel prices at six designated major airports in China, namely, the airports in Shanghai Pudong, Shanghai Hongqiao, Beijing, Guangzhou, Shenzhen and Tianjin, are set and adjusted once a month by the CAAC in accordance with prevailing fuel prices on the international market. For its international routes, the Company purchases a portion of its aviation fuel from foreign fuel suppliers located at the destinations of these routes, generally at international market prices.

In 2024, the Company's total aircraft fuel cost was RMB45,499 million, representing an increase of approximately 10.7 per cent. as compared with 2023, as a result of the increase in the production volume of the Company. In 2024, the average price of fuel decreased by approximately 6.4 per cent. compared to that of 2023 owing to the declining price of crude oil.

In 2025, the Company's total aircraft fuel cost was RMB43,690 million, representing a decrease of approximately 4.0 per cent. as compared with 2024. This decrease was primarily due to a decrease in average fuel price by approximately 8.2 per cent. as compared with 2024, partially offset by an increase in the Company's volume of refuelling by approximately 4.6 per cent. as compared with 2024.

For the six months ended 30 June 2026, the Company's total aircraft fuel cost was RMB29,165 million, representing an increase of 36.2 per cent. from the same period of 2025, and was primarily due to the increase in the average price of aircraft fuel by 36.8 per cent. from the same period last year, leading to an increase in aircraft fuel costs of RMB7,846 million; and the decrease in volume of refuelling by 0.4 per cent. from the same period last year, leading to a decrease in aircraft fuel costs by RMB92 million.

The Company cannot provide assurance that fuel prices will not fluctuate in the future. Further, due to the highly competitive nature of the airline industry and government regulation on airfare pricing, the Company may be unable to fully or effectively pass on to its customers any increases in fuel costs in the future. However, the Company intends to continue to enhance its jet fuel procurement policies and develop additional internal cost-control measures, which include streamlining the number of aircraft models in its fleet and optimising route structures, which the Company believes will enable it to control its fuel costs.

GROUND FACILITIES AND SERVICES

The centre of the Company's operations is Shanghai, one of China's principal air transportation hubs. The Company's Shanghai operations are based at Hongqiao International Airport and Pudong International Airport. As at 31 December 2025, the Company also has operated from various other airports in China, including Yaoqiang Airport in Jinan, Lukou Airport in Nanjing, Jiaodong International Airport in Qingdao, Xinqiao International Airport in Hefei, Changbei Airport in Nanchang, Wusu Airport in Taiyuan, Zhengding Airport in Shijiazhuang, Lishe Airport in Ningbo, Tianhe Airport in Wuhan, Changshui International Airport in Kunming and Xianyang Airport in Xi'an. The

Company owns hangars, aircraft parking and other airport service facilities at these airports, and also provides ground services in these locations. The Company leases from CEA Holding certain buildings at Hongqiao International Airport where its principal executive offices are located.

The Company has its own ground services and other operational services, such as aircraft cleaning and refuelling and the handling of passengers and cargo for its operations at Hongqiao International Airport and Pudong International Airport. The Company also provides ground services for many other airlines operating to and from Hongqiao International Airport and Pudong International Airport.

In-flight meals and other catering services for the Company's Shanghai-originated flights are provided primarily by Shanghai Eastern Air Catering Limited Liability Company, a joint venture company affiliated with CEA Holding. The Company generally contracts with local catering companies for flights originating from other airports.

The Company incurs certain airport usage fees and other charges for services performed by the airports from which the Company operates flights, such as air traffic control charges, take-off and landing fees, aircraft parking fees and fees payable in connection with the use of passenger waiting rooms and check-in counter space. At domestic airports, such fees are generally charged at rates prescribed by the CAAC, which are lower than rates generally in effect at airports outside China.

MARKETING AND SALES

Passenger Operations

The Company's marketing strategy with respect to passenger operations is primarily aimed at increasing its market share for all categories of air travellers. With respect to its Hong Kong and international routes, the Company is permitted to market its services on the basis of price. The Company has limited flexibility in setting its airfares for domestic routes and adjusting its domestic airfares in response to market demand. As part of its overall marketing strategy, the Company emphasises its commitment to safety and service quality, which the Company believes are critical components of its ability to compete successfully.

The Company has also adopted customised strategies to market its services to particular travellers. The Company seeks to establish long-term customer relationships with business entities that have significant air travel requirements. In order to attract and retain business travellers, the Company focuses on the frequency of flights between major business centres, the convenience of transit services and geographical coverage of its sales network. The Company launched its initial frequent flyer programme in 1998 and joined the "Asia Miles" frequent flyer programme in April 2001 to attract and retain travellers. In August 2003, the Company upgraded and rebranded its frequent flyer programme to "Eastern Miles" and introduced a series of new services, including, among others, instant registration of membership and mileage, online registration of mileage, and accumulation of mileage on expenses at certain hotels, restaurants and other service providers that are the Company's strategic partners. In 2004, the Company established its special services hotline "95530" call centre. As a result of the Company's continual efforts to develop the "Eastern Miles" programme, the number of members of the frequent flyer programme reached over 80 million as at 30 June 2026, increased by 6.25 per cent. as compared to over 75 million as at 31 December 2025. In light of the expansion of the national HSR network, the Company

has cooperated with the Shanghai Railway Bureau to launch the "Air-Rail Pass Transportation" products. The Company's domestic and international flights together with its HSR products at Shanghai Hongqiao International Airport and Shanghai Pudong International Airport Co., Ltd., have formed an air-rail two-way transportation product, which has helped the Company to broaden its customer resources. In addition, in terms of customer resources, the Company has actively explored and expanded its customer base of high-end business travellers to accelerate the development of group clients. Lastly, the Company has fully promoted the expansion of Eastern Miles membership. In order to attract more members and to provide members with better experience in terms of diversity, comprehensiveness and flexibility, the Company has strengthened its cooperation with retail store owners by increasing the number of cooperative stores covering various industries such as financial services, hotel, car rental and health services.

The Company's advertising, marketing and other promotional activities include the use of radio, television and print advertisements. The Company plans to continue to use advertising and promotional campaigns to increase sales on new routes and competitive routes.

Ticket Booking Systems

In 2002 and again in 2012, the Company upgraded its online ticket booking and payment system to facilitate customer purchases of tickets via the Internet. In 2012, the Company also expedited the construction of nine overseas websites in a variety of languages. In 2016, the Company introduced the English version of "China Eastern Mobile E" to its customers. In addition, the Company introduced "M Website", a website portal that provides mobile flight booking, flight status and online checking services, and applied several third-party payment platforms to its ticket booking system.

As at 30 June 2026, the Company's global website covers North America, Australia, Europe and Asia Pacific. The Company continues to encourage its customers to book and purchase tickets via the Internet by initiating various promotional campaigns and upgrading and expanding the services offered by its online sales system.

As at 1 June 2008, the Company stopped issuing paper tickets for air travel in accordance with a mandate from the IATA. The IATA represents approximately 240 airlines and comprises approximately 84 per cent. of scheduled international air traffic. As a result, the Company now issues electronic itineraries and receipts as well as electronic tickets to its passengers. The Company believes the gradual transition to 100 per cent. electronic ticketing will reduce administrative costs and increase flexibility and travel options for passengers in addition to benefiting the environment through the reduced need for paper. All of the Company's direct passenger ticket sales are recorded on its computer systems. Most Chinese airlines, including the Company, are required to use the passenger reservation service system provided by the CAAC's computer information management centre, which is linked with the computer systems of major Chinese commercial airlines. The Company has also entered into membership agreements with various international reservation system, which have made it easier for customers and sales agents to make reservations and purchase tickets for the Company's international flights.

SkyTeam Alliance

The Company officially joined SkyTeam, an international airlines alliance and frequent flyer mileage programme that includes international carriers such as, among others, Delta Air Lines, China Southern and Air France-KLM, on 21 June 2011.

The Company actively promotes cooperation with internal and external partners of SkyTeam, and has established a more stable and close comprehensive strategic cooperation relationship with Delta and AFK in the European and American markets through capital and business collaboration. Through carrying out strategic cooperation with Juneyao Airlines, the competitiveness of the Company's Shanghai main base has been further enhanced. The Company has entered into a bilateral frequent flyer partnership with Etihad Airways, enabling the exchange of points in the membership systems of both parties.

As a member of SkyTeam, the Company has added code-share cooperation with Air Europa Líneas Aéreas, S.A.U. (IATA two-letter code: UX) and Czech Airlines (CSA Czech Airlines, IATA two-letter code: OK). At the end of 2023, by interconnecting with the route networks of SkyTeam partners, the Company's route network covers 1,050 destinations in 166 countries.

Cargo Operations and Logistic Services

The Company maintains a network of cargo sales agents domestically and internationally. The Company and its cooperative partners in its cargo operations have established domestic cargo sales offices in Beijing, Shanghai, Xiamen and other major transportation hubs in China, and international cargo sales offices in various locations in the U.S., Europe and the Asia-Pacific Region. In 2005, the Company established its northern China, southern China, southeastern China and overseas sales management centres to improve coordination among its sales offices.

In response to the deteriorating aviation freight transportation market condition, the Company adopted measures such as surrendering and suspending freights, as well as reducing freight fleet scale significantly. It also adjusted its route network in order to stabilise its share in core markets. The Company fully pushed forward its transformation by developing value-added businesses such as logistics and freight expressway e-commerce. In respect of logistics business, the Company established six major logistics project teams for areas such as large-scale corporate projects, medical biotechnology and aviation equipment based on product positioning. It also visited major customers to proactively explore demand for logistics. The development of brand customers and direct selling cooperation projects for major clients provided logistics solutions to large and medium enterprises. In respect of freight expressway e-commerce, the commencement of eaemall.com official website can utilise the advantages in network and centralised purchasing of Eastern Airlines. Combined with its freight expressway delivery network, Eastern Airlines is able to provide fresh and direct supply of "from the origins to dining table." The Company's subsidiary, Shanghai Eastern Airlines Express Delivery Company Limited, officially commenced operation of cross-border e-commerce in 2013 in the Shanghai Free Trade Zone.

In 2016, due to factors including the slowdown in the growth rate of the total world trade volume and fierce market competition, the air cargo transportation industry had relatively underperformed. As a result, Eastern Logistics has not fully accomplished the goal of its

transformation. In particular, China Cargo Airlines, a subsidiary of Eastern Logistics, suffered cumulative losses during the period from 2011 to 2015. In order to further improve the Company's operational performance, focus relevant resources on its air passenger transportation business, collect receivables and lower capital risks, the Company has transferred its 100 per cent. equity interest in Eastern Logistics to Eastern Airlines Industry Investment on 8 February 2017.

The Company explored with full efforts the potential of bellyhold through the introduction of localised products, cargo-flight projects, removal of routes with "0 and low" income, international return flight expansion projects, implementation of the reward and punish system which increases volume and income, strengthening of monitoring of external sites and the addition of "newly added" customers, the Company consolidated the output of external sites and transformation units in 2016, resulting in an increase of 2.8 per cent. of bellyhold compared to the same period the previous year.

TOURISM AND TRAVEL SERVICES AND ANCILLARY ACTIVITIES

Tourism and Travel Services

With its subsidiary, Shanghai Airlines, the Company derives revenue from tourism and travel services through Shanghai Airlines Tours, which provides various business and leisure travel services, including inbound, outbound and domestic travel, conference and exhibition planning, flight chartering and plane ticket reservation, tour bus and hotel reservation and other related services. Shanghai Airlines Tours is a member of the China Association of Travel Services and Shanghai Association of Tourism (International and Domestic Travel Services divisions), as well as a member of Shanghai Association of Quality, and has been admitted into many international travel organisations including the IATA. Shanghai Airlines Tours has won several awards as a travel services provider, as well as awards and honours for its professional staff and vacation package offerings.

The Company also derives revenues from the provision of airport ground services for airlines operating to or from Hongqiao International Airport and Pudong International Airport, including aircraft cleaning, loading, unloading, storage and ground transportation of cargo and passenger luggage. At present, the Company is the principal provider of these services at Hongqiao International Airport and Pudong International Airport. The Company provides these services to foreign carriers generally pursuant to one-year renewable contracts.

Ancillary Activities

The Company has other ancillary activities, including investments in other industrial projects and provides consulting services under Shanghai Eastern Airlines Investment Co., Ltd. Along with CEA Holding, the Company also established China Eastern Real Estate Investment Co., Ltd., which is primarily engaged in the real estate business, including the development and sale of commercial premises and property leasing in Shanghai, China.

PATENTS AND TRADEMARKS

The Company owns or has obtained licences to use various domestic and foreign patents, patent applications and trademarks related to its business. Whilst patents, patent applications and trademarks are important to its competitive position, no single one is material to the Company as a whole.

The Company owns various trademarks related to its business. The most important trademark is the service trademark of China Eastern Airlines Corporation Limited. All of the Company's trademarks are registered in China.

INSURANCE

The CAAC purchases fleet insurance from PICC Property and Casualty Company Limited ("**PICC**"), and China Pacific Property Insurance Company Ltd., on behalf of all Chinese airlines. PICC has reinsured a substantial portion of its aircraft insurance business through Lloyd's of London. The fleet insurance is subject to certain deductibles. The premium payable in connection with the insurance is allocated among all Chinese airlines based on the aircraft owned or leased by these airlines. Under the relevant PRC laws, the maximum civil liability of Chinese airlines for injuries to passengers travelling on domestic flights has been increased to RMB400,000 per passenger in March 2006, for which the Company also purchases insurance. As at 31 July 2006, the Convention for the Unification of Certain Rules for International Carriage by Air of 1999, or the Montreal Convention, became effective in China. Under the Montreal Convention being amended in 2014, carriers of international flights are strictly liable for proven damages up to 113,000 Special Drawing Rights and, beyond that, carriers are only able to exclude liability if they can prove that the damage was not due to negligence or other wrongful act of the carrier (and its agents) or if the damage solely arose from the negligence or other wrongful act of a third party. The Company believes that it maintains adequate insurance coverage for the civil liability that can be imposed due to injuries to passengers under Chinese law, the Montreal Convention and any other agreement that the Company is subject to. The Company also maintains engine all risk and aircraft legal liability insurance, including operator liability insurance and third-party liability insurance, of the types and in amounts customary for Chinese airlines. Please see "*Risk Factors — Risks Relating to the Group's Businesses — The Company's insurance coverage and costs have increased substantially, which could have an adverse effect on its operations*." for more information on the Company's insurance coverage.

PROPERTY, PLANT AND EQUIPMENT

Fleet

As at 30 June 2026, the Company operated a fleet of 833 aircraft. See the section entitled "*History and Development of the Company*" for more details.

Existing Fleet

The following tables set forth the details of the Company's fleet as at 30 June 2026:

Model	Manufacturer	Self-owned	Under finance lease	Under operating lease	Subtotal	Average fleet age (Years)
Wide-body aircraft		**58**	**51**	**5**	**114**	**9.6**
1. B777–300ER	Boeing	12	8	0	20	10.4
2. B787 Series	Boeing	3	15	0	18	4.5
3. A350–900	Airbus	7	13	0	20	5.1
4. A330 Series	Airbus	36	15	5	56	12.6
Narrow-body aircraft		**304**	**203**	**180**	**687**	**9.9**
5. A320 Series	Airbus	169	139	85	393	9.4
6. B737 Series	Boeing	130	52	95	277	11.2
7. C919	COMAC	5	12	0	17	1.5
Regional passenger aircraft		**15**	**17**	**0**	**32**	**3.0**
8. C909	COMAC	15	17	0	32	3.0
Total		**377**	**271**	**185**	**833**	**9.6**

Future Fleet Development

The Company's aircraft acquisition programme focuses on aircraft that will modernise and rationalise its fleet to better meet the anticipated requirements of its route structure, taking into account aircraft size and fuel efficiency. The Company's aircraft acquisition programme, however, is subject to the approval of the CAAC and the NDRC. The Company's fleet in the future will mainly comprises of models such as B777 Series and B787 Series for long haul, A330 Series for long-and-medium haul, and A320 Series and B737 Series for medium-and-short haul. Older aircraft models of high energy-consumption will be surrendered as appropriate.

Details of the introduction and retirement plan of the Company's aircraft for the second half of 2026 and the years 2027 and 2028 are as follows:

	Second half of 2026		2027		2028	
Model	**Introduction**	**Retirement**	**Introduction**	**Retirement**	**Introduction**	**Retirement**
Wide-body aircraft	**1**	**0**	**2**	**0**	**5**	**0**
B787 Series	1	0	2	0	5	0
A350 Series	0	0	0	0	0	0
Narrow-body aircraft	**26**	**22**	**47**	**23**	**38**	**19**
A320 Series	19	14	16	14	22	5
B737 Series	4	8	25	9	6	14
C919	3	0	6	0	10	0
Regional passenger aircraft	**3**	**0**	**0**	**0**	**0**	**0**
C909	3	0	0	0	0	0
Total	**30**	**22**	**49**	**23**	**43**	**19**

Note:

(1) The abovementioned models, quantity and timing for the introduction and retirement of aircraft will be subject to adjustment based on market conditions and flight capacity allocation of the Company.

The actual quantity and time of the introduction and retirement of any of these aircraft or any additional aircraft may depend on such factors as general economic conditions, the levels of prevailing interest rates, foreign exchange rates, the level of inflation, credit conditions in the domestic and international markets, conditions in the aviation industry in China and globally, the Company's financial condition and results of operations, its financing requirements, and the terms of any financing arrangements, such as finance leases, and other capital requirements. The Company believes that its aircraft acquisition plan will help the Company accomplish its expansion plans while maintaining an efficient fleet and ensuring alternative sources of supply.

Fleet Financing Arrangements

The Company generally acquires aircraft through either long-term capital leases or operating leases. Under the terms of most capital leases, the Company generally is obligated to make lease payments that finance most of the purchase price of the aircraft over the lease term. Upon the expiration of the lease term, the Company must either purchase the aircraft at a specified price or pay any amount by which such price exceeds the proceeds from the disposition of the aircraft to third parties. Alternatively, some capital leases provide for ownership of the aircraft to pass to the Company upon satisfaction of the final lease payment. Under capital leases, aircraft are generally leased for approximately the entirety of their estimated working life, and the leases are either non-cancellable or cancellable only on a payment of a major penalty by the lessee. As a result, the Company bears substantially all of the economic risks and rewards of ownership of the aircraft held under capital leases. Operating leases, however, are customarily cancellable by the lessee on short notice and without major penalty. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

TRANSACTIONS WITH RELATED PARTIES

The Company has, from time to time, entered into transactions with its related parties including its affiliated companies. See Note 46 to the Guarantor Audited Consolidated Financial Statements and Note 23 to the Guarantor Reviewed Consolidated Financial Statements which are included elsewhere in this Offering Circular.

The Company believes that each of its related party transactions was entered into in the ordinary course of business and on arm's length basis in the Company's interest and the interest of its shareholders.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Guarantor's current Directors and senior management members. Except as disclosed below, none of the Guarantor's Directors or members of its senior management was selected or chosen as a result of any arrangement or understanding with any major shareholders, customers, suppliers or others. There is no family relationship between any Director or senior management member and any other Director or senior management member of the Guarantor.

Name	Age	Position
Wang Zhiqing	60	Chairman of the Board of Directors
Gao Fei	50	President and Vice Chairman
Yan Fei	58	Director
Sun Zheng	69	Independent Non-executive Director
Lu Xiongwen	60	Independent Non-executive Director
Luo Qun	64	Independent Non-executive Director
Fung Wing Yee Sabrina	55	Independent Non-executive Director
Zheng Hongfeng	49	Independent Non-executive Director
Jie Xiaoqing	61	Employee Representative Director
Zhou Qimin	59	Vice President and Chief Financial Officer
Wan Qingchao	55	Vice President
Li Ye	53	Vice President
He Xiaoqun	53	Vice President
Li Zhiyong	57	Vice President
Li Ganbin	54	Board Secretary and Joint Company Secretary

Brief biographical details in respect of each of the Directors and senior management members of the Guarantor are as follows:

DIRECTORS

Mr. Wang Zhiqing 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 administrator and a member of Party Leadership Group of the Civil Aviation Administration of China, and the deputy minister of the Ministry of Transport and a member of Party Leadership Group. 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. He is qualified as a professorate senior economist.

Mr. Gao Fei is currently the vice chairman, president and deputy secretary of Party Committee of the Company, and a director, the president and deputy secretary of Party Leadership Group of CEA Holding. Mr. Gao joined the civil aviation industry in 1998 and served as the general manager of the Safety Supervision Division of China Southern, the general manager of Fleets Division of China Southern, the deputy general manager, a member of the Party Leadership Group, the deputy secretary of the Party Leadership Group and a director of China Southern, and the deputy general manager and the deputy secretary of the Party Committee of China Southern. He has served as the deputy secretary of the Party Leadership Group of CEA Holding since September 2025, the president and the deputy secretary of the Party Committee of the Company, and the president of CEA Holding since October 2025, a director of CEA Holding since November 2025, and the vice chairman of the Company since December 2025. Mr. Gao graduated from School of Aviation of Beihang University, majoring in Flight Technology. He also holds a master's degree of Business Administration from Lingnan College Sun Yat-Sen University and a master's degree of Science from Massachusetts Institute of Technology in the United States. He holds the title of professorate senior pilot.

Mr. Yan Fei is currently a Director of the Company, the deputy secretary of the Party Committee of the Company and the deputy secretary of the Party Leadership Group of CEA Holding. Mr. Yan entered the civil aviation industry in 1992 and previously held various positions at Air China Limited, including the general manager of South China base, general manager of ground service department, and general manager of Tianjin branch. He served as the deputy general manager and a member of Party Leadership Group of China National Aviation Holding Corporation Limited, as well as a member of standing committee of Party Committee of Air China Limited from January 2024 to July 2026. He served as the vice president of Air China Limited from March 2024 to August 2026. He concurrently served as the chairman of Air China Cargo Co., Ltd. from June 2024 to August 2025. He has been serving as the deputy secretary of Party Leadership Group of CEA Holding since July 2026, and the deputy secretary of Party Committee of the Company since August 2026. Mr. Yan graduated from Civil Aviation College of China majoring in computer and applications, and from Tianjin University majoring in business administration. He holds a master's degree.

Mr. Sun Zheng is currently an Independent Director of the Company and 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 SAIC Motor Corporation Limited and Advanced Micro-Fabrication Equipment (Shanghai) Inc. China. Mr. Sun graduated from Shanghai University of Finance and Economics with a doctoral degree in economics, and is a Chinese Certified Public Accountant.

Mr. Lu Xiongwen is currently an Independent Director of the Company, the secretary of the Party Committee, 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. Mr. Lu graduated from Fudan University with a doctoral degree in economics.

Mr. Luo Qun is currently an Independent Director of the Company. Mr. Luo has served as deputy general manager and party secretary of China National Aviation Fuel Group Limited Southern Company, director and party secretary of South China Bluesky Aviation Oil Co., Ltd., the general manager of China National Aviation Fuel Group Haitian Shipping Co., Ltd., the assistant general manager of China National Aviation Fuel Group Limited, the general manager and party secretary of China National Aviation Fuel Group Logistics Co., Ltd., a party member and the deputy general manager of China National Aviation Fuel Group Limited, and director and deputy general manager of Nam Kwong (Group) Company Limited. Mr. Luo has been the Independent Director of the Company since April 2024. Currently, Mr. Luo also serves as an external director of China Aviation Supplies Holding Company. Mr. Luo graduated from South China Institute of Technology and holds a master of business administration from National University of Singapore and a doctoral degree in management from the School of Business Administration of South China University of Technology. He is also a researcher-level senior engineer.

Ms. Fung Wing Yee Sabrina is currently an Independent Director of the Company, the managing director of Fung Retailing Group and holds senior management positions in several divisions of Fung Group. In Hong Kong, Ms. Fung is a member of the Major Sports Events Committee of the Hong Kong Special Administrative Region, a member on the board of Alibaba Hong Kong Entrepreneurs Fund, a non-executive director of Convenience Retail Asia Limited, an independent non-executive director of Chow Tai Fook Jewellery Group Limited, the advisor on Retailing and Fashion for NBA Greater China, the honorary member of the Advisory Committee of the Roger King Centre for Asian Family Business and Family Office at Hong Kong University of Science and Technology Business School, the member of the Executive Committee of the International Advisory Council of The University of Hong Kong Business School, a member of the Advisory Committee of the Hong Kong-Europe Business Council and the Hong Kong-France Business Council of Hong Kong Trade Development Council, and a governor of the China-United States Exchange Foundation. Internationally, Ms. Fung is a member of McLaren Advisory Group, Harvard Global Advisory Council, Harvard Kennedy School Dean's Council and the board of trustees of The Carnegie Hall Corporation in New York. Ms. Fung has served as an Independent Director of the Company since April 2024. Ms. Fung graduated from Harvard University, with a Bachelor's degree in Economics.

Mr. Zheng Hongfeng is currently an Independent Director of the Company, the chairman and chief executive officer of Feeyo Technology Co. Ltd., an executive director of Hefei HangLian Cultural Communications Co., Ltd., and a civil aviation data centre expert of the CAAC. Mr. Zheng was an engineer of Anhui Air Traffic Control Bureau of Civil Aviation. In 1999, he founded the Civil Aviation Resource Net of China. He led the establishment of Feeyo Technology Co. Ltd. in 2005 and launched the "VariFlight" App in 2010. Mr. Zheng has served as an Independent Director of the Company since April 2024. Mr. Zheng holds a bachelor's degree in computer and application from Hefei University of Technology, and a master's degree in business administration from University of Science and Technology of China.

Mr. Jie Xiaoqing is currently the employee representative director of the Company and CEA Holding, the chairman of the labour union of the Company and CEA Holding and the director of the organisation department/united front department under the party committee of the Company and the party leadership group of CEA Holding. Mr. Jie joined the civil aviation industry in 1992 and had served as the general manager of the planning and development department of the Company, the deputy general manager of China Cargo

Airlines Co., Limited, the director of the strategic development department of CEA Holding, the general manager of the north-west branch of the Company, and the general manager of the ground services department of the Company. He has served as the director of the organisation department/united front department under the party committee of the Company and the party leadership group of CEA Holding from August 2024, the chairman of the labour union of the Company and CEA Holding since April 2025 and the employee representative director of the Company and CEA Holding since May 2025. Mr. Jie graduated from Shanghai University of Finance and Economics, majoring in quantitative economics in the department of statistics, and holds a Master's degree in Economics and has obtained an Executive Master of Business Administration degree from Tsinghua University. He has the title of senior economist.

SENIOR MANAGEMENT

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

Mr. Wan Qingchao 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 deputy general manager of the operation control centre, the party member and the operating officer of Air China Limited, the president, the party secretary and the safety director of Air China Inner Mongolia Co., Ltd., and the director, president and vice party secretary of Shenzhen Airlines Co., Ltd. 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. Li Ye is currently a vice president and the member of the standing committee of the party committee of the Company, vice president and a member of party committee of CEA Holding. Mr. Li joined the civil aviation industry in August 1995, and served as vice president of Guangzhou Flight Division of China Southern, the vice president of Beijing Branch of China Southern, the general manager of Safety Supervision Department of China Southern and China Southern, and the chief safety director of China Southern. He has been a member of party committee of CEA Holding since April 2024, the vice president of CEA Holding since May 2024, the member of the standing committee of the party committee of

the Company since May 2024, and a vice president of the Company since June 2024. Mr. Li graduated from Beihang University with a master's degree in business administration. He has the professional title of first-class pilot.

Ms. He Xiaoqun is currently a vice president and the member of the Standing Committee of the Party Committee of the Company, a vice president and member of the Party Leadership Group of CEA Holding. Ms. He joined the civil aviation industry in 2001 and had served as the general manager of the human resources department of China Southern, the chairman and the secretary of Party Committee of China Southern Airlines Cargo Logistics (Guangzhou) Co., Ltd., the deputy general manager and the secretary of Party Committee of the Engineering Technology Branch (Aircraft Engineering Department) of China Southern. She has been serving as the member of the Standing Committee of the Party Committee of the Company, the vice president and member of the Party Leadership Group of CEA Holding since December 2024, and a vice president of the Company since January 2025. Ms. He graduated from Xiamen University, and obtained a master's degree in economics from Xiamen University and an Executive Master of Business Administration degree from Tsinghua University. She holds the title of senior human resources management professional.

Mr. Li Zhiyong is currently a vice president, member of the standing committee of the party committee and chief engineer of the Company, vice president, member of party committee and safety director of CEA Holding. Mr. Li joined the civil aviation industry in 1995, and served as the president of China Eastern Import & Export Co., Ltd., the secretary of the party committee of operation control centre of the Company, the executive vice president of CEA Technic, the vice chief engineer and the president of Aircraft Engineering Department of the Company, and the chief director of the Company and Shanghai command department of CEA Holding. He has been the chief engineer of the Company since January 2019, a member of party committee of CEA Holding since April 2025, a member of the standing committee of the party committee of the Company, the vice president and safety director of CEA Holding since May 2025, and a vice president of the Company since June 2025. Mr. Li graduated from Beihang University, majoring in aircraft design, holding a master's degree in engineering and the title of professorate senior engineer.

Mr. Li Ganbin is currently the Board secretary and Joint Company Secretary of the Company, the Board secretary of CEA Holding, and the director of the board office/policy research office of the Company and CEA Holding. Mr. Li joined the civil aviation industry in 1998 and had been the general manager of Shanghai Meixin Eastern Air Catering Investment Co., Ltd., the senior manager of strategic planning of the strategic development department, the deputy director of the party leadership group work department, the deputy director of the general office and the director of the party group policy research office (policy research office) and other positions of CEA Holding. He has been the director of the board office/policy research office of the Company and CEA Holding since August 2024, the Board secretary and Joint Company Secretary of the Company since December 2024 and the Board secretary of CEA Holding since January 2025. Mr. Li successively graduated from Gannan Normal University, East China Normal University and Fudan University, holding a doctoral degree in Economics and the title of political work specialist.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of the Guarantor's capital stock by all persons who were known to the Guarantor to be the beneficial owners of five per cent. or more of its capital stock as at 30 June 2026:

Name of Substantial Shareholders	Class of Shares	Number of Shares Held	Capacity	Percent in the Relevant Class of Issued Shares	Percent in Total Issued Shares
CEA Holding	A Shares	9,088,242,173[(1)]	Beneficial owner	53.38%	41.15%
		457,317,073[(1)]	Interests of controlled corporation	2.69%	2.07%
	H Shares	2,778,396,000[(2)]	Interests of controlled corporation	54.88%	12.58%
CES Global	H Shares	2,778,396,000[(2)]	Beneficial owner	54.88%	12.58%
Juneyao Group	H Shares	556,705,777[(4)]	Interests of controlled corporation	11.00%	2.52%
Juneyao Airlines	A Shares	808,441,233[(3)]	Beneficial owner	4.75%	3.66%
	H Shares	2,000,000[(4)]	Beneficial owner	0.04%	0.01%
		554,705,777[(4)]	Interests of controlled corporation	10.96%	2.51%
Juneyao Hong Kong	H Shares	554,705,777[(4)]	Beneficial owner	10.96%	2.51%
Wang Junjin	A Shares	808,441,233[(3)]	Interests of controlled corporation	4.75%	3.66%
	H Shares	556,705,777[(4)]	Interests of controlled corporation	11.00%	2.52%
Wang Han	A Shares	808,441,233[(3)]	Interests of controlled corporation	4.75%	3.66%
	H Shares	556,705,777[(4)]	Interests of controlled corporation	11.00%	2.52%
Ye Jinqi	A Shares	808,441,233[(3)]	Interests of spouse	4.75%	3.66%
	H Shares	556,705,777[(4)]	Interests of spouse	11.00%	2.52%

Notes:

(1) Among such A shares, 9,088,242,173 A shares (representing approximately 53.38% of the Guarantor's then total issued A shares) were held by CEA Holding in the capacity of beneficial owner; and 457,317,073 A shares (representing approximately 2.69% of the Guarantor's then total issued A shares) were held by CES Industrial Finance in the capacity of beneficial owner, which in turn was 100% held by CEA Holding.

(2) Such H shares were held by CES Global in the capacity of beneficial owner through HKSCC, and CEA Holding indirectly owned the entire interests of CES Global through CES Industrial Finance. Therefore, CEA Holding is deemed to be interested in the 2,778,396,000 H shares held directly by CES Global. As at

30 June 2026, 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.

(3) Based on the information provided by China Securities Depository and Clearing Corporation Limited, 808,441,233 A shares were held directly by Juneyao Airlines. Mr. Wang Han and Mr. Wang Junjin were interested in 71.90% of shares of Juneyao Group; and Juneyao Group is the controlling shareholder of Juneyao Airlines. Ms. Ye Jinqi is the spouse of Mr. Wang Junjin. Therefore, Juneyao Group is deemed to be interested in 808,441,233 A shares held by Juneyao Airlines; each of Mr. Wang Han and Mr. Wang Junjin is deemed to be interested in 808,441,233 A shares held directly by Juneyao Airlines; and Ms. Ye Jinqi is deemed to be interested in 808,441,233 A shares held indirectly by Mr. Wang Junjin.

(4) Juneyao Airlines directly held 2,000,000 H shares; and Shanghai Juneyao Airline Hong Kong Limited (上海吉祥航空香港有限公司) ("**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 71.90% 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 2,000,000 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 556,705,777 H shares held indirectly by Mr. Wang Junjin.

As at 30 June 2026, CEA Holding held 55.80 per cent. (41.15 per cent. directly held, 12.58 per cent. indirectly through its wholly-owned subsidiary, CES Global and 2.07 per cent. indirectly through its wholly-owned subsidiary, CES Industrial Finance) of the Guarantor's issued and outstanding capital stock. The Guarantor is not aware of any arrangement which may at a subsequent date result in a change of control of the Guarantor.

As at 30 June 2026, there were 5,062,771,777 H Shares issued and outstanding. The Guarantor is currently a majority-owned subsidiary of CEA Holding. CEA Holding itself is a majority state-owned enterprise under the administrative control of the SASAC. CEA Holding's shareholding in the Guarantor is in the form of ordinary domestic shares, through which it, under the supervision of the SASAC, enjoys shareholders' rights and benefits on behalf of the PRC government.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Bonds) or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**"), as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong; or

(iii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business; or

(iv) a corporation, other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance), even if the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired or disposed of. Sums received by or accrued to a corporation (other than a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to profits tax.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the "**FSIE Amendments**"), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "PRC taxation" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax and Value-Added Tax

Pursuant to the EIT Law, the IIT Law and the implementation rules in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder, and the Issuer shall withhold the tax amount from each payment. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-resident enterprise or individual Bondholders.

Under the EIT Law and its implementation rules, any gains realised on transfer of Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether gains realised on transfer of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days cumulatively within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the MOF and the State Administration of Taxation issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating revenues generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to VAT if the seller or purchaser of the services is within the PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real

Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. The PRC VAT Law (《中華人民共和國增值税法》), which took effect on 1 January 2026, has replaced the PRC Provisional Regulations on Value-Added Tax (《中華人民共和國增值税暫行條例》) and the VAT reform framework established under Circular 36. Under the PRC VAT Law, entities and individuals that sell goods, services, intangible assets or immovable properties within the PRC, or import goods, are taxpayers of VAT; the VAT rate for the sale of services and intangible assets remains at 6 per cent. Accordingly, the interest and other interest-like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obliged to withhold VAT of 6 per cent. on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. However, despite the withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to Bondholders so that Bondholders would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions of the Bonds*".

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 11 November 2026 (the "**Subscription Agreement**") pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer agreed to sell to the Joint Lead Managers, and the Joint Lead Managers severally and not jointly agreed to subscribe for, the aggregate principal amount of the Bonds indicated in the following table.

	Principal amount of Bonds (CNY)
Joint Lead Managers	
Bank of China Limited	220,000,000
Bank of China (Hong Kong) Limited	220,000,000
BOCI Asia Limited	220,000,000
DBS Bank Ltd.	220,000,000
Citigroup Global Markets Limited	220,000,000
CLSA Limited	220,000,000
China International Capital Corporation Hong Kong Securities Limited	220,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	100,000,000
BNP PARIBAS	100,000,000
BOSC International Securities Limited	100,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	100,000,000
China Minsheng Banking Corp., Ltd. Hong Kong Branch	100,000,000
CMB Wing Lung Bank Limited	100,000,000
Guotai Junan Securities (Hong Kong) Limited	100,000,000
Haitong International Securities Company Limited	100,000,000
Industrial and Commercial Bank of China (Asia) Limited	100,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	100,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	100,000,000
ABCI Capital Limited	80,000,000
CCB International Capital Limited	80,000,000
Total	**2,800,000,000**

The Subscription Agreement provides that the Issuer and the Guarantor will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their respective subsidiaries or affiliates have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer and/or its subsidiaries, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer and/or its subsidiaries in the ordinary course of business.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead

Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Joint Lead Manager(s) (if any) appointed and acting in its capacity as the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager(s) may, to the extent permitted by applicable laws and regulations, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the Issue Date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS) IN RELATION TO PARA. 21 OF THE SFC CODE

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor, or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected).

Underlying investor information in relation to omnibus orders should consist of:

(i) The name of each underlying investor;

(ii) A unique identification number for each investor;

(iii) Whether an underlying investor has any "Associations" (as used in the SFC Code);

(iv) Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);

(v) Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcmhk@bocgroup.com, projectblueskyvi@bochk.com, debt.syndicate@bocigroup.com, DCMOmnibus@dbs.com, DCM.Omnibus@citi.com, ib.dcm.centralsouth@clsa.com and IB_Project_Bluesky_VI@cicc.com.cn.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

In connection with the offering of the Bonds, each Joint Lead Manager and/or its affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer, the Guarantor, or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented and warranted that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of the Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used above have the meaning given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

People's Republic of China

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong

(except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act 2001 of Singapore (the "**SFA**") or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

1. **Legal Entity Identifier**: The Issuer's Legal Entity Identifier number is 300300FPZCH0LT8BJ154.

2. **Clearing Systems**: The Bonds have been accepted for clearance through the CMU. The ISIN for the Bonds is HK0001366225, the Common Code is 353683454 and the CMU Instrument Number is BCHKFB26049.

3. **Authorisations**: The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer on 2 November 2026 and a shareholder's resolution of the Issuer on 26 June 2026. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 26 June 2026. The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations and completed all necessary filings and registrations in connection with the issue of the Bonds and the giving of the Guarantee, except for (i) the filing of the requisite information and documents on the issuance of the Bonds with the NDRC within 10 PRC Business Days after the Issue Date, and (ii) the registration of the Deed of Guarantee with SAFE within 15 PRC Business Days after the date of execution of the Deed of Guarantee and in any event before the SAFE Registration Deadline.

4. **No Material Adverse Change**: There has been no material adverse change, or any development likely to involve an adverse change, in the financial or trading position or to the condition (financial or otherwise), prospects, results of operations, capitalisation, profitability, business, properties, general affairs or management of the Issuer, the Company or the Group since 30 June 2026.

5. **Litigation**: Save as disclosed in the Offering Circular, neither the Issuer nor the Company nor any member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Company believes are material in the context of the Bonds nor is the Issuer or the Company aware that any such proceedings are pending or threatened.

6. **Available Documents**: For so long as any Bond is outstanding, copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement will be available for inspection by the Bondholders at all reasonable times during normal hours (being between 9:00 a.m. and 3:00 p.m.) on any weekday (Saturdays, Sundays and public holidays excepted) at the principal office of the Trustee (being at the Issue Date at 5/F, Bank of China Building, 2A Des Voeux Road Central, Central, Hong Kong) following prior written request and proof of holding satisfactory to the Trustee.The Guarantor prepares and publishes an annual report every year and an interim report semi-annually. Copies of the Guarantor's annual report and interim report in respect of the latest year and period can be obtained from its corporate website.

7. **Audited Financial Statements**: The Guarantor Audited Consolidated Financial Statements have been prepared in accordance with IFRS, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu, certified public accountants, as stated in its report appearing herein.

8. **Listing**: Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. It is expected that the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange will commence on 19 November 2026.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Page

Unaudited Consolidated Financial Statements of the Guarantor for the six months ended 30 June 2026 prepared in accordance with International Financial Reporting Standards(1)

Condensed Consolidated Statement of Profit or Loss F-2
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income F-3
Condensed Consolidated Statement of Financial Position F-4
Condensed Consolidated Statement of Changes in Equity F-6
Condensed Consolidated Statement of Cash Flows F-7
Notes to the Condensed Consolidated Financial Statements F-8

Audited Consolidated Financial Statements of the Guarantor for the year ended 31 December 2025 prepared in accordance with International Financial Reporting Standards(2)

Independent Auditor's Report F-39
Consolidated Statement of Profit or Loss F-44
Consolidated Statement of Profit or Loss and Other Comprehensive Income F-45
Consolidated Statement of Financial Position F-46
Consolidated Statement of Changes in Equity F-48
Consolidated Statement of Cash Flows F-49
Notes to the Consolidated Financial Statements F-50
Supplementary Financial Information F-161

Audited Consolidated Financial Statements of the Guarantor for the year ended 31 December 2024 prepared in accordance with International Financial Reporting Standards(3)

Independent Auditor's Report F-162
Consolidated Statement of Profit or Loss F-167
Consolidated Statement of Profit or Loss and Other Comprehensive Income F-168
Consolidated Statement of Financial Position F-169
Consolidated Statement of Changes in Equity F-171
Consolidated Statement of Cash Flows F-172
Notes to the Consolidated Financial Statements F-173
Supplementary Financial Information F-285

Notes:

(1) The unaudited consolidated financial statements of the Guarantor set out herein have been reproduced from the Guarantor's interim report for the six months ended 30 June 2026 and page reference therein are references to pages set forth in such interim report.

(2) The audited consolidated financial statements of the Guarantor set out herein have been reproduced from the Guarantor's annual report for the year ended 31 December 2025 and page reference therein are references to pages set forth in such annual report.

(3) The audited consolidated financial statements of the Guarantor set out herein have been reproduced from the Guarantor's annual report for the year ended 31 December 2024 and page reference therein are references to pages set forth in such annual report.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2026

	Notes	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Revenue	4	**74,234**	66,822
Other operating income and gains	6	**4,240**	3,391
Operating expenses			
Aircraft fuel		**(29,165)**	(21,411)
Wages, salaries and benefits		**(15,399)**	(14,020)
Depreciation and amortisation		**(13,990)**	(13,328)
Take-off and landing charges		**(9,638)**	(9,622)
Aircraft maintenance		**(3,364)**	(3,276)
Food and beverages		**(2,459)**	(2,274)
Selling and marketing expenses		**(2,327)**	(2,092)
Civil aviation development fund		**(567)**	(575)
Impairment losses on financial assets, net		**(11)**	(30)
Impairment losses on non-financial assets, net		**–**	(3)
Other operating expenses		**(2,737)**	(3,098)
Total operating expenses		**(79,657)**	(69,729)
Operating (loss)/income		**(1,183)**	484
Share of result of associates		**149**	143
Share of result of joint ventures		**–**	17
Finance income		**617**	41
Finance costs	7	**(1,871)**	(2,216)
Loss before tax		**(2,288)**	(1,531)
Income tax expense	9	**(128)**	(61)
Loss for the period		**(2,416)**	(1,592)
Loss for the period attributable to:			
Owners of the Company		**(2,179)**	(1,431)
Non-controlling interests		**(237)**	(161)
		(2,416)	(1,592)
Loss per share attributable to the owners of the Company:			
– Basic (RMB Yuan)	11	**(0.11)**	(0.06)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2026

	Notes	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Loss for the period		**(2,416)**	(1,592)
Other comprehensive (expense)/income			
Item that may be reclassified subsequently to profit or loss			
Fair value loss on hedging instruments designated in cash flow hedges		**(29)**	(22)
Items that may not be reclassified subsequently to profit or loss			
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")	8	**(43)**	17
Share of other comprehensive income/(expense) of associates and joint ventures, net of tax		**1**	(2)
Actuarial loss on the post-retirement benefit obligations, net of tax		**(53)**	(12)
Other comprehensive expense, net of tax		**(124)**	(19)
Total comprehensive expense for the period		**(2,540)**	(1,611)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(2,297)**	(1,450)
Non-controlling interests		**(243)**	(161)
		(2,540)	(1,611)

The notes on pages 15 to 45 are an integral part of this interim condensed consolidated financial information.

Condensed Consolidated Statement of Financial Position

As at 30 June 2026

	Notes	**30 June 2026 RMB million (unaudited)**	31 December 2025 RMB million (audited)
Non-current assets			
Property, plant and equipment	13	**107,369**	107,244
Investment properties		**101**	111
Right-of-use assets	14	**126,114**	123,709
Intangible assets		**11,967**	11,944
Advanced payments on acquisition of aircraft		**14,395**	11,215
Investments in associates		**2,443**	2,399
Investments in joint ventures		**191**	191
Equity investments designated at FVTOCI		**1,485**	1,543
Deferred tax assets	15	**7,026**	6,996
Other non-current assets		**2,569**	3,218
		273,660	268,570
Current assets			
Flight equipment spare parts		**2,913**	2,695
Trade and bills receivables	16	**2,934**	2,091
Prepayments and other receivables	17	**14,627**	13,296
Financial assets at fair value through profit or loss ("FVTPL")		**86**	124
Derivative financial instruments		**–**	3
Restricted bank deposits		**93**	63
Cash and cash equivalents		**5,507**	7,164
		26,160	25,436
Current liabilities			
Trade and bills payables	18	**21,988**	23,435
Other payables and accruals	19	**23,279**	22,379
Contract liabilities		**13,167**	11,396
Current portion of borrowings	20	**50,216**	49,411
Current portion of lease liabilities		**16,373**	16,623
Income tax payable		**105**	29
Derivative financial instruments		**63**	28
Current portion of provision for lease return costs for aircraft and engines		**819**	390
		126,010	123,691
Net current liabilities		**(99,850)**	(98,255)
Total assets less current liabilities		**173,810**	170,315

Condensed Consolidated Statement of Financial Position

As at 30 June 2026

	Notes	**30 June 2026 RMB million (unaudited)**	31 December 2025 RMB million (audited)
Non-current liabilities			
Borrowings	20	**60,006**	52,409
Lease liabilities		**62,644**	63,680
Provision for lease return costs for aircraft and engines		**8,321**	8,935
Contract liabilities		**994**	908
Post-retirement benefit obligations		**2,015**	1,991
Other long-term liabilities		**896**	1,301
Deferred tax liabilities	15	**1**	1
		134,877	129,225
Net assets		**38,933**	41,090
Equity			
Share capital	21	**22,088**	22,088
Perpetual bond		**25,415**	25,067
Reserves		**(9,799)**	(7,154)
Treasury Shares		**(58)**	–
Equity attributable to owners of the Company		**37,646**	40,001
Non-controlling interests		**1,287**	1,089
Total equity		**38,933**	41,090

The notes on pages 15 to 45 are an integral part of this interim condensed consolidated financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2026

	Attributable to owner of the Company							
	Share capital RMB million	Perpetual bond RMB million	Treasury shares RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2026 (audited)	**22,088**	**25,067**	**–**	**52,190**	**(59,344)**	**40,001**	**1,089**	**41,090**
Loss for the period	–	–	–	–	(2,179)	(2,179)	(237)	(2,416)
Other comprehensive expense	–	–	–	(118)	–	(118)	(6)	(124)
Total comprehensive expense for the period	**–**	**–**	**–**	**(118)**	**(2,179)**	**(2,297)**	**(243)**	**(2,540)**
Distribution to holders of perpetual bond	–	348	–	–	(348)	–	–	–
Repurchase of shares	–	–	(58)	–	–	(58)	–	(58)
Capital injection by non-controlling interests in a subsidiary	–	–	–	–	–	–	441	441
Balance at 30 June 2026 (unaudited)	**22,088**	**25,415**	**(58)**	**52,072**	**(61,871)**	**37,646**	**1,287**	**38,933**

	Attributable to owner of the Company							
	Share capital RMB million	Perpetual bond RMB million	Treasury shares RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2025 (audited)	22,291	25,067	(20)	52,447	(57,011)	42,774	877	43,651
Loss for the period	–	–	–	–	(1,431)	(1,431)	(161)	(1,592)
Other comprehensive expense	–	–	–	(19)	–	(19)	–	(19)
Total comprehensive expense for the period	–	–	–	(19)	(1,431)	(1,450)	(161)	(1,611)
Distribution to holders of perpetual bond	–	348	–	–	(348)	–	–	–
Repurchase of shares	–	–	(522)	–	–	(522)	–	(522)
Capital injection by non-controlling interests in a subsidiary	–	–	–	–	–	–	500	500
Balance at 30 June 2025 (unaudited)	22,291	25,415	(542)	52,428	(58,790)	40,802	1,216	42,018

The notes on pages 15 to 45 are an integral part of this interim condensed consolidated financial information.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2026

	Note	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Cash flow from operating activities			
Cash generated from operations	25	**10,747**	12,634
Income tax paid		**(50)**	(87)
Net cash generated from operating activities		**10,697**	12,547
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment and other non-current assets		**495**	88
Proceeds on disposal of interest in an associate		**200**	86
Withdrawal of restricted bank deposits		**140**	–
Dividends received		**20**	2
Purchase of property, plant and equipment and other non-current assets		**(13,742)**	(7,808)
Placement of restricted bank deposits		**(150)**	(38)
Purchase of equity instruments at FVTOCI		**–**	(132)
Refund of prepayments for financial leasing of aircraft		**1,962**	3,976
Net cash used in investing activities		**(11,075)**	(3,826)
Cash flows from financing activities			
Proceeds from draw-down of long-term bank loans		**23,091**	18,200
Proceeds from draw-down of short-term bank loans		**23,004**	26,846
Proceeds from issuance of short-term debentures		**21,000**	10,000
Proceeds of capital injection from non-controlling interests		**441**	500
Proceeds from issuance of long-term debentures		**–**	4,000
Repayments of short-term bank loans		**(27,600)**	(34,707)
Repayments of long-term bank loans		**(23,002)**	(16,263)
Repayments of principal of lease liabilities		**(8,126)**	(9,355)
Repayments of short-term debentures		**(5,000)**	(2,000)
Repayments of long-term debentures		**(3,000)**	(3,500)
Interest paid		**(1,905)**	(2,421)
Repurchase of treasury shares		**(58)**	(522)
Net settlement relating to derivative financial instruments		**(35)**	7
Net cash used in financing activities		**(1,190)**	(9,215)
Net decrease in cash and cash equivalents		**(1,568)**	(494)
Cash and cash equivalents at beginning of the period		**7,164**	4,072
Exchange differences on cash and cash equivalents		**(89)**	21
Cash and cash equivalents at the end of the period		**5,507**	3,599

The notes on pages 15 to 45 are an integral part of this interim condensed consolidated financial information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

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.

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 August 2026.

2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with *IAS 34 Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

For the six months ended 30 June 2026, the Group incurred net loss of RMB2.42 billion. As at 30 June 2026, the Group's current liabilities exceeded its current assets by approximately RMB99.85 billion. In preparing the financial statements, the Board has conducted a detailed review over the Group's going concern ability based on its unutilised banking facilities, financial condition and operating results. The Board has also considered the following factors:

- Sufficient unutilised banking facilities as at 30 June 2026;
- 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.

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 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 six months ended 30 June 2026 on a going concern basis.

3 Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than change in accounting policies resulting from application of amendments to IFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2026 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2025.

(a) Application of amendments to IFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11

The application of the amendments to IFRS Accounting Standards in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements, except the Group has provided additional disclosures of investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI as required by the amended IFRS 7. Such disclosures are set out in Notes 8.

4 Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Revenue from contracts with customers	**74,096**	66,713
Revenue from other sources		
– Rental income	**138**	109
	74,234	66,822

4 Revenue *(continued)*

Disaggregated revenue from contracts with customers:

For the six months ended 30 June 2026

	Airline transportation operations RMB million (unaudited)	**Others RMB million (unaudited)**	**Total RMB million (unaudited)**
Types of goods or services			
Traffic revenues			
– Passenger	**68,594**	**–**	**68,594**
– Cargo and mail	**3,130**	**–**	**3,130**
Ticket cancellation and commission	**1,053**	**–**	**1,053**
Ground service income	**481**	**–**	**481**
Others	**667**	**171**	**838**
Total revenue from contracts with customers	**73,925**	**171**	**74,096**

For the six months ended 30 June 2025

	Airline transportation operations RMB million (unaudited)	Others RMB million (unaudited)	Total RMB million (unaudited)
Types of goods or services			
Traffic revenues			
– Passenger	61,813	–	61,813
– Cargo and mail	2,577	–	2,577
Ticket cancellation and commission	1,161	–	1,161
Ground service income	417	–	417
Others	573	172	745
Total revenue from contracts with customers	66,541	172	66,713

5 Segment information

The chief operating decision maker ("CODM") is identified as the office of the General Manager, who reviews the Group's internal reporting in order to assess performance and allocate resources. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, who has been identified as the office of the General Manager that makes strategic decisions.

The Group has two reportable segments. "Airline transportation operations" mainly 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 presented under the "other segments" column.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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 IFRS Accounting Standards in certain aspects. Segment revenue and loss before income tax are the same as the consolidated figures as reported in the interim condensed consolidated financial statement for the six months ended 30 June 2026 and 2025. The difference between reportable segment assets and consolidated figures as reported in the interim condensed consolidated financial statements, arising from different accounting policies is set out in Note (i) below.

5 Segment information *(continued)*

The segment results for the six months ended 30 June 2026 were as follows:

	Airline Transportation operations RMB million (unaudited)	Other segments RMB million (unaudited)	Eliminations RMB million (unaudited)	Unallocate RMB million (unaudited)	Total RMB million (unaudited)
Segment revenue					
Reportable segment revenue from external customers	**74,063**	**171**	**–**	**–**	**74,234**
Inter-segment sales	**–**	**630**	**(630)**	**–**	**–**
Reportable segment revenue	**74,063**	**801**	**(630)**	**–**	**74,234**
Reportable segment (loss)/income before tax	**(2,138)**	**(375)**	**–**	**225**	**(2,288)**
Reportable segment income tax expense	**(122)**	**(6)**	**–**	**–**	**(128)**
Reportable segment (loss)/income	**(2,260)**	**(381)**	**–**	**225**	**(2,416)**
Other segment information					
Depreciation and amortisation	**13,826**	**164**	**–**	**–**	**13,990**
Impairment losses on financial assets, net	**11**	**–**	**–**	**–**	**11**
Impairment charges	**–**	**–**	**–**	**–**	**–**
Interest income	**41**	**3**	**(12)**	**–**	**32**
Interest expenses	**1,869**	**14**	**(12)**	**–**	**1,871**
Share of result of associates	**–**	**–**	**–**	**149**	**149**
Share of result of joint ventures	**–**	**–**	**–**	**–**	**–**

5 Segment information *(continued)*

The segment results for the six months ended 30 June 2025 were as follows:

	Airline Transportation operations RMB million (unaudited)	Other segments RMB million (unaudited)	Eliminations RMB million (unaudited)	Unallocate RMB million (unaudited)	Total RMB million (unaudited)
Segment revenue					
Reportable segment revenue from external customers	66,650	172	–	–	66,822
Inter-segment sales	–	545	(545)	–	–
Reportable segment revenue	66,650	717	(545)	–	66,822
Reportable segment (loss)/income before tax	(1,767)	39	–	197	(1,531)
Reportable segment income tax expense	(40)	(21)	–	–	(61)
Reportable segment (loss)/income	(1,807)	18	–	197	(1,592)
Other segment information					
Depreciation and amortisation	13,194	134	–	–	13,328
Impairment losses on financial assets, net	30	–	–	–	30
Impairment charges	3	–	–	–	3
Interest income	49	7	(15)	–	41
Interest expenses	2,209	13	(15)	–	2,207
Share of result of associates	–	–	–	143	143
Share of result of joint ventures	–	–	–	17	17

5 Segment information *(continued)*

The segment assets and liabilities as at 30 June 2026 and 31 December 2025 were as follows:

	Airline transportation operations RMB million (unaudited)	**Other segments RMB million (unaudited)**	**Eliminations RMB million (unaudited)**	**Unallocated RMB million (unaudited)**	**Total RMB million (unaudited)**
At 30 June 2026					
Reportable segment assets [(i)]	**283,003**	**4,616**	**(1,272)**	**11,231**	**297,578**
Reportable segment liabilities	**259,921**	**2,174**	**(1,272)**	**64**	**260,887**
Capital expenditure	**25,310**	**241**	**(41)**	**–**	**25,510**

	Airline transportation operations RMB million (audited)	Other segments RMB million (audited)	Eliminations RMB million (audited)	Unallocated RMB million (audited)	Total RMB million (audited)
At 31 December 2025					
Reportable segment assets [(i)]	277,189	6,264	(2,945)	11,256	291,764
Reportable segment liabilities	253,086	2,746	(2,945)	29	252,916
Capital expenditure	50,934	336	–	–	51,270

(i) The difference between reportable segment assets and consolidated figures as reported in the consolidated financial statements of RMB2,242 million 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.

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.

5 Segment information *(continued)*

(2) The Group's revenues by geographical area are listed as below:

	For the six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Domestic	**46,425**	44,036
Regional	**1,984**	1,839
International	**25,825**	20,947
	74,234	66,822

(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. Except the aircraft, most non-current assets (except financial instruments) are registered and located in the PRC.

6 Other operating income and gains

	For the six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Co-operation routes income (Note (a))	**2,172**	2,335
Routes subsidy income (Note (b))	**172**	96
Other subsidy income (Note (c))	**628**	692
Gain on disposal of items of property, plant and equipment and right-of-use assets	**810**	40
Compensation from ticket sales agents	**121**	142
Gains on disposal of an associate	**114**	–
Others	**223**	86
	4,240	3,391

Notes:

(a) Co-operation routes income represents subsidies granted by various local authorities and other parties, with which the Group developed certain routes to support the development of local economy. The amounts granted are calculated based on the agreements entered into by all parties.

(b) Routes subsidy income represents subsidies granted by various authorities to support certain international and domestic routes operated by the Group.

(c) Other subsidy income represents subsidies granted by various local authorities based on certain amounts of tax paid and other government grants.

7 Finance costs

	For the six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Interest relating to lease liabilities	**917**	1,115
Interest on borrowings	**815**	1,059
Interest on bonds and debentures	**293**	190
Interest relating to post-retirement benefit obligations	**21**	21
Interest relating to interest rate swap contracts	**–**	(7)
Less: amount capitalised (Note (a))	**(175)**	(171)
	1,871	2,207
Foreign exchange losses, net (Note (b))	**–**	9
	1,871	2,216

Notes:

(a) The weighted average interest rate used for interest capitalisation is 2.57% per annum for the six months ended 30 June 2026 (for the six months ended 30 June 2025: 2.61%).

(b) The exchange losses primarily related to the translation of the Group's foreign currency denominated borrowings and lease liabilities.

8 Fair value (loss)/gain on investments in equity instruments at FVTOCI

	For the six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Fair value (loss)/gain during the period arising from investments in equity instruments held at the end of the period	**(58)**	22
Income tax relating to fair value gain (loss) during the period	**15**	(5)
Total (loss)/gain on equity instruments at FVTOCI recognised in other comprehensive income	**(43)**	17

9 Income tax expense

The amounts of income tax expense recognised in the consolidated income statements represent:

	For the six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Current income tax	**133**	50
Deferred income tax	**(5)**	11
	128	61

10 Dividend

No dividends were paid, declared or proposed during the interim period. The Board have determined that no dividend will be paid in respect of the interim period.

11 Loss per share

The basic loss per share for the six months ended 30 June 2026 is calculated by dividing the loss attributable to owners of the Company, after deducted perpetual bond interests, of RMB2,527 million and the weighted average number of shares of 22,087,736,670 in issue during the six months ended 30 June 2026. The Company had no potentially dilutive options or other financial instruments relating to the ordinary shares in issue for the six months ended 30 June 2026 and 2025.

12 Profit appropriation

No appropriation to the statutory reserves has been made for the six months ended 30 June 2026 and 2025. Such appropriations will be made if the Company make profit at year end after offsetting accumulated losses, in accordance with the relevant PRC regulations and the Articles of Association of individual group companies.

13 Property, plant and equipment

	Aircraft, engines and flight equipment RMB million (unaudited)	Construction in progress RMB million (unaudited)	Others RMB million (unaudited)	Total RMB million (unaudited)
Carrying amount at 1 January 2026	**88,997**	**3,320**	**14,927**	**107,244**
Additions	**6,565**	**710**	**154**	**7,429**
Transfer from construction in progress	**–**	**(42)**	**42**	**–**
Transfer from investment properties	**–**	**–**	**3**	**3**
Transfer to intangible assets	**–**	**(13)**	**–**	**(13)**
Transfer to right-of-use assets (Note 14)	**–**	**(99)**	**–**	**(99)**
Depreciation charges	**(5,799)**	**–**	**(603)**	**(6,402)**
Disposals	**(2)**	**(12)**	**(779)**	**(793)**
Carrying amount at 30 June 2026	**89,761**	**3,864**	**13,744**	**107,369**
Carrying amount at 1 January 2025	85,683	2,737	14,910	103,330
Additions	3,258	1,085	109	4,452
Transfer from construction in progress	–	(122)	122	–
Transfer from right-of-use assets (Note 14)	4,044	–	–	4,044
Transfer from investment properties	–	–	2	2
Transfer to right-of-use assets (Note 14)	–	(101)	–	(101)
Transfer to intangible Assets	–	(28)	–	(28)
Depreciation charges	(5,501)	–	(571)	(6,072)
Disposals	(41)	(9)	(5)	(55)
Carrying amount at 30 June 2025	87,443	3,562	14,567	105,572

As at 30 June 2026, the Group incurred net loss and the Company performed the impairment tests of aircraft and engines. For the purpose of impairment test, the aircraft and engines and other assets (including property, plant and equipment, right-of-use assets, construction in progress and intangible assets) were all allocated to the CGU of airline transportation operations that the Group operates. The recoverable amount of the CGU has been determined based on the present value of future cash flows.

The key assumptions for revenue growth rates and gross margin rates are based on the past performances and market development expectations. The revenue growth rates within forecast period based on financial budgets approved by managements covering a five-year period. The terminal growth rate beyond the five-year period were extrapolated using a 1.5%. The discount rate used are pre-tax rates which are 10.8%.

14 Right-of-use assets

	Aircraft, engines and flight equipment RMB million (unaudited)	Others RMB million (unaudited)	Total RMB million (unaudited)
Carrying amount at 1 January 2026	**116,736**	**6,973**	**123,709**
Additions	**9,289**	**534**	**9,823**
Transfer from construction in progress	**–**	**99**	**99**
Disposals	**(82)**	**(327)**	**(409)**
Depreciation provided during the period	**(6,410)**	**(698)**	**(7,108)**
Carrying amount at 30 June 2026	**119,533**	**6,581**	**126,114**
Carrying amount at 1 January 2025	108,298	4,135	112,433
Additions	11,685	2,379	14,064
Transfer from construction in progress	–	101	101
Transfer to property, plant and equipment (Note 13)	(4,044)	–	(4,044)
Disposals	–	(9)	(9)
Depreciation provided during the period	(6,048)	(716)	(6,764)
Carrying amount at 30 June 2025	109,891	5,890	115,781

15 Deferred tax assets and liabilities

For the purposes of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Deferred tax assets	**7,026**	6,996
Deferred tax liabilities	**1**	1
Net deferred income tax assets	**7,025**	6,995

15 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:

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Deferred tax assets:		
Loss available for offsetting against future taxable profits	**4,940**	4,940
Lease liabilities	**5,569**	5,851
Provision for lease return costs for aircraft and engines	**1,870**	1,900
Impairment provision for receivables	**104**	102
Impairment provision for flight equipment spare parts	**101**	101
Other payables and accruals	**49**	40
Impairment provision for property, plant and equipment	**18**	18
Derivative financial instruments	**16**	7
Others	**217**	209
	12,884	13,168
Deferred tax liabilities:		
Right-of-use assets	**(5,822)**	(6,028)
Equity investments designated at FVTOCI	**(37)**	(52)
Derivative financial instruments	**–**	(1)
Others	**–**	(92)
	(5,859)	(6,173)
	7,025	6,995

As at 30 June 2026, management carried out an assessment to determine whether future taxable profits will be available to utilise the tax losses and deductible temporary differences. A deferred tax asset of RMB4,940 million (31 December 2025: RMB4,940 million) in respect of tax losses of RMB20,391 million (31 December 2025: RMB20,391 million) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB63,795 million (2025: RMB61,907 million) which relate to the Group that have been loss-making for some years and it is not considered probable that sufficient taxable profits will be available in the near future against which the tax losses can be utilised. The Group's tax losses carried forward will expire between 2026 and 2031.

16 Trade and bills receivables

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

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Trade and bills receivables	**3,031**	2,185
Less: Allowance for credit losses	**(97)**	(94)
	2,934	2,091

The ageing analysis of the trade and bills receivables, as at the end of the reporting period, based on the invoice/billing date, was as follows:

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Within 90 days	**2,916**	2,050
91 to 180 days	**35**	61
181 to 365 days	**15**	4
Over 365 days	**65**	70
	3,031	2,185

17 Prepayments and other receivables

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Value added tax recoverable	**8,872**	8,624
Subsidy receivable	**2,746**	2,173
Relocation and demolition compensation receivable	**743**	–
Advance to suppliers	**378**	564
Rebate receivables on aircraft acquisitions	**413**	512
Amounts due from related parties	**593**	558
Other deposits	**184**	170
Prepaid corporate income tax	**46**	54
Others	**1,047**	1,029
	15,022	13,684
Provision for impairment of other receivables	**(395)**	(388)
	14,627	13,296

18 Trade and bills payables

The ageing analysis of the trade and bills payables, as at the end of the reporting period, based on the transaction date, was as follows:

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Within 90 days	**14,881**	13,031
91 to 180 days	**6,052**	6,393
181 to 365 days	**943**	3,813
1-2 years	**14**	25
Over 2 years	**98**	173
	21,988	23,435

As at 30 June 2026, bills payables of the Group amounted to RMB17,345 million (31 December 2025: RMB20,513 million).

19 Other payables and accruals

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Salaries, wages and benefits	**2,849**	3,617
Take-off and landing charges	**2,446**	2,607
Expenses related to aircraft overhaul conducted	**3,319**	1,844
Duties and levies payable	**1,352**	1,892
Other accrued operating expenses	**2,156**	2,256
Fuel cost	**3,840**	2,056
Payable for system services	**1,491**	1,794
Food and beverages	**1,485**	1,254
Payable for purchase of property, plant and equipment	**344**	515
Other deposit	**481**	496
Pending output value added tax	**404**	382
Current portion of other long-term liabilities	**137**	206
Deposits received from ticket sales agents	**266**	291
Amounts due to related parties	**106**	108
Current portion of post-retirement benefit obligations	**181**	188
Others	**2,422**	2,873
Total	**23,279**	22,379

20 Borrowings

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Non-current:		
Long-term bank borrowings (Note (a))		
– secured	**13,941**	14,899
– unsecured	**34,565**	26,010
Unsecured bonds (Note (b))	**11,500**	11,500
	60,006	52,409
Current:		
Current portion of long-term borrowings (Note (a))		
– secured	**1,852**	1,860
– unsecured	**5,588**	13,065
Guaranteed bonds (Note (b))	**4,189**	4,262
Current portion of unsecured bonds (Note (b))	**100**	3,164
Short-term bank borrowings (Note (c))		
– unsecured	**17,403**	22,038
Short-term debentures (Note (d))	**21,084**	5,022
	50,216	49,411
	110,222	101,820

Notes:

(a) Long-term bank borrowings carry interests at 1.70% to 2.60% and are repayable from 2026 to 2045.

As at 30 June 2026, the secured bank borrowings of the Group were secured by the related aircrafts with a net carrying amount of RMB19,966 million (31 December 2025: RMB20,108 million).

(b) Detailed bonds are listed below:

	Issue date	Principal	Notes	Interest rate
Ten-year corporate bonds	2016/10/24	RMB1,500 million	(i)	3.30%
Ten-year corporate bonds	2021/03/11	RMB3,000 million	(ii)	3.95%
Five-year credit enhanced bonds	2021/07/15	SGD500 million	(iii)	2.00%
Three-year medium-term bonds	2025/02/25	RMB2,000 million	(iv)	1.89%
Three-year medium-term bonds	2025/04/21	RMB2,000 million	(v)	1.74%
Three-year medium-term bonds	2025/11/19	RMB2,000 million	(vi)	1.79%
Three-year medium-term bonds	2025/11/21	RMB2,000 million	(vii)	1.80%
Three-year medium-term bonds	2025/11/24	RMB1,500 million	(viii)	1.80%
Three-year medium-term bonds	2025/12/05	RMB2,000 million	(ix)	1.88%

20 Borrowings *(continued)*

Notes: *(continued)*

(b) Detailed bonds are listed below: *(continued)*

(i) On 24 October 2016, the Company issued ten-year corporate bonds with a total principal amount of RMB1.5 billion. The bonds bear interest at the rate of 3.30% per annum. Which 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 23(d)).

(ii) 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 Company has called the bond on 12 March 2026.

(iii) 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 matured and became 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.

(iv) On 25 February 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.89% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 26 February 2028.

(v) On 21 April 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.74% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 22 April 2028.

(vi) On 19 November 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.79% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 20 November 2028.

(vii) On 21 November 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.80% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 24 November 2028.

(viii) On 24 November 2025, 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 1.80% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 25 November 2028.

(ix) On 5 December 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.88% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 8 December 2028.

(c) The interest rates relating to the short-term bank borrowings were 0.69% to 2.11%.

(d) As at 30 June 2026, detailed short-term debentures were listed below:

	Principal	Maturity	Issue date	Interest rate
2026 1st Short-term debentures	RMB 2 billion	266 days	2026/1/6	1.55%
2026 2nd Short-term debentures	RMB 3 billion	270 days	2026/1/13	1.56%
2026 3rd Short-term debentures	RMB 2 billion	268 days	2026/1/20	1.56%
2026 4th Short-term debentures	RMB 2 billion	159 days	2026/3/13	1.50%
2026 5th Short-term debentures	RMB 3 billion	160 days	2026/3/17	1.50%
2026 6th Short-term debentures	RMB 3 billion	240 days	2026/5/22	1.35%
2026 7th Short-term debentures	RMB 3 billion	240 days	2026/5/26	1.35%
2026 8th Short-term debentures	RMB 3 billion	245 days	2026/5/27	1.35%

21 Share capital

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Registered, issued and fully paid of RMB1.00 each		
A shares listed on The Shanghai Stock Exchange ("A Shares")	**17,025**	17,025
H shares listed on The Stock Exchange of Hong Kong Limited ("H Shares")	**5,063**	5,063
	22,088	22,088

	30 June 2025 RMB million (unaudited)	31 December 2024 RMB million (audited)
Registered, issued and fully paid of RMB1.00 each		
A shares listed on The Shanghai Stock Exchange ("A Shares")	**17,114**	17,114
H shares listed on The Stock Exchange of Hong Kong Limited ("H Shares")	**5,177**	5,177
	22,291	22,291

Pursuant to articles 31 and 33 of the Company's articles of association, both the listed A shares and listed H shares are registered ordinary shares and carry equal rights.

22 Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Contracted for:		
– Aircraft, engines and flight equipment (Note)	**107,587**	78,867
– Other property, plant and equipment	**3,234**	5,152
– Investments	**3**	3
	110,824	84,022

22 Commitments *(continued)*

Note:

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:

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Within one year	**27,376**	22,548
In the second year	**11,578**	15,101
In the third year	**13,995**	24,075
Over three years	**54,638**	17,143
	107,587	78,867

23 Related party transactions

The Group is controlled by CEA Holding, which directly owns 41.15% of the Company's shares as at 30 June 2026 (31 December 2025: 40.11%). In addition, through CES Global Holdings (Hong Kong) Limited and China Eastern Industrial Finance Investment Management Co., Ltd (formerly known as "CES Finance Holding Co., Limited"), two wholly-owned subsidiaries of CEA Holding, CEA Holding indirectly owns additional shares of the Company of approximately 12.58% and 2.07% respectively as at 30 June 2026 (31 December 2025: 12.58% and 2.07%).

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. Related parties of the Company include CEA Holding and its subsidiaries (other than the Group), other government-related entities and their subsidiaries ("Other State-owned Enterprises") or vice versa, 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.

Apart from above transactions with CEA Holding and its subsidiaries, the Company has collectively, but not individually significant transactions with Other State-owned Enterprises, which include but are not limited to rendering and receiving services, sales and purchases of goods, properties and other assets, lease of assets, depositing and borrowing money, and use of public utilities. The transactions between the Company and Other State-owned Enterprises are conducted in the ordinary course of the Group's business within normal business operations. The Company has established its approval process for providing of services, purchase of products, properties and services, purchase of lease service and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

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.

23 Related party transactions *(continued)*

(a) Nature of related parties that do not control or controlled by the Group:

Name of related parties	Relationship with the Group
Eastern Air Group Finance Co., Ltd. ("Eastern Air Finance Company")	Associate of the Company
Shanghai Collins Aviation Maintenance Service Co., Ltd. ("Collins Aviation")	Associate of the Company
Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd. ("Shanghai P&W")	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
Xi'an Civil Aviation Kaiya Technology Co., Ltd. ("Xian Kaiya")	Associate of the Company
CAE Melbourne Flight Training Pty Limited ("CAE Melbourne")	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
Eastern Air Logistics Co., Ltd. and its subsidiaries ("Eastern Logistics")	Controlled by the same parent company
China Eastern Airlines Assets Investment Management Co., Ltd. and its subsidiaries ("CEA Asset")	Controlled by the same parent company
CES International Financial Leasing Corporation Limited and its subsidiaries ("CES Lease Company")	Controlled by the same parent company
China Eastern Industrial Finance Investment Management Co., Ltd and its subsidiaries ("CES Industrial Finance")	Controlled by the same parent company
China Eastern Airlines (Hangzhou) Flight Training Co., Ltd. ("CES Hangzhou Training")	Controlled by the same parent company
TravelSky Technology Limited ("TravelSky")	A key management personnel of the Company is a director of Travelsky
Air France-KLM Group ("AFK")	A key management personnel of the Company is a director of AFK
China Aviation Supplies Holding Company and its subsidiaries ("CASC")	A key management personnel of the Company is a director of CASC
Boeing Shanghai Aviation Services Co., Ltd. ("Boeing Shanghai")	A key management personnel of the Company is a director of Boeing Shanghai
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

Note:

On 26 December 2025, the Group acquired the 49% equity interest in China Eastern Airlines Aircraft Maintenance Engineering (Shanghai) Co., Ltd. (("CEA Maintenance") formerly known as Shanghai Technologies Aerospace Co., Ltd.) from Singapore Technologies Aerospace Ltd. CEA Maintenance became a wholly-owned subsidiary of the Group.

23 Related party transactions *(continued)*

(b) Related party transactions

Nature of transactions	Related parties	Pricing policy and decision Process	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Purchase of goods and services				
Payments on food and beverages*	Eastern Air Catering	(i)	**1,655**	1,586
Repairs and maintenance expense for aircraft and engines	Shanghai P&W	(i)	**2,525**	2,074
	CEA Maintenance	(i)	**–**	152
	XIESA	(i)	**101**	101
Payments on conference and training services	CES Hangzhou Training	(i)	**6**	11
Payments on system services	Xian Kaiya	(i)	**–**	4
	China Kaiya	(i)	**3**	–
Equipment maintenance fee*	Collins Aviation	(i)	**17**	14
Automobile maintenance service, aircraft maintenance, providing transportation automobile and other products*	CEA Asset	(i)	**44**	48
Property management and green maintenance expenses*	CEA Asset	(i)	**77**	87
Payments on hotel accommodation service*	CEA Asset	(i)	**89**	95
	Shanghai Airlines Tours	(i)	**36**	38
Aviation Internet services*	Air Ground Internet	(i)	**67**	43
Financial services fees*	Eastern Air Finance Company	(iii)	**9**	1
Payments on construction and management agent*	CEA Asset	(i)	**3**	6
Civil aviation information network services**	TravelSky	(i)	**337**	695

23 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transactions	Related parties	Pricing policy and decision Process	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Purchase of goods and services *(continued)*				
Payments on aviation transportation cooperation and support services**	AFK	(i)	**4**	4
Flight equipment spare parts maintenance and support services	AFK	(i)	**29**	39
	Boeing Shanghai	(i)	**9**	–
	CASC	(i)	**150**	–
Payments on logistics services	Eastern Logistics	(i)	**81**	74
Cargo terminal business support services*	Eastern Logistics	(i)	**250**	213
Bellyhold container management	Eastern Logistics	(i)	**8**	8
Provision of services				
Exclusive operation transportation in relation to the passenger aircraft cargo business*	Eastern Logistics	(i)	**3,130**	2,577
Freight logistics support services*	Eastern Logistics	(i)	**213**	154
Provision of services	CEA Asset	(i)	**14**	–
Aviation transportation cooperation and support services**	AFK	(i)	**17**	17
	Juneyao Air	(i)	**1**	5
Flight equipment spare parts maintenance and support services	Juneyao Air	(i)	**13**	9
Provision of services	Eastern Air Catering	(i)	**4**	–
Sale of Goods	Eastern Air Catering	(i)	**41**	23

23 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transactions	Related parties	Pricing policy and decision Process	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Provision of services *(continued)*				
Software system and support services	Eastern Logistics	(i)	**21**	10
Transfer of pilots	Eastern Logistics	(i)	**136**	52
Sale of Internet products	Air Ground Internet	(i)	**8**	6
Provision of services	Shanghai Airlines Tours	(i)	**1**	4
	Collins Aviation	(i)	**–**	5
	CEA Maintenance	(i)	**–**	7
Provision of aviation material import services	XIESA	(i)	**9**	14
Rental Income				
Rental income from cargo stations*	Eastern Logistics	(ii)	**46**	48
Rental income from land and buildings*	Eastern Air Catering	(ii)	**12**	12
	CASC	(ii)	**2**	–
	Boeing Shanghai	(ii)	**2**	–
	Juneyao Air	(ii)	**1**	2
	CEA Holding	(ii)	**–**	2
Rental income from intangible assets	Eastern Logistics	(ii)	**3**	3
Lease Payments				
Lease Payments for land and buildings	CEA Asset	(ii)	**54**	38
	Eastern Air Catering	(ii)	**1**	1
	Eastern Logistics	(ii)	**1**	1
	CEA Holding	(ii)	**21**	–
Lease payments for special vehicle and equipment	CEA Asset	(ii)	**123**	82
Settlements of lease liabilities on aircraft and engines	CES Lease Company	(ii)	**3,613**	3,233

23 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transactions	Related parties	Pricing policy and decision Process	For the six months ended 30 June 2026 RMB million (unaudited)	2025 RMB million (unaudited)
Addition in right-of-use assets on new leases				
Aircraft and engines*	CES Lease Company	(ii)	**2,373**	6,678
Ground assets	CEA Asset	(ii)	**150**	127
	CEA Holding	(ii)	**–**	50
Land and buildings	CEA Asset	(ii)	**–**	32
	CASC	(ii)	**–**	2
Interest on lease liabilities				
Aircraft and engines*	CES Lease Company	(ii)	**299**	303
Land and buildings*	CEA Asset	(ii)	**1**	5
Ground assets*	CEA Asset	(ii)	**9**	4
Interest expense				
Interest expense on loans	CEA Holding	(iii)	**99**	51
	Eastern Air Finance Company	(iii)	**4**	5
Interest income				
Interest income on deposits	Eastern Air Finance Company	(iii)	**24**	24
Perpetual bond				
Distribution to holders of perpetual bond	CEA Holding	(iii)	**348**	348
Asset sales or purchases				
Sale of land and buildings	CEA Asset	(i)	**134**	–
	Eastern Logistics	(i)	**138**	–
Purchase 49% equity of Shanghai Eastern Supply Chain Management Co., Ltd.	Eastern Logistics	(i)(iv)	**200**	–
Sale of fixed assets	CEA Holding	(i)	**–**	83

23 Related party transactions *(continued)*

(b) Related party transactions *(continued)*

(i) The Group's pricing policies on goods and services purchased from and provided to related parties are mutually agreed between contract parties.

(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.

(iv) The Company entered into an equity transfer agreement on 9 February 2026 with Eastern Logistics. Under the agreement, the Company transferred its 49% equity interest of its associate Shanghai Eastern Supply Chain Management Co., Ltd. to Eastern Logistics, at a consideration of RMB200.00 million. This transaction had been completed as at 30 June 2026.

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

** This related party transaction constitutes a continuing connected transaction pursuant to the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange.

(c) Balances with related parties

(i) Amounts due from related parties

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Trade receivables		
Eastern Logistics	**970**	687
Eastern Air Catering	**28**	30
Juneyao Air	**4**	6
Others	**14**	21
	1,016	744

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Prepayments and other receivables		
Eastern Air Finance Company	**353**	332
TravelSky	**201**	219
Eastern Air Catering	**32**	–
Others	**7**	7
	593	558
Other Non-current Assets		
XIESA	**1**	4

23 Related party transactions *(continued)*

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

(ii) Amounts due to related parties

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Trade and bills payables, Other payables and accruals		
TravelSky	**1,391**	1,895
Eastern Air Catering	**1,338**	508
Shanghai P&W	**880**	851
CEA Asset	**231**	250
Air Ground Internet	**116**	99
XIESA	**18**	22
CASC	**15**	–
Collins Aviation	**14**	13
CES Hangzhou Training	**7**	–
Shanghai Airlines Tours	**2**	–
Juneyao Air	**1**	1
Others	**1**	6
	4,014	3,645

	30 June 2026 RMB million (unaudited)	31 December 2025 RMB million (audited)
Lease liabilities		
CES Lease Company	**37,195**	37,666
CEA Asset	**661**	699
CEA Holding	**66**	65
Eastern Logistics	**2**	3
Eastern Air Catering	**2**	3
	37,926	38,436
Perpetual bond		
CEA Holding	**25,415**	25,067
Other long-term liabilities		
Eastern Air Catering	**76**	76
Contract liabilities		
CASC	**2**	–

Except 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.

23 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 six months ended 30 June			
	2026	2025	**30 June 2026**	31 December 2025
			RMB million	RMB million
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
Short-term deposits (included in cash and cash equivalents)				
Eastern Air Finance Company	**0.20%**	0.20%	**3,525**	4,172
Short-term borrowings				
Eastern Air Finance Company	**2.08%**	–	**–**	1,500
Long-term borrowings				
CEA Holding	**1.78%**	2.00%	**10,172**	12,500

(d) Guarantees by the holding company

As at 30 June 2026, bonds of the Group guaranteed by CEA Holding amounted to RMB1,535 million (31 December 2025: RMB1,510 million).

24 Fair value measurement of financial instruments

(a) Fair value hierarchy

The Group determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value, the Group uses market-observable data to the extent it is available. The Group establish the appropriate valuation techniques and inputs to the model. The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. The table below analyses the Group's financial instruments carried at fair value as at 30 June 2026 and 31 December 2025 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

Level 1: Fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements are those derived from valuation techniques that include the lowest level inputs which are significant to the fair value measurement for the asset or liability that are not based on observable market data (significant unobservable inputs).

24 Fair value measurement of financial instruments *(continued)*

(a) Fair value hierarchy *(continued)*

As at 30 June 2026 and 31 December 2025, the Group had certain financial assets carried at fair value, including equity investments designated at FVTOCI, listed equity investments recorded as financial assets at FVTPL, and the derivative financial instruments.

As at 30 June 2026

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million (unaudited)	**Significant observable inputs (Level 2) RMB million (unaudited)**	**Significant unobservable inputs (Level 3) RMB million (unaudited)**	**Total RMB million (unaudited)**
Assets				
Equity investments designated at FVTOCI	**150**	**–**	**1,335**	**1,485**
Financial assets at FVTPL	**86**	**–**	**–**	**86**
Total	**236**	**–**	**1,335**	**1,571**
Liability				
Derivative financial instruments – Foreign exchange swaps	**–**	**63**	**–**	**63**

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB million (audited)	Significant observable inputs (Level 2) RMB million (audited)	Significant unobservable inputs (Level 3) RMB million (audited)	Total RMB million (audited)
Assets				
Equity investments designated at FVTOCI	198	–	1,345	1,543
Derivative financial instruments – Jet fuel hedging	–	3	–	3
Financial assets at FVTPL	124	–	–	124
Total	322	3	1,345	1,670
Liability				
Derivative financial instruments – Foreign exchange swaps	–	28	–	28

24 Fair value measurement of financial instruments *(continued)*

(a) Fair value hierarchy *(continued)*

The Group enters into derivative financial instruments, including foreign exchange swaps and jet fuel hedging with various counterparties, principally financial institutions with high credit ratings.

Derivative financial instruments are measured using valuation techniques similar to swap models and using present value calculations. The models incorporate various market observable inputs including the foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and interest rate swaps are the same as their fair values.

As at 30 June 2026, 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 FVTOCI 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.

	Valuation technique	Significant unobservable input	Range
Unlisted equity investments	Valuation multiples	Discount for lack of marketability	30 June 2026: 21% (31 December 2025:21%)

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.

24 Fair value measurement of financial instruments *(continued)*

(a) Fair value hierarchy *(continued)*

The following table presents the changes in level 3 items for the six months ended 30 June 2026:

	Equity investments designated at FVTOCI RMB million
Opening balance as at 31 December 2025 (audited)	**1,345**
Recognised in other comprehensive income – net	**(10)**
Closing balance as at 30 June 2026 (unaudited)	**1,335**

The following table presents the changes in level 3 items for the six months ended 30 June 2025:

	Equity investments designated at FVTOCI RMB million
Opening balance as at 31 December 2024 (audited)	1,213
Recognised in other comprehensive income – net	155
Closing balance as at 30 June 2025 (unaudited)	1,368

During the period, there were no transfers among levels of the fair value hierarchy.

(b) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet.

Management 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.

Differences were identified for the following instruments as at 30 June 2026:

	Carrying amount RMB million (unaudited)	Fair value RMB million (unaudited)
Financial liabilities -		
Long-term borrowings	**60,006**	60,494

The fair values of long-term borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

25 Cash generated from operations

(a) Reconciliation of loss before income tax to net cash generated from operations

	For six months ended 30 June	
	2026	2025
	RMB million	RMB million
	(unaudited)	(unaudited)
Loss for the year before tax	**(2,288)**	(1,531)
Adjustments for:		
Depreciation of property, plant and equipment (Note 13)	**6,402**	6,072
Depreciation of right-of-use assets (Note 14)	**7,108**	6,764
Depreciation of investment properties	**5**	5
Amortisation of other long-term assets	**399**	409
Amortisation of intangible assets	**76**	78
Gains on disposals of property, plant and equipment and other long-term assets, net	**(806)**	(34)
Fair value losses/(gains) on financial assets at FVTPL	**38**	(35)
Losses allowance for trade and other receivables	**11**	30
Provision for impairment of flight equipment spare parts	**–**	3
Interest expenses	**1,871**	2,207
Disposal of an associate	**(114)**	–
Net foreign exchange gains	**(585)**	(49)
Share of results of joint ventures and associates	**(149)**	(160)
Dividend income from Equity investments designated at FVTOCI	**–**	(2)
Changes in working capital:		
Increase in flight equipment spare parts	**(218)**	(311)
Increase in Trade and bills receivables; Prepayments and other receivables;	**(1,454)**	(1,807)
Increase in Contract liabilities; Trade and bills payables; Other payable and accruals; Other long-term liabilities; Post-retirement benefit obligations; Provision for lease return costs for aircraft and engines	**451**	995
Cash generated from operations	**10,747**	12,634
Income tax paid	**(50)**	(87)
Net cash generated from operating activities	**10,697**	12,547

Independent Auditor's Report

Deloitte. 德勤

To the Shareholders of China Eastern Airlines Corporation Limited

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

Opinion

We have audited the consolidated financial statements of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 91 to 207, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), as applicable to audits of the financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As stated in Note 4(a) and Note 20 to the consolidated financial statements, as of 31 December 2025, the balance of the Group's goodwill was RMB11,272 million, which were significant to the financial statements. The Group performs impairment tests of goodwill at least annually. The goodwill was all associated with airline transportation operations unit. When performing the impairment tests, management determined the recoverable amount of the airline transportation operations unit based on the higher of its fair value less costs of disposal and its present value of projected future cash flows. The determination of the present value of projected future cash flows of the airline transportation operations unit was based on key assumptions including revenue growth rates, gross margin rates, discount rate and terminal growth rate, etc., which depended on management's significant estimates and judgements. We identified the impairment of goodwill as a key audit matter since the balances of goodwill was significant, and there were significant management's accounting estimates and judgements involved.	Our procedures in relation to the impairment of goodwill included: • Understanding and evaluating the design and implementation of key internal controls related to impairment tests of goodwill. Testing the operating effectiveness of those key internal controls. • Evaluating the reasonableness of management's inclusion of goodwill in airline transportation operations unit. • Evaluating the reasonableness of management's estimates by comparing the current year's actual financial results with the respective forecasts used in prior year's impairment tests. • Evaluating the reasonableness of the profit forecast used in projected future cash flows by comparing it with the Group's historical data, approved financial budgets and operating plans. • Involving internal valuation specialist to assist in evaluating appropriateness of the method and model used in the impairment tests, and the reasonableness of certain key parameters including discount rate and terminal growth rate, etc.. • Performing sensitivity analysis to evaluate the impact on the impairment of goodwill if there would be reasonable changes in the key parameters which were significant in determining the present value of projected future cash flows.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

Responsibilities of Directors and Those Charged with Governance 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 as issued by the IASB 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.

Those charged with governance 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 skepticism 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2026

Consolidated Statement of Profit or Loss

Year ended 31 December 2025

	Notes	Year ended 31 December 2025 RMB million	2024 RMB million
Revenue	5	**139,941**	132,120
Other operating income and gains	7	**7,459**	6,503
Operating expenses			
Aircraft fuel		**(43,690)**	(45,499)
Wages, salaries and benefits	9	**(29,688)**	(26,552)
Depreciation and amortisation		**(27,894)**	(26,644)
Take-off and landing charges		**(19,342)**	(17,535)
Aircraft maintenance		**(6,576)**	(6,171)
Food and beverages		**(4,631)**	(4,227)
Selling and marketing expenses		**(4,362)**	(3,949)
Civil aviation development fund		**(1,159)**	(1,122)
Ground services and other expenses		**(474)**	(445)
Low value and short-term lease rentals		**(395)**	(26)
Impairment charges	10	**(30)**	(44)
Impairment losses on financial assets, net	11	**(4)**	(38)
Fair value changes of financial assets at fair value through profit or loss ("FVTPL")		**21**	36
Other operating expenses		**(5,303)**	(4,789)
Total operating expenses		**(143,527)**	(137,005)
Operating income	8	**3,873**	1,618
Share of result of associates	23	**245**	225
Share of result of joint ventures	24	**32**	49
Finance income	12	**309**	115
Finance costs	13	**(4,185)**	(5,911)
Profit/(loss) before income tax		**274**	(3,904)
Income tax expense	14	**(2,226)**	(894)
Loss for the year		**(1,952)**	(4,798)
Loss is attributable to:			
Owners of the Company		**(1,633)**	(4,226)
Non-controlling interests		**(319)**	(572)
		(1,952)	(4,798)
Loss per share attributable to the owners of the Company:			
– Basic (expressed in RMB per share)	16	**(0.11)**	(0.19)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2025

	Notes	Year ended 31 December 2025 RMB million	2024 RMB million
Loss for the year		**(1,952)**	(4,798)
Other comprehensive (loss)/income:			
Items that may be subsequently reclassified to profit or loss			
– Effective portion of changes in fair value of hedging instruments arising during the period, net of tax		**(60)**	5
Items that may not be subsequently reclassified to profit or loss			
– Fair value changes of equity investments designated at fair value through other comprehensive loss ("FVTOCI"), net of tax		**(4)**	(81)
– Share of other comprehensive (loss)/income of an associate, net of tax	23	**(2)**	2
– Actuarial gain/(loss) on the post-retirement benefit obligations, net of tax	39	**61**	(152)
Other comprehensive loss for the year, net of tax		**(5)**	(226)
Total comprehensive loss for the year		**(1,957)**	(5,024)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,639)**	(4,441)
Non-controlling interests		**(318)**	(583)
		(1,957)	(5,024)

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 2025

	Notes	31 December 2025 RMB million	31 December 2024 RMB million
Non-current assets			
Property, plant and equipment	17	**107,244**	103,330
Investment properties	18	**111**	96
Right-of-use assets	19(a)	**123,709**	112,433
Intangible assets	20	**11,944**	11,603
Advanced payments on acquisition of aircraft	21	**11,215**	14,986
Investments in associates	23	**2,399**	2,218
Investments in joint ventures	24	**191**	512
Equity investments designated at FVTOCI	25	**1,543**	1,417
Deferred tax assets	28	**6,996**	9,160
Other non-current assets	27	**3,218**	3,984
		268,570	259,739
Current assets			
Flight equipment spare parts	29	**2,695**	1,680
Trade and bills receivables	30	**2,091**	1,949
Prepayments and other receivables	32	**13,296**	11,184
Financial assets at FVTPL	31	**124**	101
Derivative financial instruments	26	**3**	56
Restricted bank deposits	33	**63**	61
Cash and cash equivalents	33	**7,164**	4,072
		25,436	19,103
Current liabilities			
Trade and bills payables	34	**23,435**	14,515
Other payables and accruals	36	**22,379**	20,227
Contract liabilities	35	**11,396**	10,678
Current portion of borrowings	37	**49,411**	49,576
Current portion of lease liabilities	19(b)	**16,623**	16,997
Income tax payable		**29**	71
Derivative financial instruments	26	**28**	–
Current portion of provision for lease return costs for aircraft and engines	38	**390**	1,939
		123,691	114,003
Net current liabilities		**(98,255)**	(94,900)
Total assets less current liabilities		**170,315**	164,839

Consolidated Statement of Financial Position

As at 31 December 2025

	Notes	31 December 2025 RMB million	31 December 2024 RMB million
Non-current liabilities			
Borrowings	37	**52,409**	53,598
Lease liabilities	19(b)	**63,680**	55,852
Provision for lease return costs for aircraft and engines	38	**8,935**	7,619
Contract liabilities	35	**908**	632
Post-retirement benefit obligations	39	**1,991**	2,240
Other long-term liabilities	40	**1,301**	1,246
Deferred tax liabilities	28	**1**	1
		129,225	121,188
Net assets		**41,090**	43,651
Equity attributable to owners of the Company			
– Share capital	41	**22,088**	22,291
– Perpetual bond	42	**25,067**	25,067
– Reserves	43	**(7,154)**	(4,564)
– Treasury Shares		**–**	(20)
		40,001	42,774
Non-controlling interests	22	**1,089**	877
Total equity		**41,090**	43,651

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

Approved and authorised for issue by the Board of Directors on 30 March 2026.

Wang Zhiqing
Chairman

Gao Fei
Vice Chairman, President

Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Note	Attributable to owners of the Company							
		Share capital RMB million	Perpetual bond RMB million	Treasury shares RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
Balance at 31 December 2023		22,291	20,057	–	52,791	(52,185)	42,954	611	43,565
Total equity at 1 January 2024		22,291	20,057	–	52,791	(52,185)	42,954	611	43,565
Comprehensive expense:									
Loss for the year		–	–	–	–	(4,226)	(4,226)	(572)	(4,798)
Other comprehensive expense		–	–	–	(215)	–	(215)	(11)	(226)
Total comprehensive expense		–	–	–	(215)	(4,226)	(4,441)	(583)	(5,024)
Total transaction with owners:									
Issue of perpetual bond	42	–	5,000	–	–	–	5,000	–	5,000
Business combination under common control		–	–	–	(126)	–	(126)	–	(126)
Transactions with non-controlling interest		–	–	–	(3)	–	(3)	–	(3)
Repurchase of shares		–	–	(20)	–	–	(20)	–	(20)
Capital injection by non-controlling interests in subsidiaries		–	–	–	–	–	–	849	849
Interests paid to holders of perpetual bond		–	(590)	–	–	–	(590)	–	(590)
Distribution to holders of perpetual bond		–	600	–	–	(600)	–	–	–
Balance at 31 December 2024		22,291	25,067	(20)	52,447	(57,011)	42,774	877	43,651
Total equity at 1 January 2025		**22,291**	**25,067**	**(20)**	**52,447**	**(57,011)**	**42,774**	**877**	**43,651**
Comprehensive (expense) income:									
Loss for the year		**–**	**–**	**–**	**–**	**(1,633)**	**(1,633)**	**(319)**	**(1,952)**
Other comprehensive (expense)/income		**–**	**–**	**–**	**(6)**	**–**	**(6)**	**1**	**(5)**
Total comprehensive expense		**–**	**–**	**–**	**(6)**	**(1,633)**	**(1,639)**	**(318)**	**(1,957)**
Total transaction with owners:									
Repurchase and cancellation of shares		**(203)**	**–**	**20**	**(420)**	**–**	**(603)**	**–**	**(603)**
Capital injection by non-controlling interests in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**500**	**500**
Interests paid to holders of perpetual bond		**–**	**(700)**	**–**	**–**	**–**	**(700)**	**–**	**(700)**
Distribution to holders of perpetual bond		**–**	**700**	**–**	**–**	**(700)**	**–**	**–**	**–**
Other		**–**	**–**	**–**	**169**	**–**	**169**	**30**	**199**
Balance at 31 December 2025		**22,088**	**25,067**	**–**	**52,190**	**(59,344)**	**40,001**	**1,089**	**41,090**

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 2025

	Note	Year ended 31 December 2025 RMB million	2024 RMB million
Cash flow from operating activities			
Cash generated from operations	44(a)	**37,987**	37,521
Income tax paid		**(46)**	(207)
Net cash generated from operating activities		**37,941**	37,314
Cash flow from investing activities			
Additions to property, plant and equipment and other non-current assets		**(20,793)**	(16,339)
Additions to equity investments designated at FVTOCI		**(132)**	–
Placement of restricted bank deposits		**(52)**	–
Withdrawal of restricted bank deposits		**50**	294
Net proceeds from disposal of a subsidiary		**285**	–
Net proceeds from purchase of a subsidiary		**81**	–
Dividends received		**60**	91
Proceeds from disposal of property, plant and equipment		**1,305**	681
Withdraw of novation of purchase rights		**8,428**	4,097
Net cash used in investing activities		**(10,768)**	(11,176)
Cash flows from financing activities			
Proceeds from perpetual bond		**–**	5,000
Proceeds from draw-down of short-term bank loans		**49,246**	42,803
Proceeds from draw-down of long-term bank loans		**38,753**	10,500
Proceeds from short-term debentures		**23,000**	18,000
Proceeds from long-term debentures and bonds		**11,500**	–
Proceeds from non-controlling interests in subsidiaries		**500**	849
Repayments of short-term bank loans		**(62,949)**	(46,700)
Repayments of long-term bank loans		**(39,500)**	(5,216)
Repayments of short-term debentures		**(18,000)**	(18,000)
Repayments of long-term debentures and bonds		**(3,500)**	(9,000)
Repayments of principal of lease liabilities		**(17,577)**	(25,777)
Repurchase and cancellation of shares		**(603)**	(20)
Interest paid		**(5,009)**	(6,287)
Decrease in an amount due to a jointly-controlled entity		**–**	(126)
Settlement relating to derivative financial instruments		**55**	46
Net cash used in financing activities		**(24,084)**	(33,928)
Net increase/(decrease) in cash and cash equivalents		**3,089**	(7,790)
Cash and cash equivalents at beginning of the year		**4,072**	11,858
Effects of exchange rate changes on cash and cash equivalents		**3**	4
Cash and cash equivalents at end of the year		**7,164**	4,072

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2025

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, also manufacturing and maintenance of aircraft and aviation equipment, agency services, import and export business, tourism and hotel business; and other businesses related to air transportation.

The immediate holding company and ultimate holding company of the Company is China Eastern Air Holding Company Limited ("CEA Holding"), a state-owned enterprise established in the PRC.

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

These financial statements were approved and authorised for issue by the Company's Board of Directors (the "Board") on 30 March 2026.

2. Basis of preparation

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRSs") issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for equity investments designated at FVTOCI, financial assets at FVTPL and derivative financial instruments which have been measured at fair value.

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

(i) Going concern

In 2025, the Group incurred net loss of RMB1,952 million. As at 31 December 2025, the Group's current liabilities exceeded its current assets by approximately RMB98,255 million. In preparing these financial statements, the Board has conducted a detailed review over the Group's going concern ability based on its unutilised banking facilities, financial condition and operating results. The Board has also considered the following factors:

- Sufficient unutilised banking facilities as at 31 December 2025;
- 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 year end date of these financial statements, considering the Group's major operating costs including fuel prices during such period.

2. Basis of preparation *(continued)*

2.1 Basis of preparation *(continued)*

(i) Going concern *(continued)*

The Board believes that the Group has sufficient source of financing to enable it to operate, as well as to meet its liabilities as and when they become due, and to support its capital expenditures in the foreseeable future of not less than twelve months starting from the year end date of these financial statements. Accordingly, the Board continued to prepare the Group's financial statements as of and for the year ended 31 December 2025 on a going concern basis.

3. Application of New and amendments to IFRSs

(i) Amended standards adopted by the Group

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's consolidated financial statements:

Amendments to IAS 21	Lack of Exchangeability

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(ii) New standards and interpretations not yet adopted

The following new and amendments to accounting standards have been published that are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Group:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual periods beginning on or after 1 January 2027

Except for the new IFRSs mentioned below, the Directors anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements.

3. Application of New and amendments to IFRSs *(continued)*

(ii) New standards and interpretations not yet adopted *(continued)*

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRSs, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. IFRS 18 requires retrospective application with specific transaction provision. The application of the new standard is expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

4. 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) Impairment assessment 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 value in use of the cash-generating unit ("CGU") to which the goodwill is allocated to determine the recoverable amount. The cash flow projections used to determine the value in use of a CGU, including the airline transportation operations CGU, is based on significant assumptions, such as revenue growth rates, gross margin rates, discount rate and terminal growth rate, etc., applied to the projected cash flows. (See Note 20)

(b) 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 17.2 to the consolidated financial statements. The recoverable amount of the asset or the CGU has been determined based on the higher of its value in use and its fair value less costs of disposal. When the single asset is hard to estimate, the recoverable amount would calculated as the CGU. The cash flow projections used to determine the value in use of a CGU, including the airline transportation operations CGU, is based on significant assumptions, such as revenue growth rates, 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.

4. Critical accounting estimates and judgements *(continued)*

(c) 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. As at 31 December 2025, the amount of provision is RMB9,325 million (2024: RMB9,558 million) in accordance with the accounting policy stated in Note 38.1.

(d) Depreciation of property, plant and equipment and right-of-use assets

Depreciation of components related to the owned and leased airframe and engine overhaul costs are based on the Group's historical experience with similar airframe and engine models and taking into account anticipated overhauls costs, timeframe between each overhaul, ratio of actual flying hours and estimated flying hours between overhauls. Different judgments or estimates could significantly affect the estimated depreciation charge and the results of operations.

Except for components related to the owned and leased airframe and engine overhaul costs, other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The Group reviews the estimated useful lives of assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Deferred income tax

The Group pays corporate income tax in different regions. There is uncertainty about the final tax treatment of certain transactions and events among the ordinary course of business. The Group needs to make significant judgements when accruing income tax expense in each region. If there is a discrepancy between the final determination of these tax events and the amount originally recorded, the difference will have an impact on the amount of income tax expense and deferred income tax.

As at 31 December 2025, a deferred tax asset of RMB4,940 million (2024: RMB7,223 million) in relation to unused tax losses has been recognised in the consolidated statement of financial position. Addition information is disclosed in Note 28.

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. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. Critical accounting estimates and judgements *(continued)*

(f) Recognition of contract liabilities for frequent flyer programme

Passenger ticket under the Company's frequent flyer programme provide customers with mileage points earned. 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, which is estimated by reference to the quantitative value a program member receives by redeeming mileage points for flights and goods, and the estimated mileage points that are not expected to be redeemed ("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.

(g) Retirement benefits

The Group operates and maintains a defined retirement benefit plan which provides eligible retirees with benefits including retirement subsidies, life 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 39.1 to the consolidated financial statements. These assumptions include, without limitation, the selection of discount rate, mortality and annual rate of increase of per capita benefit payment. The discount rate is based on management's review of government bonds. The Mortality is based on average expected remaining life of eligible participants. The annual rate of increase of benefit payments is based on the general local economic conditions. Additional information regarding the retirement benefit plan is disclosed in Note 39 to the consolidated financial statements.

5. Revenue

	2025	2024
	RMB million	RMB million
Revenue from contracts with customers	**139,729**	131,889
Revenue from other sources		
– Rental income	**212**	231
	139,941	132,120

5. Revenue *(continued)*

Disaggregated revenue from contracts with customers:

For the year ended 31 December 2025

	Airline transportation operations RMB million	**Others operations RMB million**	**Total RMB million**
Types of goods or services			
Traffic revenues			
– Passenger	**129,349**	**–**	**129,349**
– Cargo and mail	**5,457**	**–**	**5,457**
Ticket cancellation and commission service	**2,308**	**–**	**2,308**
Ground service income	**874**	**–**	**874**
Others	**1,348**	**393**	**1,741**
Total revenue from contracts with customers	**139,336**	**393**	**139,729**

For the year ended 31 December 2024

	Airline transportation operations RMB million	Others operations RMB million	Total RMB million
Types of goods or services			
Traffic revenues			
– Passenger	121,483	–	121,483
– Cargo and mail	5,331	–	5,331
Ticket cancellation and commission service	2,445	–	2,445
Ground service income	823	–	823
Others	1,489	318	1,807
Total revenue from contracts with customers	131,571	318	131,889

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

5. Revenue *(continued)*

5.1 Accounting policies of revenue recognition

(i) Performance obligations for contracts with customers

(a) Provision of services

Traffic revenue

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

Commission income

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

Other operations incomes

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

(b) Frequent flyer programme

The Group operates a frequent flyer programme called "Eastern Miles" that issues mileage points to program members based on accumulated mileage. Mileage points can be used to redeem for free or discounted goods or tickets until expiration. The frequent flyer programme provides a significant right to the customers and the Group treats it as a separate performance obligation. The Group defers a portion of passenger revenue attributable to the mileage points issued based on the relative stand-alone selling price approach and recognises revenue when the mileage points are redeemed and performance obligations are fulfilled or the mileage points expire unused. The stand-alone selling price of the mileage points was estimated based on the historical prices of equivalent flights and goods provided for mileage points redeemed and was adjusted for the 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).

5. Revenue *(continued)*

5.1 Accounting policies of revenue recognition *(continued)*

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The active customer loyalty points have no expiration and can be redeemed anytime at customers' discretion.

(iii) Rental income

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. Operating segment information

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. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, who has been identified as the office of the General Manager that makes strategic decisions.

The Group has two reportable segments. "Airline transportation operations", mainly 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 sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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. Segment revenue and loss before income tax are the same as the consolidated figures as reported in the consolidated financial statement for the year ended 31 December 2025 and 2024. The difference between reportable segment assets and consolidated figures as reported in the consolidated financial statements, arising from different accounting policies is set out in Note (ii) below.

6. Operating segment information *(continued)*

The segment results for the year ended 31 December 2025 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated[(i)] RMB million	Total RMB million
Segment revenue					
Reportable segment revenue from external customers	**139,548**	**393**	**–**	**–**	**139,941**
Inter-segment sales	**–**	**1,321**	**(1,321)**	**–**	**–**
Reportable segment revenue	**139,548**	**1,714**	**(1,321)**	**–**	**139,941**
Reportable segment (loss)/income before income tax	**(772)**	**125**	**–**	**921**	**274**
Reportable segment income tax expense	**(2,192)**	**(34)**	**–**	**–**	**(2,226)**
Reportable segment (loss)/income	**(2,964)**	**91**	**–**	**921**	**(1,952)**
Other segment information					
Depreciation and amortisation	**27,637**	**257**	**–**	**–**	**27,894**
Impairment losses on financial assets, net	**4**	**–**	**–**	**–**	**4**
Impairment charges	**30**	**–**	**–**	**–**	**30**
Interest income	**109**	**13**	**(18)**	**–**	**104**
Interest expenses	**4,175**	**28**	**(18)**	**–**	**4,185**
Share of result of associates	**–**	**–**	**–**	**245**	**245**
Share of result of joint ventures	**–**	**–**	**–**	**32**	**32**

6. Operating segment information *(continued)*

The segment results for the year ended 31 December 2024 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated[(i)] RMB million	Total RMB million
Segment revenue					
Reportable segment revenue from external customers	131,802	318	–	–	132,120
Inter-segment sales	–	1,444	(1,444)	–	–
Reportable segment revenue	131,802	1,762	(1,444)	–	132,120
Reportable segment (loss)/income before income tax	(4,771)	522	–	345	(3,904)
Reportable segment income tax expense	(792)	(102)	–	–	(894)
Reportable segment (loss)/income	(5,563)	420	–	345	(4,798)
Other segment information					
Depreciation and amortisation	26,393	251	–	–	26,644
Impairment losses on financial assets, net	39	(1)	–	–	38
Impairment charges	44	–	–	–	44
Interest income	141	14	(40)	–	115
Interest expenses	5,155	33	(40)	–	5,148
Share of result of associates	–	–	–	225	225
Share of result of joint ventures	–	–	–	49	49

6. Operating segment information *(continued)*

The segment assets and liabilities as at 31 December 2025 and 2024 were as follows:

	Airline transportation operations RMB million	Other segments RMB million	Eliminations RMB million	Unallocated[i] RMB million	Total RMB million
At 31 December 2025					
Reportable segment assets[ii]	**277,189**	**6,264**	**(2,945)**	**11,256**	**291,764**
Reportable segment liabilities	**253,086**	**2,746**	**(2,945)**	**29**	**252,916**
Capital expenditure	**50,934**	**336**	**–**	**–**	**51,270**
At 31 December 2024					
Reportable segment assets[ii]	261,705	4,275	(2,844)	13,464	276,600
Reportable segment liabilities	236,235	1,799	(2,844)	1	235,191
Capital expenditure	34,669	274	(10)	–	34,933

(i) Unallocated results primarily represent the share of results of associates and joint ventures, fair value changes of derivative financial instruments, fair value changes of financial assets at FVTPL, acquisition/disposal 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 FVTOCI, deferred tax assets and liabilities and financial assets at FVTPL.

(ii) The difference between reportable segment assets and consolidated figures as reported in the consolidated financial statements of RMB2,242 million (2024: RMB2,242 million) 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.

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.

6. Operating segment information *(continued)*

(2) The Group's revenues by geographical area are listed as below:

	2025 RMB million	2024 RMB million
Domestic	**90,419**	90,676
Regional	**3,789**	3,591
International	**45,733**	37,853
	139,941	132,120

(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. Except the aircraft, most non-current assets (except financial instruments) are registered and located in the PRC.

7. Other operating income and gains

	2025 RMB million	2024 RMB million
Co-operation routes income (note (a))	**4,731**	4,510
Routes subsidy income (note (b))	**222**	323
Other subsidy income (note (c))	**888**	672
Gain on disposal of items of property, plant and equipment, right-of-use assets and intangible assets	**207**	394
Compensation from ticket sales agents	**286**	305
Gains on disposal of an associate	**235**	–
Others	**890**	299
	7,459	6,503

Notes:

(a) Co-operation routes income represents subsidies granted by various local authorities and other parties, with which the Group developed certain routes to support the development of local economy. The amounts granted are calculated based on the agreements entered into by all parties.

(b) Routes subsidy income represents subsidies granted by various authorities to support certain international and domestic routes operated by the Group.

(c) Other subsidy income represents subsidies granted by various local authorities based on certain amounts of tax paid and other government grants.

(d) There are no unfulfilled conditions or other contingencies related to subsidies that were recognised for the year ended 31 December 2025 and 2024.

8. Operating income

Operating income is stated after charging the following items:

	2025 RMB million	2024 RMB million
Amortisation of intangible assets (Note 20)	**155**	166
Depreciation of property, plant and equipment (Note 17)	**12,511**	11,151
Depreciation of right-of-use assets (Note 19(a))	**14,248**	14,586
Depreciation of investment properties (Note 18)	**9**	17
Amortisation of long-term deferred assets included in other non-current assets	**971**	724
Write-down of flight equipment spare parts to net realisable value and rotables (Note 10)	**30**	43
Consumption of flight equipment spare parts	**2,221**	2,077
Auditors' remuneration	**11**	10

9. Wages, salaries and benefits

	2025 RMB million	2024 RMB million
Wages, salaries, bonuses and allowances	**22,742**	20,530
Employee welfare and benefits	**722**	582
Pension (Note 39(a))	**3,252**	2,878
Medical insurance (note (i))	**1,159**	986
Staff housing fund (note (ii))	**1,605**	1,390
Staff housing allowances	**198**	177
Early retirement benefits (note (iii))	**10**	9
	29,688	26,552

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.

9. Wages, salaries and benefits *(continued)*

Notes: *(continued)*

(iii) 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".

(iv) Directors' and executive's remuneration

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing rules and Companies Ordinance, was as follows:

	2025 RMB'000	2024 RMB'000
Fees	**880**	856
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	2,165
Performance related bonuses*	**–**	–
Pension scheme contributions	**–**	99
	880	3,120

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

2025

	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[#]	**–**	**–**	**–**	**–**	**–**
Gao Fei[&,***]	**–**	**–**	**–**	**–**	**–**
Liu Tiexiang[#,&,**,&,****]	**–**	**–**	**–**	**–**	**–**
Cheng Guowei[#,&,**]	**–**	**–**	**–**	**–**	**–**
Independent non-executive Directors					
Sun Zheng	**200**	**–**	**–**	**–**	**200**
Lu Xiongwen	**200**	**–**	**–**	**–**	**200**
Fung Wing Yee Sabrina[**]	**200**	**–**	**–**	**–**	**200**
Zheng HongFeng[**]	**200**	**–**	**–**	**–**	**200**
Luo Qun[**]	**80**	**–**	**–**	**–**	**80**
Total	**880**	**–**	**–**	**–**	**880**

In 2025, the Company completed the reform of the Supervisory Committee as scheduled in accordance with the requirements of the new Company Law. Accordingly, the remuneration of supervisors is not presented herein.

9. Wages, salaries and benefits *(continued)*

Notes: *(continued)*

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

2024

	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*	–	–	–	–	–
Liu Tiexiang*&**	–	–	–	–	–
Cheng Guowei*&**	–	–	–	–	–
Li Yangmin*&****	–	–	–	–	–
Tang Bing*&****	–	–	–	–	–
Lin Wanli****	–	–	–	–	–
Jiang Jiang*&****	–	–	–	–	–
Independent non-executive Directors					
Cai Hongping****	60	–	–	–	60
Dong Xuebo****	60	–	–	–	60
Sun Zheng	200	–	–	–	200
Lu Xiongwen	200	–	–	–	200
Fung Wing Yee Sabrina**	140	–	–	–	140
Zheng HongFeng**	140	–	–	–	140
Luo Qun**	56	–	–	–	56
Supervisors					
Guo Junxiu*&**	–	–	–	–	–
Shao Zuming**	–	701	–	38	739
Zhou Huaxin**	–	799	–	48	847
Guo Lijun****	–	665	–	13	678
Fang Zhaoya*&****	–	–	–	–	–
Total	856	2,165	–	99	3,120

* These directors and supervisors of the Company received emoluments from CEA Holding, the parent company, part of which were in respect of their services to the Company and its subsidiaries. No apportionment has been made as it is impracticable to apportion those amounts between their services to the Group and their services to CEA Holding.

** These directors and supervisors of the Company were newly appointed or elected during the year ended 31 December 2024.

*** Gao Fei was appointed as Vice Chairman of the Company during the year ended 31 December 2025.

**** These directors and supervisors of the Company resigned during the year ended 31 December 2025 and 2024.

None of directors and supervisors waived any renunciation during 31 December 2025 and 2024.

9. Wages, salaries and benefits *(continued)*

Notes: *(continued)*

(v) 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 2025 and 2024. The emoluments payable to the five highest paid individuals were as follows:

	2025 RMB'000	2024 RMB'000
Wages, salaries and allowances	**9,932**	9,717
Performance related bonuses*	**–**	–
Pension scheme contributions	**322**	318
	10,254	10,035

* None of the above highest paid individuals are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

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

	2025	2024
HK$1,500,001 to HK$2,000,000	**4**	4
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**1**	–

During the year ended 31 December 2025 and 2024, 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.

10. Impairment charges

	2025 RMB million	2024 RMB million
Write-down of flight equipment spare parts to net realisable value (Note 29)	**30**	43
Write-down of rotables to net realisable value	**–**	1
	30	44

11. Impairment losses on financial assets, net

	2025 RMB million	2024 RMB million
Impairment (reversed) losses on trade receivable, net (Note 30)	**(7)**	15
Impairment losses on other receivables (Note 32)	**11**	23
	4	38

12. Finance income

	2025 RMB million	2024 RMB million
Interest income	**104**	115
Foreign exchange income, net	**205**	–
	309	115

13. Finance costs

	2025 RMB million	2024 RMB million
Interest on bank borrowings	**2,044**	2,304
Interest relating to lease liabilities (Note 19)	**1,768**	2,412
Interest relating to post-retirement benefit obligations	**39**	59
Interest relating to provision for lease return costs for aircraft and engines	**280**	305
Interest on bonds and debentures	**405**	536
Interest relating to interest rate swap contracts	**(9)**	(46)
	4,527	5,570
Less: amounts capitalised (note (a))	**(342)**	(422)
	4,185	5,148
Foreign exchange losses, net (note (b))	**–**	763
	4,185	5,911

Notes:

(a) The weighted average interest rate used for interest capitalisation is 2.63% per annum for the year ended 31 December 2025 (for the year ended 31 December 2024: 2.74%).

(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 2024.

14. Income tax expense

The amounts of income tax expense charged to the consolidated income statements represent:

	2025 RMB million	2024 RMB million
Current income tax	**34**	178
Deferred income tax	**2,192**	716
	2,226	894

Most of the Company's branches and subsidiaries in mainland China are subject to income tax rate of 25% (2024: 25%) except some branches and subsidiaries obtained approval from the tax authorities at a preferential rate of 15% (2024:15%), and certain subsidiaries of the Company in Hong Kong are subject to Hong Kong profits tax rate of 16.5% (2024: 16.5%).

A reconciliation of the income tax expense applicable to profit/(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:

	2025 RMB million	2024 RMB million
Profit/(loss) before income tax	**274**	(3,904)
Tax calculated at the tax rate of 25% (2024: 25%)	**69**	(976)
Lower tax rates enacted by local authorities	**(24)**	(43)
Additional deduction of research and development costs	**(29)**	(61)
Income tax deduction of purchase of special equipment for production safety	**(44)**	(32)
Share of results of associates and joint ventures	**(69)**	(69)
Income not subject to tax	**(5)**	(20)
Unrecognised tax losses and timing difference	**2,263**	1,951
Expenses not deductible for tax	**101**	148
Adjustments in respect of current tax of previous periods	**(36)**	(4)
Tax expense	**2,226**	894

15. Dividends

The Board did not propose any dividend for the years ended 31 December 2025 and 2024.

16. Loss per share

The basic loss per share for the year ended 31 December 2025 is calculated by dividing the loss attributable to owners of the Company, after deducted perpetual bond interests, of RMB2,333 million and weighted average number of shares of 22,154,536,728 in issue during the year.

The Company had no potentially dilutive options or other financial instruments relating to the ordinary shares in issue.

17. 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 2025					
At 1 January 2025					
Cost	**176,139**	**17,315**	**9,653**	**2,737**	**205,844**
Accumulated depreciation and impairment	**(90,456)**	**(5,009)**	**(7,049)**	**–**	**(102,514)**
Net carrying amount	**85,683**	**12,306**	**2,604**	**2,737**	**103,330**
At 1 January 2025, net of accumulated depreciation and impairment	**85,683**	**12,306**	**2,604**	**2,737**	**103,330**
Additions	**9,281**	**532**	**735**	**2,117**	**12,665**
Disposals	**(269)**	**(4)**	**(8)**	**–**	**(281)**
Other decrease	**–**	**–**	**–**	**(17)**	**(17)**
Transfer from construction in progress	**–**	**147**	**137**	**(284)**	**–**
Transfer from investment properties (Note 18)	**–**	**28**	**–**	**–**	**28**
Transfer from right-of-use assets (Note 19(a))	**5,634**	**–**	**–**	**–**	**5,634**
Transfer to investment properties (Note 18)	**–**	**(52)**	**–**	**–**	**(52)**
Transfer to intangible assets (Note 20)	**–**	**–**	**–**	**(52)**	**(52)**
Transfer to right-of-use assets (Note 19(a))	**–**	**–**	**–**	**(1,171)**	**(1,171)**
Transfer to other non-current assets	**–**	**–**	**–**	**(10)**	**(10)**
Depreciation provided during the year	**(11,332)**	**(703)**	**(795)**	**–**	**(12,830)**
At 31 December 2025, net of accumulated depreciation and impairment	**88,997**	**12,254**	**2,673**	**3,320**	**107,244**
At 31 December 2025:					
Cost	**191,034**	**17,965**	**10,379**	**3,320**	**222,698**
Accumulated depreciation and impairment	**(102,037)**	**(5,711)**	**(7,706)**	**–**	**(115,454)**
Net carrying amount	**88,997**	**12,254**	**2,673**	**3,320**	**107,244**

17. Property, plant and equipment *(continued)*

(a) As at 31 December 2025, the ownership certificates of buildings with a net carrying amount of RMB2,138 million (2024: RMB3,359 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.

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

	2025		2024	
	Cost RMB million	**Net carrying amount RMB million**	Cost RMB million	Net carrying amount RMB million
Aircraft				
– pledged as collateral	**32,613**	**20,108**	34,243	23,483

(c) As of 31 December 2025, the balances of the Group's owned and leased aircraft and engines were RMB84,708 million and RMB116,736 million, respectively. The aircraft and engines were all associated with air transportation unit.

In 2025, the Group incurred net loss of RMB1,952 million and the Company performed the impairment tests of aircraft and engines. For the purpose of impairment test, the aircraft and engines and other assets (including property, plant and equipment, right-of-use assets, construction in progress and intangible assets) were all allocated to the CGU of airline transportation operations that the Group operates. The recoverable amount of the CGU has been determined based on the present value of future cash flows.

The key assumptions for revenue growth rates and gross margin rates are based on the past performances and market development expectations. The revenue growth rates within forecast period based on financial budgets approved by managements covering a five-year period. The terminal growth rate beyond the five-year period were extrapolated using a 1.5%. The discount rate used are pre-tax rates which are 10.8%.

17. 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 2024					
At 1 January 2024					
Cost	152,903	17,516	9,468	2,409	182,296
Accumulated depreciation and impairment	(75,140)	(4,400)	(6,765)	–	(86,305)
Net carrying amount	77,763	13,116	2,703	2,409	95,991
At 1 January 2024, net of accumulated depreciation and impairment	77,763	13,116	2,703	2,409	95,991
Additions	8,373	–	493	493	9,359
Disposals	(46)	(296)	(27)	–	(369)
Other decrease	–	–	–	(4)	(4)
Transfer from construction in progress	–	74	17	(91)	–
Transfer from investment properties (Note 18)	–	48	–	–	48
Transfer from right-of-use assets (Note 19(a))	9,541	–	–	–	9,541
Transfer to investment properties (Note 18)	–	(15)	–	–	(15)
Transfer to intangible assets (Note 20)	–	–	–	(5)	(5)
Transfer to right-of-use assets (Note 19(a))	–	–	–	(59)	(59)
Transfer to other non-current assets	–	–	–	(6)	(6)
Depreciation provided during the year	(9,948)	(621)	(582)	–	(11,151)
At 31 December 2024, net of accumulated depreciation and impairment	85,683	12,306	2,604	2,737	103,330
At 31 December 2024:					
Cost	176,139	17,315	9,653	2,737	205,844
Accumulated depreciation and impairment	(90,456)	(5,009)	(7,049)	–	(102,514)
Net carrying amount	85,683	12,306	2,604	2,737	103,330

17. Property, plant and equipment *(continued)*

17.1 Accounting policies of property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes. Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

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.

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.

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.

17. Property, plant and equipment *(continued)*

17.2 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 (CGUs). 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.

18. Investment properties

	2025 **RMB million**	2024 RMB million
Cost		
At 1 January	**313**	620
Transfer from property, plant and equipment (Note 17)	**75**	22
Transfer from right-of-use assets (Note 19(a))	**–**	15
Transfer to property, plant and equipment (Note 17)	**(91)**	(98)
Transfer to right-of-use assets (Note 19(a))	**–**	(12)
Eliminated on disposals	**–**	(234)
At 31 December	**297**	313
Accumulated depreciation		
At 1 January	**217**	343
Transfer from property, plant and equipment (Note 17)	**23**	7
Transfer from right-of-use assets (Note 19(a))	**–**	4
Transfer to property, plant and equipment (Note 17)	**(63)**	(50)
Transfer to right-of-use assets (Note 19(a))	**–**	(4)
Eliminated on disposals	**–**	(100)
Charge for the year	**9**	17
At 31 December	**186**	217
Net book amount		
At 31 December	**111**	96

As at 31 December 2025, the fair value of the investment properties was approximately 446 million (2024: 510 million), as valued by an independent professional valuer.

These investment properties are leased to third parties and related parties under operating leases. Rental income recognised by the Group for the year ended 31 December 2025 in respect of these leases was RMB212 million (2024: RMB231 million).

18. Investment properties *(continued)*

As at 31 December 2025 and 2024, none of the Group's investment properties were pledged as collateral.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
Buildings	**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 2025	**–**	**100**	**346**	**446**
As at 31 December 2024	–	113	397	510

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: 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. For the estimated rental value and rent growth which change in the same direction to the fair value, in contrast, the long term vacancy rate and discount rate change opposite to the fair value.

18.1 Accounting policies of Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

19. 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 2025, the Group had 450 aircraft (2024: 454 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 and 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.

(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 2024 and 1 January 2025, net of accumulated depreciation	**108,298**	**2,606**	**1,003**	**526**	**112,433**
Additions	**26,977**	**258**	**2,648**	**186**	**30,069**
Transfer to property, plant and equipment (Note 17)	**(5,634)**	**–**	**–**	**–**	**(5,634)**
Transfer from construction in progress	**–**	**1,171**	**–**	**–**	**1,171**
Disposals	**(42)**	**–**	**(2)**	**–**	**(44)**
Depreciation provided during the year	**(12,863)**	**(123)**	**(1,119)**	**(181)**	**(14,286)**
At 31 December 2025	**116,736**	**3,912**	**2,530**	**531**	**123,709**
At 31 December 2023 and 1 January 2024, net of accumulated depreciation	113,879	2,513	994	945	118,331
Additions	16,945	216	1,278	150	18,589
Transfer from investment properties (Note 18)	–	8	–	–	8
Transfer to property, plant and equipment (Note 17)	(9,541)	–	–	–	(9,541)
Transfer from construction in progress	–	59	–	–	59
Transfer to investment properties (Note 18)	–	(11)	–	–	(11)
Disposals	–	(76)	(2)	(338)	(416)
Depreciation provided during the year	(12,985)	(103)	(1,267)	(231)	(14,586)
At 31 December 2024	108,298	2,606	1,003	526	112,433

19. 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:

	2025 RMB million	2024 RMB million
Carrying amount at 1 January	**72,849**	84,175
New leases	**25,587**	14,271
Other addition	**11**	46
Effect of foreign exchange	**(567)**	134
Accretion of interest recognised during the year	**1,768**	2,360
Payments	**(19,345)**	(28,137)
Carrying amount at 31 December	**80,303**	72,849
Analysed into:		
Current portion	**16,623**	16,997
Non-current portion	**63,680**	55,852

The maturity analysis of lease liabilities is disclosed in Note 49 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2025 RMB million	2024 RMB million
Interest on lease liabilities	**2,039**	2,671
Depreciation charge of right-of-use assets	**14,248**	14,586
Low value and short-term lease rentals	**395**	18
Total amount recognised in profit or loss	**16,682**	17,275

(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 44(d) and 45, respectively, to the consolidated financial statements.

19. Leases *(continued)*

The Group as a lessor

The Group leases certain of 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 RMB212 million (2024: RMB231 million).

At 31 December 2025, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2025 **RMB million**	2024 RMB million
Within one year	**154**	250
After one year but within two years	**92**	122
After two years but within three years	**59**	88
After three years but within four years	**50**	62
After four years but within five years	**40**	50
After five years	**136**	176
	531	748

19.1 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.

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

19. Leases *(continued)*

19.1 Accounting policies of Leases *(continued)*

(i) As lessee *(continued)*

- 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.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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.

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

19. Leases *(continued)*

19.1 Accounting policies of Leases *(continued)*

(i) As lessee *(continued)*

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 which newly valuations below USD5,000 or RMB35,000. 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.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

A lease contract is modified and the lease modification is not accounted for as a separate lease.

19. Leases *(continued)*

19.1 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. Leases *(continued)*

19.1 Accounting policies of Leases *(continued)*

(iii) Sales and leaseback *(continued)*

As seller-lessee *(continued)*

Sublease – When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(iv) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(v) Finance leases

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
- For a modification to a finance lease that is not accounted for as a separate lease, if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification; and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Group accounts for the modification in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

20. Intangible assets

	Goodwill RMB million (Note (a))	Others RMB million	Total RMB million
Cost at 1 January 2025, net of accumulated amortisation	**11,272**	**331**	**11,603**
Additions	**–**	**447**	**447**
Transfer from construction in progress (Note 17)	**–**	**52**	**52**
Amortisation provided during the year	**–**	**(158)**	**(158)**
At 31 December 2025	**11,272**	**672**	**11,944**
At 31 December 2025:			
Cost	**11,272**	**3,037**	**14,309**
Accumulated amortisation	**–**	**(2,365)**	**(2,365)**
Net carrying amount	**11,272**	**672**	**11,944**

	Goodwill RMB million (Note (a))	Others RMB million	Total RMB million
Cost at 1 January 2024, net of accumulated amortisation	11,272	335	11,607
Additions	–	157	157
Transfer from construction in progress (Note 17)	–	5	5
Amortisation provided during the year	–	(166)	(166)
At 31 December 2024	11,272	331	11,603
At 31 December 2024:			
Cost	11,272	2,538	13,810
Accumulated amortisation	–	(2,207)	(2,207)
Net carrying amount	11,272	331	11,603

(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.

The above goodwill belongs to the Group's airline transportation operations which is a independent CGU. The recoverable amount of the CGU is rely on financial budgets approved by managements covering a five-year period. The revenue growth rate used to extrapolate the cash flows of the above CGU beyond the five-year period is 1.5%. The pre-tax discount rate applied to the pre-tax cash flow projections is 10.8%. The gross margin rates are based on the utilisation of aircraft and engines and market development expectations when calculating the present value of future cash flows. No impairment for the goodwill was required based on the value-in-use calculation as at the reporting date.

21. Advanced payments on acquisition of aircraft

	2025 RMB million	2024 RMB million
At 1 January	**14,986**	15,183
Payment during the year	**7,138**	4,676
Interest capitalised	**318**	422
Other reduction (Note (a))	**(11,227)**	(5,295)
At 31 December	**11,215**	14,986

Included in the Group's balance as at 31 December 2025, the amounts of accumulated interest capitalised are approximately RMB1,871 million (2024: RMB1,553 million).

(a) During the year, the Group received prepaid advanced payments amounting to RMB8,428 million (2024: RMB4,097 million). In addition, the amounts transferred to Right-of-use assets are RMB2,799 million (2024: RMB1,198 million).

22. Subsidiaries

The Group's principal subsidiaries at 31 December 2025 and 2024 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The place of incorporation or registration is also their principal place of business.

Company name	Place and date of incorporation/ registration and place of business	Principle activities	Issued ordinary/ registered share capital million	Ownership interest held by the group		Ownership interest held by non-controlling interests	
				2025	2024	**2025**	2024
China Eastern Airlines Jiangsu Co., Ltd. ("CEA Jiangsu")	PRC/Mainland China, 7 April 1993	Air passenger and cargo transportation	RMB4,000	**62.56%**	62.56%	**37.44%**	37.44%
China Eastern Airlines Wuhan Co., Ltd. ("CEA Wuhan")	PRC/Mainland China, 16 August 2002	Air passenger and cargo transportation	RMB6,750	**60%**	60%	**40%**	40%
Shanghai Eastern Flight Training Co., Ltd. ("Shanghai Flight Training")	PRC/Mainland China, 18 December 1995	Provision of flight training services	RMB694	**100%**	100%	**-**	-
Shanghai Airlines Co., Ltd. ("Shanghai Airlines")	PRC/Mainland China, 16 March 2010	Air passenger and cargo transportation	RMB10,000	**100%**	100%	**-**	-
Eastern Airlines Technic Co., Ltd. ("CEA Technic")	PRC/Mainland China, 19 November 2014	Aviation maintenance and engineering	RMB4,652	**100%**	100%	**-**	-
China Eastern Airlines Yunnan Co., Ltd. ("CEA Yunnan")	PRC/Mainland China, 27 July 2010	Provision of airline services	RMB3,662	**65%**	65%	**35%**	35%
Eastern Air Overseas (Hong Kong) Co., Ltd. ("Eastern Air Overseas")	Hong Kong, 10 June 2011	Provision of import and export, investment, leasing and consultation services	HKD280	**100%**	100%	**-**	-
China United Airlines Co., Ltd. ("China United Airlines")	PRC/Mainland China, 21 September 1984	Air passenger and cargo transportation	RMB3,320	**100%**	100%	**-**	-
China Eastern Airlines Application Development Center Co., Ltd. ("Application Development Center")	PRC/Mainland China, 21 November 2011	Provision of research and development of technology and products in the field of aviation	RMB498	**100%**	100%	**-**	-
China Eastern Airlines E-Commerce Co., Ltd. ("Eastern E-Commerce")	PRC/Mainland China, 1 December 2014	E-commerce platform and ticket agent	RMB100	**100%**	100%	**-**	-
China Eastern Media Co., Ltd. ("China Eastern Media")	PRC/Mainland China 4 March 1986	Provision of aviation advertising platform operation services	RMB200	**100%**	100%	**-**	-
Shanghai Eastern Digital Technology Co., Ltd. ("Eastern Digital")	PRC/Mainland China 29 March 2024	Provision of development of information system and technical service	RMB200	**100%**	100%	**-**	-
Donghu Tianyi (Shanghai) Aircraft Leasing Co., Ltd. and other SPV companies ("SPV")	PRC/Mainland China 30 July 2018	Provision of leasing business	-	**100%**	100%	**-**	-
China Eastern Airlines (Shantou) Economic Development Co., Ltd.	PRC/Mainland China 19 March 1998	Provision of airline products	RMB10	**55%**	55%	**45%**	45%
Shanghai Technologies Aerospace Co., Ltd. ("Technologies Aerospace") (note)	PRC/Mainland China 28 September 2004	Aviation maintenance and engineering	RMB577	**100%**	51%	**-**	49%

Note: On 26 December 2025, the Group acquired the 49% equity interest in Technologies Aerospace from Singapore Technologies Aerospace Ltd. Technologies Aerospace became a wholly-owned subsidiary of the Group

22. Subsidiaries *(continued)*

(a) Non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	31 December 2025	31 December 2024
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 2025 RMB million	31 December 2024 RMB million
(Loss) profit for the year allocated to non-controlling interests:		
CEA Jiangsu	**(296)**	(377)
CEA Yunnan	**19**	(159)
CEA Wuhan	**(42)**	(37)
Accumulated balances of non-controlling interests at the reporting date:		
CEA Jiangsu	**(861)**	(566)
CEA Yunnan	**796**	777
CEA Wuhan	**1,155**	667

22. 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 2025	**CEA Jiangsu RMB million**	**CEA Yunnan RMB million**	**CEA Wuhan RMB million**
Revenue	**10,710**	**11,365**	**4,839**
(Loss)/profit for the year	**(791)**	**53**	**(105)**
Total comprehensive (loss)/income for the year	**(788)**	**53**	**(103)**
Current assets	**342**	**349**	**1,047**
Non-current assets	**11,160**	**12,194**	**6,243**
Current liabilities	**9,701**	**7,580**	**2,070**
Non-current liabilities	**4,122**	**1,826**	**1,423**
Net cash flows from operating activities	**3,184**	**2,410**	**1,143**
Net cash flows used in investing activities	**(408)**	**(457)**	**(800)**
Net cash flows used in financing activities	**(2,776)**	**(1,952)**	**(443)**
Net increase/(decrease) in cash and cash equivalents	**–**	**1**	**(100)**

31 December 2024	CEA Jiangsu RMB million	CEA Yunnan RMB million	CEA Wuhan RMB million
Revenue	10,199	10,944	4,556
Loss for the year	(1,006)	(454)	(93)
Total comprehensive loss for the year	(1,015)	(454)	(113)
Current assets	1,257	363	1,246
Non-current assets	12,676	13,690	6,223
Current liabilities	10,601	8,405	3,596
Non-current liabilities	4,864	2,564	1,448
Net cash flows from operating activities	468	1,530	698
Net cash flows used in investing activities	(371)	(623)	(214)
Net cash flows (used in)/from financing activities	(103)	(920)	516
Net (decrease)/increase in cash and cash equivalents	(6)	(13)	1,000

22. Subsidiaries *(continued)*

(b) Business combination not under common control

The Group originally held a 51% equity interests in Technologies Aerospace and accounted for it as a joint venture using the equity method. On 26 December 2025, the Group acquired the 49% equity interests in Technologies Aerospace from Singapore Technologies Aerospace Ltd. Upon completion of the acquisition, Technologies Aerospace became a wholly-owned subsidiary of the Group. The acquisition of Technologies Aerospace by the Group constitutes a business combination not under common control.

Assets acquired and liabilities recognised at the date of acquisition:

Consideration transferred

	2025 RMB million
Equity interests in the Group previously held	**709**
Cash consideration for the 49% equity interests	**681**
	1,390

Assets acquired and liabilities recognised at the date of acquisition

	Fair value on acquisition data RMB million	Book value on acquisition date RMB million
Assets		
Property, plant and equipment	**549**	**253**
Right-of-use assets	**242**	**64**
Intangible assets	**242**	**–**
Deferred tax assets	**7**	**7**
Other non-current assets	**3**	**3**
Flight equipment spare parts	**76**	**76**
Trade and bills receivables	**148**	**148**
Prepayments and other receivables	**5**	**5**
Financial assets at FVTPL	**2**	**2**
Cash and cash equivalents	**587**	**587**
Liabilities		
Trade and bills payables	**56**	**56**
Other payables and accruals	**409**	**409**
Contract liabilities	**4**	**4**
Income tax payable	**2**	**2**
Net assets	**1,390**	**674**

22. Subsidiaries *(continued)*

(b) Business combination not under common control *(continued)*

Goodwill arising on acquisition

	RMB million
Consideration transferred	**1,390**
Plus: non-controlling interests	**–**
Less: recognised amounts of net assets acquired	**1,390**
Goodwill arising on acquisition	**–**

23. Investments in associates

	2025 RMB million	2024 RMB million
Share of net assets	**2,399**	2,218

The movements in investments in associates were as follows:

	2025 RMB million	2024 RMB million
At 1 January	**2,218**	2,049
Disposal	**(52)**	–
Share of results of associates	**245**	225
Share of revaluation on equity investments designated at FVTOCI held by an associate	**(2)**	2
Share of other reserve of associates	**–**	(3)
Dividend declared during the year	**(10)**	(55)
At 31 December	**2,399**	2,218

23. 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
		2025 Million	2024 Million	**2025**	2024	
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
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%**	49%	Provision of supply chain and logistics
Xi'an Civil Aviation Kaiya Technology Co., Ltd. ("Xian Kaiya")	PRC/Mainland China 9 July 2002	**RMB 1,500**	RMB 1,500	**32%**	32%	Provision of technology service
Shanghai Hongpu Civil Airport Communication Co., Ltd ("Shanghai Hongpu")	PRC/Mainland China 2 June 2000	**RMB 2,500**	RMB 2,500	**30%**	30%	Provision of technology service

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. Pursuant to the shareholders' agreement, Technologies International has the power to govern the financial and operating policies. Accordingly, the Company accounts for its investment in Shanghai P&W as an associate.

23. Investments in associates *(continued)*

The following table illustrates the aggregate financial information of the Group's associates:

	2025 RMB million	2024 RMB million
Share of the associates' results for the year	**245**	225
Share of the associates' other comprehensive (loss)/income	**(2)**	2
Share of the associates' total comprehensive income	**243**	227
Aggregate carrying amount of the Group's interests in the associates	**2,399**	2,218

24. Investments in joint ventures

	2025 RMB million	2024 RMB million
Share of net assets	**191**	512

The movements in investments in joint ventures were as follows:

	2025 RMB million	2024 RMB million
At 1 January	**512**	464
Disposal	**(324)**	–
Share of results	**32**	49
Dividend declared during the year	**(29)**	(1)
At 31 December	**191**	512

24. 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
		2025 million	2024 million	**2025**	2024	
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%**	50%	Provision of Tax-free Products

The following table illustrates the aggregate financial information of the Group's joint ventures:

	2025 RMB million	2024 RMB million
Share of the joint ventures' results for the year	**32**	49
Share of the joint ventures' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**32**	49
Aggregate carrying amount of the Group's interests in the joint ventures	**191**	512

25. Equity investments designated at FVTOCI

	2025 RMB million	2024 RMB million
Listed equity investment, at fair value		
TravelSky Technology Limited	**198**	204
Unlisted equity investments, at fair value		
Aviation Data Communication Corporation Limited	**94**	95
Sichuan Airlines Corporation Limited	**1,200**	1,068
Others	**51**	50
	1,345	1,213
	1,543	1,417

The above equity investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

Amounts recognised in profit or loss and other comprehensive income:

	2025 RMB million	2024 RMB million
Losses recognised in other comprehensive income	**(4)**	(81)
Dividends from equity investments held at FVTOCI recognised in profit or loss in other income	**17**	32

26. Derivative financial instruments

	Assets		Liability	
	2025	2024	**2025**	2024
	RMB million	RMB million	**RMB million**	RMB million
Foreign exchange swaps	**–**	47	**28**	–
Jet fuel hedging	**3**	–	**–**	–
Interest rate swaps	**–**	9	**–**	–
Total	**3**	56	**28**	–
Less: current portion				
– Foreign exchange swaps	**–**	(47)	**(28)**	–
– Jet fuel hedging	**(3)**	–	**–**	–
– Interest rate swaps	**–**	(9)	**–**	–
Total	**(3)**	(56)	**(28)**	–
Non-current portion	**–**	–	**–**	–

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 2025, all interest rate swap contracts has expired (31 December 2024: USD53 million).

Cash flow hedge – Foreign exchange risk

The Group entered into foreign exchange swap contracts to mitigate its foreign exchange risk. The foreign exchange swap contracts had been designated as cash flow hedge against the currency fluctuations. As at 31 December 2025, the notional principal of the outstanding foreign exchange swap contracts amounted to USD438 million (31 December 2024: USD216 million). These contracts would expire in 2026.

Cash flow hedge – Jet fuel hedging

The Group entered into jet fuel hedging contracts to mitigate its jet fuel risk. The jet fuel hedging contracts had been designed as cash flow hedge against the currency fluctuations. As at 31 December 2025, the notional position of the outstanding jet fuel hedging transactions was 500,000 barrels (31 December 2024: Nil). These contracts would expire in 2026.

27. Other non-current assets

	2025 RMB million	2024 RMB million
Deferred pilot recruitment costs	**1,892**	2,169
Deposits relating to aircraft held under leases	**29**	81
Rebate receivables on aircraft acquisitions	**393**	697
Prepayment for acquisition of property, plant and equipment	**74**	82
Others	**830**	955
	3,218	3,984

28. 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:

	2025 RMB million	2024 RMB million
Deferred tax assets	**6,996**	9,160
Deferred tax liabilities	**1**	1
Net deferred income tax assets	**6,995**	9,159

Movements in the net deferred tax assets were as follows:

	2025 RMB million	2024 RMB million
At 1 January	**9,159**	9,850
Charged to profit or loss	**(2,186)**	(716)
Credit to other comprehensive income	**22**	25
At 31 December	**6,995**	9,159

28. 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:

	2025 **RMB million**	2024 RMB million
Deferred tax assets:		
Loss available for offsetting against future taxable profits	**4,940**	7,223
Lease liabilities	**5,851**	6,087
Provision for lease return costs for aircraft and engines	**1,900**	1,871
Impairment provision for receivables	**102**	103
Impairment provision for flight equipment spare parts	**101**	88
Other payables and accruals	**40**	48
Impairment provision for property, plant and equipment	**18**	18
Government grants related to assets	**50**	11
Derivative financial instruments	**7**	–
Financial assets at FVTPL	**–**	5
Others	**159**	116
	13,168	15,570
Deferred tax liabilities:		
Right-of-use assets	**(6,028)**	(6,343)
Equity investments designated at FVTOCI	**(52)**	(54)
Derivative financial instruments	**(1)**	(14)
Others	**(92)**	–
	(6,173)	(6,411)
	6,995	9,159

28. 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 2025 RMB million	Credited/ (charged) to profit or loss[i] RMB million	Credited to other comprehensive income RMB million	At 31 December 2025 RMB million
For the year ended 31 December 2025				
Provision for lease return costs for aircraft and engines	**1,871**	**29**	**–**	**1,900**
Lease liabilities	**6,087**	**(236)**	**–**	**5,851**
Impairment provision for flight equipment spare parts	**88**	**13**	**–**	**101**
Impairment provision for receivables	**103**	**(1)**	**–**	**102**
Impairment provision for property, plant and equipment	**18**	**–**	**–**	**18**
Financial assets at FVTPL	**5**	**(5)**	**–**	**–**
Other payables and accruals	**48**	**(8)**	**–**	**40**
Government grants related to assets	**11**	**39**	**–**	**50**
Derivative financial instruments	**–**	**–**	**7**	**7**
Loss available for offsetting against future taxable profits	**7,223**	**(2,283)**	**–**	**4,940**
Safety equipment tax credit	**116**	**43**	**–**	**159**
	15,570	**(2,409)**	**7**	**13,168**
Right-of-use assets	**(6,343)**	**315**	**–**	**(6,028)**
Equity investments designated at FVTOCI	**(54)**	**–**	**2**	**(52)**
Derivative financial instruments	**(14)**	**–**	**13**	**(1)**
Others	**–**	**(92)**	**–**	**(92)**
	(6,411)	**223**	**15**	**(6,173)**
Net deferred tax assets	**9,159**	**(2,186)**	**22**	**6,995**

(i) Amounts credited and charged to profit or loss for the year ended 31 December 2025 include items arising from business combinations achieved not under common control (Note 22(b)).

28. 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 2024 RMB million	Credited/ (charged) to profit or loss RMB million	Credited/ (charged) to other comprehensive income RMB million	At 31 December 2024 RMB million
For the year ended 31 December 2024				
Provision for lease return costs for aircraft and engines	1,680	191	–	1,871
Lease liabilities	7,395	(1,308)	–	6,087
Impairment provision for flight equipment spare parts	84	4	–	88
Impairment provision for receivables	97	6	–	103
Impairment provision for property, plant and equipment	18	–	–	18
Financial assets at FVTPL	5	–	–	5
Other payables and accruals	74	(26)	–	48
Government grants related to assets	14	(3)	–	11
Loss available for offsetting against future taxable profits	7,803	(580)	–	7,223
Safety equipment tax credit	76	40	–	116
	17,246	(1,676)	–	15,570
Right-of-use assets	(7,299)	956	–	(6,343)
Equity investments designated at FVTOCI	(80)	–	26	(54)
Derivative financial instruments	(13)	–	(1)	(14)
Others	(4)	4	–	–
	(7,396)	960	25	(6,411)
Net deferred tax assets	9,850	(716)	25	9,159

28. 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:

	2025		2024	
	Deferred taxation RMB million	**Temporary differences RMB million**	Deferred taxation RMB million	Temporary differences RMB million
Tax losses carried forward	**15,142**	**61,907**	13,090	53,352
Other deductible temporary differences	**8**	**31**	8	32
Total unrecognised deferred tax assets	**15,150**	**61,938**	13,098	53,384

As at 31 December 2025, 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 RMB4,940 million (2024: RMB7,223 million) for tax losses of RMB20,391 million (2024: RMB29,977 million).

No deferred tax asset has been recognised in respect of the remaining tax losses of approximately RMB61,907 million (2024: RMB53,352 million) which relate to the Group that have been loss-making for some years and it is not considered probable that sufficient taxable profits will be available in the near future against which the tax losses can be utilised. The Group's tax losses carried forward will expire between 2026 and 2030.

	At 31 December 2025	At 31 December 2024
2025	**–**	2,016
2026	**16,058**	16,133
2027	**34,121**	26,465
2028	**11,242**	8,200
2029	**467**	538
2030	**19**	–
	61,907	53,352

28.1 Accounting 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.

28. Deferred tax assets and liabilities *(continued)*

28.1 Accounting 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 at the time of the transaction does not give rise to equal taxable and deductible temporary differences; 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 at the time of the transaction does not give rise to equal taxable and deductible temporary differences; 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.

29. Flight equipment spare parts

	2025 RMB million	2024 RMB million
Flight equipment spare parts	**3,113**	2,038
Less: provision for spare parts	**(418)**	(358)
	2,695	1,680

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

	2025 RMB million	2024 RMB million
At 1 January	**358**	343
Accrual	**30**	43
Other Addition	**34**	–
Amount written off in relation to disposal of spare parts	**(4)**	(28)
At 31 December	**418**	358

30. Trade and bills receivables

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

	2025 RMB million	2024 RMB million
Trade and bills receivables	**2,185**	2,047
Less: impairment	**(94)**	(98)
	2,091	1,949

30. Trade and bills receivables *(continued)*

The ageing analysis of the trade and bills receivables, as at the end of the reporting period, based on the invoice/billing date, was as follows:

	2025 **RMB million**	2024 RMB million
Within 90 days	**2,050**	1,970
91 to 180 days	**61**	5
181 to 365 days	**4**	3
Over 365 days	**70**	69
	2,185	2,047

As at 1 January 2024, trade and bills receivables from contracts with customers amounted to RMB2,191 million.

Balances with related parties included in trade and bills receivables are summarised in Note 46(c)(i). As at 31 December 2025, total bills received amounting to RMB2 million (2024: RMB59 million) are held by the Group for future settlement of trade and bills receivables. All bills received by the Group are with a maturity period of less than one year.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2025 **RMB million**	2024 RMB million
At 1 January	**98**	94
Impairment (reversed) losses, net (Note 11)	**(7)**	15
Amount written off as uncollectible	**(4)**	(11)
Other addition	**7**	–
At 31 December	**94**	98

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.

30. Trade and bills receivables *(continued)*

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 2025

	Current	Past due Less than 90 days	90 to 365 days	Over 365 days	Total
Expected credit loss rate (%)	**0.92**	**1.46**	**10.77**	**95.71**	**4.30**
Gross carrying amount (RMB million)	**1,845**	**205**	**65**	**70**	**2,185**
Expected credit losses (RMB million)	**17**	**3**	**7**	**67**	**94**

As at 31 December 2024

	Current	Past due Less than 90 days	90 to 365 days	Over 365 days	Total
Expected credit loss rate (%)	1.52	1.91	12.50	95.65	4.79
Gross carrying amount (RMB million)	1,708	262	8	69	2,047
Expected credit losses (RMB million)	26	5	1	66	98

As at 31 December 2025, the Group did not have any past due trade receivables without impairments.

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 11). Amounts charged to the allowance account are generally written off when there is no expectation of recovering.

31. Financial assets at FVTPL

	2025 RMB million	2024 RMB million
Listed equity investment, at fair value:		
Shanghai Pudong Development Bank Co., Ltd.	**124**	101

The above equity investment was classified as a financial asset at FVTPL as it was held for trading.

	2025 RMB million	2024 RMB million
Fair value gains on equity investments at FVTPL charged to profit or loss	**21**	36

32. Prepayments and other receivables

	2025 RMB million	2024 RMB million
Value added tax recoverable	**8,624**	7,120
Subsidy receivable	**2,173**	2,173
Prepaid corporate income tax	**54**	84
Advance to suppliers	**564**	207
Rebate receivables on aircraft acquisitions	**512**	325
Amounts due from related parties (Note 46(c)(i))	**558**	691
Other deposits	**170**	166
Others	**1,029**	795
	13,684	11,561
Less: impairment	**(388)**	(377)
	13,296	11,184

32. 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**
	RMB million	**RMB million**	**RMB million**	**RMB million**
As at 1 January 2025	**27**	**121**	**229**	**377**
Transferred – to stage 3	**–**	**(63)**	**63**	**–**
Transferred – to stage 2	**(2)**	**2**	**–**	**–**
Addition	**8**	**6**	**103**	**117**
Impairment losses reversed	**–**	**(13)**	**(93)**	**(106)**
As at 31 December 2025	**33**	**53**	**302**	**388**

	12-month ECLs	Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Total
	RMB million	RMB million	RMB million	RMB million
As at 1 January 2024	15	116	223	354
Transferred – to stage 3	–	(22)	22	–
Transferred – to stage 2	(2)	2	–	–
Addition	14	25	43	82
Impairment losses reversed	–	–	(59)	(59)
As at 31 December 2024	27	121	229	377

33. Cash and cash equivalents and restricted bank deposits

	2025	2024
	RMB million	RMB million
Cash at bank and on hand	**7,227**	4,133
Less: restricted bank deposits	**(63)**	(61)
Cash and cash equivalents (a)	**7,164**	4,072

(a) Cash and cash equivalents 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.

34. Trade and bills payables

The ageing analysis of the trade and bills payables, as at the end of the reporting period, based on the transaction date, was as follows:

	2025 RMB million	2024 RMB million
Within 90 days	**13,031**	3,388
91 to 180 days	**6,393**	10,838
181 to 365 days	**3,813**	33
1-2 years	**25**	46
Over 2 years	**173**	210
	23,435	14,515

Balances with related parties included in trade and bills payables are summarised in Note 46(c)(ii).

As at 31 December 2025, bills payables of the Group amounted to RMB20,513 million (2024: RMB12,802 million).

35. Contract liabilities

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

	2025 RMB million	2024 RMB million
SIAC	**9,251**	8,839
Frequent flyer programme	**1,973**	1,518
Advances from customers	**1,080**	953
	12,304	11,310
Analysed into:		
Current portion	**11,396**	10,678
Non-current portion	**908**	632

As at 1 January 2024, contract liabilities amounted to RMB8,008 million.

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:

	2025 RMB million	2024 RMB million
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Passenger transportation services	**8,658**	6,333

35. Contract liabilities *(continued)*

The table below presents the activity of the contract liabilities for frequent flyer programme.

	2025 RMB million	2024 RMB million
At 1 January	**1,669**	1,405
Deferred during the year	**1,412**	1,483
Recognised as revenue during the year	**(913)**	(1,219)
At 31 December	**2,168**	1,669
Less: the related pending output value added tax therein	**(195)**	(151)
	1,973	1,518

36. Other payables and accruals

	2025 RMB million	2024 RMB million
Salaries, wages and benefits	**3,617**	3,184
Take-off and landing charges	**2,607**	2,810
Expenses related to aircraft overhaul conducted	**1,844**	2,305
Duties and levies payable	**1,892**	2,014
Other accrued operating expenses	**2,256**	1,888
Fuel cost	**2,056**	1,882
Payable for system services	**1,794**	1,199
Food and beverages	**1,254**	854
Payable for purchase of property, plant and equipment	**515**	533
Other deposit	**496**	557
Pending output value added tax	**382**	402
Current portion of other long-term liabilities (Note 40)	**205**	341
Deposits received from ticket sales agents	**291**	290
Amounts due to related parties (Note 46(c)(ii))	**105**	157
Current portion of post-retirement benefit obligations (Note 39(b))	**188**	151
Others	**2,877**	1,660
Total	**22,379**	20,227

37. Borrowings

	2025 RMB million	2024 RMB million
Non-current:		
Long-term bank borrowings		
– secured (note (a))	**14,899**	16,740
– unsecured	**26,010**	29,702
Guaranteed bonds (note (b))	**–**	4,156
Unsecured bonds (note (b))	**11,500**	3,000
	52,409	53,598
Current:		
Current portion of non-current borrowings		
– secured (note (a))	**1,860**	1,781
– unsecured	**13,065**	8,365
Current portion of guaranteed bonds (note (b))	**4,262**	34
Current portion of unsecured bonds (note (b))	**3,164**	3,668
Short-term bank borrowings		
– unsecured	**22,038**	35,728
Short-term debentures	**5,022**	–
	49,411	49,576
	101,820	103,174

The borrowings are repayable as follows:

	2025 RMB million	2024 RMB million
Within one year	**49,411**	49,576
In the second year	**8,928**	29,537
Between third and fifth years, inclusive	**34,883**	13,338
After the fifth year	**8,598**	10,723
	101,820	103,174

37. Borrowings *(continued)*

Notes:

(a) As at 31 December 2025, the secured bank borrowings of the Group were secured by the related aircrafts with a net carrying amount of RMB20,108 million (2024: RMB23,483 million) (Note 17).

(b) Detailed bonds are listed below:

	Issue date	Principal	Notes	Interest rate
Ten-year corporate bonds	2016/10/24	RMB1,500 million	(i)	3.30%
Ten-year corporate bonds	2021/03/11	RMB3,000 million	(ii)	3.95%
Five-year credit enhanced bonds	2021/07/15	SGD500 million	(iii)	2.00%
Three-year medium-term bonds	2022/04/13	RMB2,000 million	(iv)	2.92%
Three-year medium-term bonds	2022/04/19	RMB1,500 million	(v)	2.92%
Three-year medium-term bonds	2025/02/25	RMB2,000 million	(vi)	1.89%
Three-year medium-term bonds	2025/04/21	RMB2,000 million	(vii)	1.74%
Three-year medium-term bonds	2025/11/19	RMB2,000 million	(viii)	1.79%
Three-year medium-term bonds	2025/11/21	RMB2,000 million	(ix)	1.80%
Three-year medium-term bonds	2025/11/24	RMB1,500 million	(x)	1.80%
Three-year medium-term bonds	2025/12/05	RMB2,000 million	(xi)	1.88%

(i) On 24 October 2016, the Company issued ten-year corporate bonds with a total principal amount of RMB1.5 billion. The bonds bear interest at the rate of 3.30% per annum. Which 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 46(d)).

(ii) 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 principal of the bonds will mature and become repayable on 12 March 2031 (callable 2026).

(iii) 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.

(iv) 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.

(v) 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.

(vi) On 25 February 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.89% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 26 February 2028.

(vii) On 21 April 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.74% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 22 April 2028.

(viii) On 19 November 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.79% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 20 November 2028.

(ix) On 21 November 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.80% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 24 November 2028.

37. Borrowings *(continued)*

Notes: *(continued)*

(b) Detailed bonds are listed below: *(continued)*

(x) On 24 November 2025, 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 1.80% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 25 November 2028.

(xi) On 5 December 2025, the Company issued three-year medium-term bonds with a principal amount of RMB2.0 billion, at an issue price equal to the face value of the bonds. The bonds bear interest at the rate of 1.88% per annum, which is payable annually. The principal of the bonds will mature and become repayable on 8 December 2028.

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

	Interest rate and final maturities	**2025 RMB million**	2024 RMB million
Long-term bank borrowings			
RMB denominated	Interest rates ranging from 1.80% to 2.90% with final maturities through 2045 (2024: 1.87% to 2.85%)	**55,834**	56,588
Guaranteed bonds			
RMB denominated	Interest rate at 3.30% with final maturities through 2026 (2024: 3.30%)	**1,510**	1,510
SGD denominated	Interest rate at 2.00% with final maturities through 2026 (2024: 2.00%)	**2,752**	2,680
Unsecured bonds			
RMB denominated	Interest rates ranging from 1.74% to 3.95% with final maturities through 2031 (2024: from 2.92% to 3.95%)	**14,664**	6,668
		74,760	67,446

Short-term borrowings of the Group are repayable within one year. As at 31 December 2025, the interest rates relating to such borrowings were 1.79% to 2.11% (2024: 0.90% to 3.15%).

38. Provision for lease return costs for aircraft and engines

	2025 RMB million	2024 RMB million
At 1 January	**9,558**	9,088
Addition	**823**	1,137
Utilisation	**(1,056)**	(667)
At 31 December	**9,325**	9,558
Less: current portion	**(390)**	(1,939)
Non-current portion	**8,935**	7,619

38.1 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 provision for lease return costs for aircraft and engines relates to the estimated cost of return agreed to be carried out for the Group's major customers. 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.

39. Post-retirement benefit obligations

(a) Pension – defined contribution

The group companies participate in defined contribution retirement schemes organised by municipal governments of various provinces in which the group companies operate. Substantially all of the Group's PRC employees are eligible to participate in these defined contribution retirement schemes. Therefore, the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. In addition, the group companies have implemented an additional defined contribution retirement pension scheme for eligible employees since 2014.

For the year ended 31 December 2025 and 2024, no forfeited contributions were used to reduce its contributions to the pension schemes.

39. 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 2025 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:

	2025 **RMB million**	2024 RMB million
Post-retirement benefit obligations	**2,179**	2,391
Less: current portion include in other payables and accruals (Note 36)	**(188)**	(151)
Non-current portion	**1,991**	2,240

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

	2025	2024
Discount rates for post-retirement benefits	**2.00%**	1.75%
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%

39. 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 %	(Decrease)/ increase in post-retirement benefit obligations RMB million	Decrease in rate %	Increase/ (decrease) in post-retirement benefit obligations RMB million
2025				
Discount rate for post-retirement benefits	**0.25**	**(53)**	**0.25**	**56**
Annual increase rate of pension benefits	**1.00**	**183**	**1.00**	**(159)**
Annual increase rate of medical expenses	**1.00**	**27**	**1.00**	**(23)**
2024				
Discount rate for post-retirement benefits	0.25	(62)	0.25	65
Annual increase rate of pension benefits	1.00	223	1.00	(193)
Annual increase rate of medical expenses	1.00	35	1.00	(29)

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:

	2025 RMB million	2024 RMB million
Within the next 12 months	**188**	151
Between 2 and 5 years	**564**	587
Between 6 and 10 years	**641**	678
Over 10 years	**1,343**	1,496
Total expected payments	**2,736**	2,912

The average duration of the post-retirement benefit obligations at the end of 2025 was 11 years (2024: 11 years).

39. Post-retirement benefit obligations *(continued)*

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

	1 January 2025 RMB million	Disposal of subsidiaries: Actuarial changes arising from disposal of subsidiaries RMB million	Pension cost charged to profit or loss: Service cost RMB million	Pension cost charged to profit or loss: Net interest RMB million	Pension cost charged to profit or loss: Sub-total included in profit or loss RMB million	Remeasurement gains in other comprehensive income: Actuarial changes arising from changes in financial assumptions RMB million	Remeasurement gains in other comprehensive income: Actuarial changes arising from changes in demographic assumptions RMB million	Remeasurement gains in other comprehensive income: Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2025 RMB million
Defined benefit obligations/ benefit liability	2,391	–	–	39	39	(61)	–	(61)	(190)	2,179

	1 January 2024 RMB million	Disposal of subsidiaries: Actuarial changes arising from disposal of subsidiaries RMB million	Pension cost charged to profit or loss: Service cost RMB million	Pension cost charged to profit or loss: Net interest RMB million	Pension cost charged to profit or loss: Sub-total included in profit or loss RMB million	Remeasurement losses in other comprehensive income: Actuarial changes arising from changes in financial assumptions RMB million	Remeasurement losses in other comprehensive income: Actuarial changes arising from changes in demographic assumptions RMB million	Remeasurement losses in other comprehensive income: Sub-total included in other comprehensive income RMB million	Benefit settled RMB million	31 December 2024 RMB million
Defined benefit obligations/ benefit liability	2,360	–	–	59	59	152	–	152	(180)	2,391

39. Post-retirement benefit obligations *(continued)*

39.1 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

40. Other long-term liabilities

	2025 RMB million	2024 RMB million
Long-term duties and levies payable relating to finance leases	**283**	432
Deferred income relating to government grants	**202**	46
Provision for early retirement benefit obligations and other benefit obligations	**301**	326
Other long-term payables	**720**	783
	1,506	1,587
Less: current portion included in other payables and accruals (Note 36)	**(205)**	(341)
Non-current portion	**1,301**	1,246

41. Share capital

	2025 RMB million	2024 RMB million
Registered, issued and fully paid of RMB1.00 each		
A shares listed on the Shanghai Stock Exchange ("A Shares")	**17,025**	17,114
– Tradable shares with trading moratorium	**–**	–
– Tradable shares without trading moratorium	**17,025**	17,114
H shares listed on the Stock Exchange of Hong Kong Limited ("H Shares")	**5,063**	5,177
– Tradable shares with trading moratorium	**–**	–
– Tradable shares without trading moratorium	**5,063**	5,177
Total	**22,088**	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.

42. Perpetual Bond

During the year ended 31 December 2025, the Company has not issued perpetual bonds that are redeemable solely at the Company's discretion (2024: RMB5 billion), 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 the Company's discretion, they had 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 Group.

43. Reserves

	Share premium RMB million	Capital reserve RMB million (note (a))	Hedging reserve RMB million	Statutory reserve RMB million (note (b))	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
Balance at 1 January 2024	55,917	(767)	25	782	(3,166)	(52,185)	606
Unrealised gains on cash flow hedges	–	–	5	–	–	–	5
Fair value movements in equity investments designated at FVTOCI	–	–	–	–	(75)	–	(75)
Fair value changes of equity investments designated at FVTOCI held by an associate	–	–	–	–	2	–	2
Actuarial losses on post-retirement benefit obligations	–	–	–	–	(147)	–	(147)
Loss for the year	–	–	–	–	–	(4,226)	(4,226)
Transactions with non-controlling interest	(3)	–	–	–	–	–	(3)
Distribution to holders of perpetual bond	–	–	–	–	–	(600)	(600)
Business combination under common control	(126)	–	–	–	–	–	(126)
At 31 December 2024	55,788	(767)	30	782	(3,386)	(57,011)	(4,564)
Balance at 1 January 2025	**55,788**	**(767)**	**30**	**782**	**(3,386)**	**(57,011)**	**(4,564)**
Unrealised losses on cash flow hedges	**-**	**-**	**(60)**	**-**	**-**	**-**	**(60)**
Fair value movements in equity investments designated at FVTOCI	**-**	**-**	**-**	**-**	**(4)**	**-**	**(4)**
Fair value changes of equity investments designated at FVTOCI held by an associate	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**
Actuarial gains on post-retirement benefit obligations	**-**	**-**	**-**	**-**	**60**	**-**	**60**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,633)**	**(1,633)**
Repurchase and cancellation of treasury shares	**(420)**	**-**	**-**	**-**	**-**	**-**	**(420)**
Others	**169**	**-**	**-**	**-**	**-**	**-**	**169**
Distribution to holders of perpetual bond	**-**	**-**	**-**	**-**	**-**	**(700)**	**(700)**
At 31 December 2025	**55,537**	**(767)**	**(30)**	**782**	**(3,332)**	**(59,344)**	**(7,154)**

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.

44. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2025 RMB million	2024 RMB million
Profit/(loss) before income tax	**274**	(3,904)
Adjustments for:		
Depreciation of property, plant and equipment	**12,511**	11,151
Depreciation of right-of-use assets	**14,248**	14,586
Depreciation of investment properties	**9**	17
Amortisation of intangible assets	**155**	166
Amortisation of other non-current assets	**971**	724
Gain on disposal of property, plant and equipment and right-of-use assets, net	**(198)**	(372)
Dividend income from equity investments designed at FVTOCI	**(17)**	(32)
Dividend income from a financial asset at FVTPL	**(4)**	(3)
Disposal of an associate	**(235)**	–
Disposal of a joint venture	**(367)**	–
Share of result of associates	**(245)**	(225)
Share of result of joint ventures	**(32)**	(49)
Net foreign exchange (income)/loss	**(205)**	99
Fair value changes of financial assets at FVTPL	**(21)**	(36)
Impairment charges	**30**	44
Impairment losses on financial assets, net	**4**	38
Interest expense	**4,185**	5,148
Operating profit before working capital changes	**31,063**	27,352
Changes in working capital		
Flight equipment spare parts	**(968)**	(83)
Trade and bills receivables	**12**	305
Prepayments and other receivables	**(1,769)**	(1,616)
Contract liabilities	**665**	3,255
Trade and bills payables	**9,372**	8,820
Other payables and accruals	**989**	544
Other long-term liabilities	**(101)**	(166)
Post-retirement benefit obligations	**(215)**	31
Provision for lease return costs for aircraft and engines	**(1,061)**	(921)
Cash generated from operations	**37,987**	37,521

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

(b) Major non-cash transactions

	2025 RMB million	2024 RMB million
Additions to right-of-use assets and lease liabilities	**26,225**	14,667

(c) Reconciliation of liabilities arising from financing activities

	2025 RMB million	2024 RMB million
Lease liabilities	**80,303**	72,849
Borrowings	**101,820**	103,174

	Borrowings RMB million	Lease liabilities RMB million
At 1 January 2024	111,028	84,175
Changes from financing cash flows	(7,613)	(25,777)
Other (reduction)/addition	(216)	46
Foreign exchange movement	(25)	134
New leases	–	14,271
At 31 December 2024	103,174	72,849
At 1 January 2025	**103,174**	**72,849**
Changes from financing cash flows	**(1,450)**	**(19,345)**
Other addition	**28**	**1,779**
Foreign exchange movement	**68**	**(567)**
New leases	**–**	**25,587**
At 31 December 2025	**101,820**	**80,303**

44. 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:

	2025 RMB million	2024 RMB million
Within operating activities	**(395)**	(26)
Within investing activities	**(2,988)**	(3,212)
Within financing activities	**(19,345)**	(28,137)

45. Commitments

(a) The Group had the following capital expenditure in respect of the acquisition of property, plant and equipment and investments but not provided in the consolidated financial statements:

	2025 RMB million	2024 RMB million
Contracted for:		
– Aircraft, engines and flight equipment (note i)	**78,867**	81,464
– Other property, plant and equipment	**5,152**	5,252
– Investments	**3**	174
	84,022	86,890

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:

	2025 RMB million	2024 RMB million
Within one year	**22,548**	27,736
In the second year	**15,101**	21,518
In the third year	**24,075**	15,191
Over three years	**17,143**	17,019
	78,867	81,464

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 2025. The future lease payments for these non-cancellable lease contracts are RMB10 million (2024: RMB74 million) due within one year, RMB125 million (2024: RMB296 million) due in the second to fifth years and RMB239 million due over five years (2024: RMB365 million).

(c) As at 31 December 2025, lease commitments for short-term leases amounted to RMB33 million (2024: RMB38 million).

46. Related party transactions

The Group is controlled by CEA Holding, which directly owns 40.11% of the Company's shares as at 31 December 2025 (31 December, 2024: 39.74%). 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 12.58% and 2.07% respectively as at 31 December 2025 (31 December 2024: 12.46% 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 Finance Company	Associate of the Company
Shanghai P&W	Associate of the Company
Collins Aviation	Associate of the Company
Shanghai Airlines Tours	Associate of the Company
China Eastern Air Catering Investment Co., Limited and its subsidiaries ("Eastern Air Catering")	Associate of the Company
Xian Kaiya	Associate of the Company
China Kaiya	Joint venture of the Company
Xi An Cea Safran Landing Systems Services Co., Ltd. ("XIESA")	Joint venture of the 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
CES Finance Holding Co., Ltd. ("CES finance")	Controlled by the same parent company
China Eastern Airlines (Hangzhou) Flight Training Co., Ltd. ("CES Hangzhou Training")	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
China Aviation Supplies Holding Company and its subsidiaries ("CASC")	A key management personnel of the Company is a director of CASC
Air Ground Internet Technology Co., Ltd. ("Air Ground Internet")	Associate of the parent company

46. Related party transactions *(continued)*

(b) Related party transactions

Nature of transaction	Related party	Pricing policy and decision process	2025 RMB million	2024 RMB million
Purchase of goods and services				
Payments on food and beverages	Eastern Air Catering	(i)	**3,019**	3,161
Repairs and maintenance expense for aircraft and engines	Shanghai P&W	(i)	**4,292**	4,187
	Technologies Aerospace	(i)	**231**	228
	XIESA	(i)	**241**	230
Payments on conference and training services	CES Hangzhou Training	(i)	**19**	3
Payments on system services	China Kaiya	(i)	**8**	13
	Xian Kaiya	(i)	**1**	1
Equipment maintenance fee	Collins Aviation	(i)	**31**	27
Payments on hosting services	CES Lease Company	(i)	**–**	1
Automobile maintenance service, aircraft maintenance, providing transportation automobile and other products	Eastern Investment	(i)	**85**	90
Property management and green maintenance expenses	Eastern Investment	(i)	**171**	403
Payments on hotel accommodation service	Eastern Investment	(i)	**203**	268
	Shanghai Airlines Tours	(i)	**64**	95
Payments on construction and management agent	Eastern Investment	(i)	**10**	6
Civil aviation information network services*	TravelSky	(i)	**697**	773

46. Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2025 RMB million	2024 RMB million
Purchase of goods and services *(continued)*				
Payments on aviation transportation cooperation and support services*	AFK	(i)	**7**	5
Financial services fees	Eastern Air Finance Company	(i)	**14**	12
Flight equipment spare parts maintenance and support services	AFK	(i)	**46**	69
Aviation Internet services	Air Ground Internet	(i)	**85**	74
Cargo terminal business support services	Eastern Logistics	(i)	**453**	426
Bellyhold container management	Eastern Logistics	(i)	**15**	15
Transfer of pilots	Eastern Logistics	(i)	**2**	–
Payments on logistics services	Eastern Logistics	(i)	**165**	134
Sale of goods and provision of services				
Exclusive operation transportation in relation to the passenger aircraft cargo business (note)	Eastern Logistics	(i)	**5,457**	5,331
Freight logistics support services	Eastern Logistics	(i)	**284**	330
Software system and support services	Eastern Logistics	(i)	**11**	13
Transfer of pilots	Eastern Logistics Juneyao Air	(i) (i)	**243** **–**	142 22
Aviation transportation cooperation and support services*	AFK	(i)	**58**	63
Aviation transportation cooperation and support services	Juneyao Air	(i)	**11**	23
Flight equipment spare parts maintenance and support services	Juneyao Air	(i)	**29**	36

46. Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2025 RMB million	2024 RMB million
Sale of goods and provision of services *(continued)*				
Aviation transportation cooperation services	Sichuan Air	(i)	**22**	23
Sale of Goods	Eastern Air Catering	(i)	**70**	75
	Air Ground Internet	(i)	**13**	14
Provision of services	Eastern Investment	(i)	**38**	33
	Eastern Air Catering	(i)	**6**	8
	Shanghai Airlines Tours	(i)	**2**	2
	Technologies Aerospace	(i)	**7**	10
Sale of Goods and Provision of services	CEA Holding	(i)	**3**	2
	Technologies Aerospace	(i)	**2**	–
Provision of aviation material import services	XIESA	(i)	**16**	23
Rental income				
Rental income for land and buildings under short-term leases	Eastern Air Catering	(ii)	**23**	31
	Sichuan Air	(ii)	**13**	19
	Juneyao Air	(ii)	**3**	3
	CEA Holding	(ii)	**8**	6
	CASC	(ii)	**1**	–
Rental income for Intangible assets	Eastern Logistics	(ii)	**6**	5
Rental income for cargo terminal	Eastern Logistics	(ii)	**92**	93
Lease Payments				
Lease Payments for land and buildings	Eastern Investment	(ii)	**188**	148
	Eastern Air Catering	(ii)	**2**	8
	CEA Holding	(ii)	**–**	30
	Eastern Logistics	(ii)	**2**	2
	CASC	(ii)	**1**	–
Lease payments for special vehicle and equipment	Eastern Investment	(ii)	**115**	258
Settlements of lease liabilities on aircraft and engines	CES Lease Company	(ii)	**6,574**	13,010
Addition in right-of-use assets on new leases				
Aircraft and engines	CES Lease Company	(ii)	**14,178**	6,681
Ground assets	Eastern Investment	(ii)	**126**	271
	CEA Holding		**50**	7
Land and buildings	Eastern Air Catering	(ii)	**2**	8
	Eastern Investment	(ii)	**311**	–
	Eastern Logistics	(ii)	**3**	–
	CASC	(ii)	**2**	–
	Shanghai Airlines Tours	(ii)	**1**	–

46. Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2025 RMB million	2024 RMB million
Interest on lease liabilities				
Aircraft and engines	CES Lease Company	(ii)	**645**	952
Ground assets	Eastern Investment	(ii)	**8**	15
Land and buildings	Eastern Investment	(ii)	**9**	7
	Eastern Air Catering	(ii)	**–**	3
Interest expense				
Interest expense on loans	CEA Holding	(iii)	**186**	154
	Eastern Air Finance Company	(iii)	**81**	27
Interest income				
Interest income on deposits	Eastern Air Finance Company	(iii)	**42**	62
Perpetual bond				
Interest expense on perpetual bond	CEA Holding	(iii)	**700**	600
Issue of perpetual bond – Principal	CEA Holding	(iii)	**–**	5,000
interest payment of perpetual bond	CEA Holding	(iii)	**700**	590

Notes:

(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. 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 2025 and 2024, 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.

46. Related party transactions *(continued)*

(c) Balances with related parties

(i) Amounts due from related parties

	2025 RMB million	2024 RMB million
Trade and bills receivables		
Eastern Logistics	**687**	682
Eastern Air Catering	**30**	33
Juneyao Air	**6**	7
Others	**21**	26
	744	748

	2025 RMB million	2024 RMB million
Prepayments and other receivables		
Eastern Air Finance Company	**332**	379
TravelSky	**219**	230
CEA Holding	**–**	30
Technologies Aerospace	**–**	20
Juneyao Air	**1**	8
Others	**6**	24
	558	691

	2025 RMB million	2024 RMB million
Other Non-current Assets		
XIESA	**4**	4

46. Related party transactions *(continued)*

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

(ii) Amounts due to related parties

	2025 RMB million	2024 RMB million
Trade and bills payables, Other payables and accruals		
TravelSky	**1,895**	985
Shanghai P&W	**851**	642
Eastern Air Catering	**508**	405
Eastern Investment	**250**	50
Air Ground Internet	**99**	114
XIESA	**22**	55
Collins Aviation	**13**	5
Juneyao Air	**1**	4
Technologies Aerospace	**–**	82
CEA Holding	**–**	57
China Kaiya	**–**	1
Others	**6**	23
	3,645	2,423

	2025 RMB million	2024 RMB million
Lease liabilities		
CES Lease Company	**37,666**	29,882
Eastern Investment	**699**	567
CEA Holding	**65**	36
Eastern Logistics	**3**	2
Eastern Air Catering	**3**	3
	38,436	30,490

46. Related party transactions *(continued)*

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

(ii) Amounts due to related parties *(continued)*

	2025 RMB million	2024 RMB million
Perpetual bond		
CEA Holding	**25,067**	25,067

	2025 RMB million	2024 RMB million
Other long-term liabilities		
Eastern Air Catering	**76**	63

	2025 RMB million	2024 RMB million
Contract liabilities		
Eastern Air Catering	**–**	13
Juneyao Air	**–**	1
	–	14

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 unsecured, interest-free and payable within normal credit terms given by trade creditors.

46. Related party transactions *(continued)*

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

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

	Average interest rate for the year ended 31 December		31 December	31 December
	2025	2024	**2025**	2024
			RMB million	RMB million
Short-term deposits (included in cash and cash equivalents)				
Eastern Air Finance Company	**1.00%**	0.20%	**4,172**	2,774
Short-term borrowings (included in borrowings)				
Eastern Air Finance Company	**1.84%**	2.30%	**1,500**	1,600
CES Finance	**–**	3.15%	**–**	7
CEA Holding	**–**	2.00%	**–**	1,701
Eastern Investment	**–**	2.00%	**–**	1,000
Long-term borrowings (included in borrowings)				
CEA Holding	**2.00%**	2.00%	**12,500**	1,001

(d) Guarantees by the holding company

As at 31 December 2025, bonds of the Group guaranteed by CEA Holding amounted to RMB1,510 million (31 December 2024: RMB1,510 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:

	2025	2024
	RMB million	RMB million
Other payables and accruals		
Directors and supervisors	**–**	2
Senior management	**1**	1
	1	3

47. Financial instruments by category

The Group holds the following financial instruments:

Financial assets	Notes	2025 RMB million	2024 RMB million
Financial assets at amortised cost			
Trade and bills receivables	30	**2,091**	1,949
Prepayments and other receivables	32	**3,542**	4,019
Cash and cash equivalents	33	**7,164**	4,072
Restricted bank deposits	33	**63**	61
Financial assets included in other non-current assets		**29**	251
Equity investments designated at FVTOCI	25	**1,543**	1,417
Financial assets at FVTPL	31	**124**	101
Derivative financial instruments	26	**3**	56
		14,559	11,926

Financial liabilities	Notes	2025 RMB million	2024 RMB million
Liabilities at amortised cost			
Trade and bills payables	34	**23,435**	14,515
Financial liabilities included in other payables and accruals	36	**4,435**	14,488
Borrowings	37	**101,820**	103,174
Derivative financial instruments	26	**28**	–
		129,718	132,177

48. 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:

	2025		2024	
	Carrying amount RMB million	**Fair value amount RMB million**	Carrying amount RMB million	Fair value amount RMB million
Financial liability				
Long-term borrowings	**52,409**	**51,974**	53,598	53,682
Total	**52,409**	**51,974**	53,598	53,682

The Group has assessed that the fair values of cash and cash equivalents, restricted bank deposits, Trade and bills 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 and long-term borrowings 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 and interest rate swaps with various counterparties, principally financial institutions with high credit ratings.

48. 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 and interest rate curves. 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 2025, 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 FVTOCI 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 book ("P/B") 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 2025 and 2024:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Discount for lack of marketability	21% (31 December 2024: 28%)	1% (31 December 2024: 1%) increase/decrease in multiple would result in increase/ decrease in fair value by RMB11 million (31 December 2024: 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.

48. 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 2025

	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 FVTOCI	**198**	**–**	**1,345**	**1,543**
Derivative financial instruments				
– Jet fuel hedging	**–**	**3**	**–**	**3**
Financial assets at FVTPL	**124**	**–**	**–**	**124**
Total	**322**	**3**	**1,345**	**1,670**
Liabilities				
Derivative financial instruments				
– Foreign exchange swaps	**–**	**28**	**–**	**28**

As at 31 December 2024

	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 FVTOCI	204	–	1,213	1,417
Derivative financial instruments				
– Interest rate swaps	–	9	–	9
– Foreign exchange swaps	–	47	–	47
Financial assets at FVTPL	101	–	–	101
Total	305	56	1,213	1,574

48. 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 (2024: Nil) and no transfers into or out of Level 3 for both financial assets and financial liabilities during the year of 2025.

The following table presents the changes in level 3 items for the year ended 31 December 2025:

	Equity investments designated at FVTOCI RMB million
Opening balance as at 1 January 2025	**1,213**
Addition	**132**
Loss recognised in other comprehensive income	**–**
Closing balance as at 31 December 2025	**1,345**

Liabilities for which fair values are disclosed:

As at 31 December 2025

	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
Liability				
Long-term borrowings	**–**	**51,974**	**–**	**51,974**

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

Fair value hierarchy *(continued)*

Liabilities for which fair values are disclosed: *(continued)*

As at 31 December 2024

	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
Liability				
Long-term borrowings	–	53,682	–	53,682

48.1 Accounting policies of 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

48.1 Accounting policies of fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (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. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, fuel price risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage risk exposures whenever management considers necessary.

Risk management is carried out by a central treasury department (the "Group Treasury") under policies approved by the Board. The Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The overall risk management strategies, as well as written policies covering specific areas such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, were approved by the Board.

49.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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.

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.

49. Financial risk management *(continued)*

49.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

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

	2025			
	USD	**EUR**	**SGD**	**JPY**
	RMB million	**RMB million**	**RMB million**	**RMB million**
Trade and bills receivables	**36**	**64**	**–**	**47**
Cash and cash equivalents	**1,875**	**190**	**453**	**115**
Other receivables	**56**	**14**	**–**	**9**
Other non-current assets	**887**	**–**	**–**	**–**
Derivative financial instruments	**3**	**–**	**–**	**–**
Trade and other payables	**(417)**	**(22)**	**(7)**	**(3)**
Lease liabilities	**(19,221)**	**(42)**	**–**	**(21)**
Borrowings	**(984)**	**–**	**(2,752)**	**–**
Other long-term liabilities	**(12)**	**–**	**–**	**–**
Derivative financial instruments	**(28)**	**–**	**–**	**–**

	2024			
	USD	EUR	SGD	JPY
	RMB million	RMB million	RMB million	RMB million
Trade and bills receivables	47	44	–	50
Cash and cash equivalents	687	115	37	11
Other receivables	62	9	–	10
Other non-current assets	1,079	–	–	–
Trade and other payables	(345)	(2)	(4)	(2)
Lease liabilities	(25,166)	(11)	(3)	(24)
Borrowings	–	–	(2,680)	–
Other long-term liabilities	(93)	–	–	–

49. Financial risk management *(continued)*

49.1 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 in response to a 1% appreciation or depreciation of the RMB against the following major currencies at the reporting date:

	2025		2024	
	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	**(178)/178**	**–**	(237)/237	–
If RMB (weakens)/strengthens Against EUR	**2/(2)**	**–**	1/(1)	–
If RMB (weakens)/strengthens against SGD	**(23)/23**	**–**	(27)/27	–

(ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings and lease liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and finance leases issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and finance leases issued at variable rates and fixed rates based on the market environment.

The Group's finance department has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings and finance leases issued at variable rates, which will further impact the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap variable rates into fixed rates. The interest rates and terms of repayment of borrowings made to the Group and interest rate swaps are disclosed in Notes 37 and 26 to the consolidated financial statements.

49. Financial risk management *(continued)*

49.1 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:

	2025 RMB million	2024 RMB million
Floating rate instruments		
Cash and cash equivalents	**7,164**	4,072
Restricted bank deposits	**10**	14
Borrowings	**(34,997)**	(48,586)
Lease liabilities	**(56,147)**	(46,402)
Interest rate swaps at notional amount	**–**	378
Foreign exchange swaps at notional amount	**–**	1,553

	2025 RMB million	2024 RMB million
Fixed rate instruments		
Restricted bank deposits	**53**	47
Borrowings	**(66,823)**	(54,588)
Lease liabilities	**(24,156)**	(26,447)

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:

	2025		2024	
	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	**(157)**	**–**	(170)	5

49. Financial risk management *(continued)*

49.1 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 2025, if fuel price had been 5% lower/higher with all other variables held constant, the Group's fuel cost would have been RMB2,184 million lower/higher (2024: RMB2,275 million lower/higher).

(iv) Equity price risk

The Group is exposed to equity price risk arising from individual equity investments included in financial assets at FVTPL (Note 31) and equity investments designated at FVTOCI (Note 25) as at 31 December 2025. 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 2025	**High/Low 2025**	31 December 2024	High/Low 2024
Hong Kong – Hang Seng Index	**25,631**	**27,382/18,671**	20,060	23,242/14,794
Shanghai – A Share Index	**3,969**	**4,034/3,040**	3,352	3,674/2,635

The following table demonstrates the sensitivity to every 20% 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 designated at FVTOCI, the impact is deemed to be on the fair value reserve as at 31 December 2025.

2025	**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 FVTOCI	**198**	**–**	**30/(30)**
Shanghai – Financial assets at FVTPL	**124**	**19/(19)**	**–**
Unlisted investments at fair value:			
– Equity investment designated at FVTOCI	**1,345**	**–**	**202/(202)**

49. Financial risk management *(continued)*

49.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iv) Equity price risk *(continued)*

2024	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 FVTOCI	204	–	30/(30)
Shanghai – Financial assets at FVTPL	101	8/(8)	–
Unlisted investments at fair value:			
– Equity investment designated at FVTOCI	1,213	–	92/(92)

(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.

Credit risk concentration

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 RMB871 million as at 31 December 2025 (2024: approximately RMB789 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.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2025 and 2024, the Group assessed the ECL for other receivables are insignificant and recognised loss allowance.

Cash and cash equivalents

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 46(c)(iii)). Management does not expect any loss to arise from non-performance by these banks and the financial institution.

Derivative financial instruments

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, 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.

49. Financial risk management *(continued)*

49.1 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.

	12-month ECLs	**Lifetime ECLs**			
As at 31 December 2025	**Stage 1 RMB million**	**Stage 2 RMB million**	**Stage 3 RMB million**	**Simplified approach RMB million**	**Total RMB million**
Trade receivables*	**–**	**–**	**44**	**2,139**	**2,183**
Financial assets included in prepayments and other receivables					
– Normal **	**2,504**	**361**	**408**	**–**	**3,273**
Restricted bank deposits					
– Not yet past due	**63**	**–**	**–**	**–**	**63**
Cash and cash equivalents					
– Not yet past due	**7,164**	**–**	**–**	**–**	**7,164**

	12-month ECLs	Lifetime ECLs			
As at 31 December 2024	Stage 1 RMB million	Stage 2 RMB million	Stage 3 RMB million	Simplified approach RMB million	Total RMB million
Trade receivables*	–	–	42	1,946	1,988
Financial assets included in prepayments and other receivables					
– Normal **	2,558	455	291	–	3,304
Restricted bank deposits					
– Not yet past due	61	–	–	–	61
Cash and cash equivalents					
– Not yet past due	4,072	–	–	–	4,072

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 30 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 30 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".

49. Financial risk management *(continued)*

49.1 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 2025	**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	**51,032**	**9,980**	**36,132**	**9,642**	**106,786**
Lease liabilities	**16,994**	**15,490**	**29,771**	**20,405**	**82,660**
Trade, bills and other payables	**39,520**	**–**	**–**	**–**	**39,520**
Other long-term liabilities	**165**	**122**	**95**	**–**	**382**
Total	**107,711**	**25,592**	**65,998**	**30,047**	**229,348**

At 31 December 2024	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	50,845	30,694	14,673	12,039	108,251
Lease liabilities	17,413	14,153	35,205	15,584	82,355
Trade, bills and other payables	29,037	–	–	–	29,037
Other long-term liabilities	304	175	171	–	650
Total	97,599	45,022	50,049	27,623	220,293

49. Financial risk management *(continued)*

49.2 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 2025 and 31 December 2024.

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 2025 RMB million	31 December 2024 RMB million
Total liabilities	**252,916**	235,191
Total assets	**294,006**	278,842
Debt ratio	**86%**	84%

50. Summary of other accounting policies

50.1 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.

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.

50. Summary of other accounting policies *(continued)*

50.1 Principles of consolidation *(continued)*

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control.

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 17.2.

50. Summary of other accounting policies *(continued)*

50.1 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.

50.2 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.

50. Summary of other accounting policies *(continued)*

50.2 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.

50. Summary of other accounting policies *(continued)*

50.3 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.

50.4 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, cash and cash equivalents and lease liabilities are presented in profit or loss within "finance income" or "finance costs".

50.5 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.

50. Summary of other accounting policies *(continued)*

50.6 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.

50.7 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).

50.8 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.

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

50.9 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 20. 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 CGU for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU 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.

50.10 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.

50. Summary of other accounting policies *(continued)*

50.11 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.

50.12 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.

50.13 Investments and other financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial asset at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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 FVTOCI, 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 FVTPL, 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 FVTOCI 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 FVTPL.

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.

50. Summary of other accounting policies *(continued)*

50.13 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 designated at FVTOCI (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 FVTOCI are not subject to impairment assessment.

Financial assets at FVTPL

Financial assets at FVTPL 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 FVTOCI. Dividends on equity investments classified as financial assets at FVTPL 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.

50. Summary of other accounting policies *(continued)*

50.13 Investments and other financial assets *(continued)*

(ii) Subsequent measurement *(continued)*

Financial assets at FVTPL *(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 FVTPL. 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 FVTPL 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 FVTPL.

(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.

50. Summary of other accounting policies *(continued)*

50.13 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 FVTPL. 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).

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 FVTOCI 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 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

50. Summary of other accounting policies *(continued)*

50.13 Investments and other financial assets *(continued)*

(iv) Impairment *(continued)*

Simplified approach

For trade receivables 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.

50.14 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings payables, 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, lease liabilities, 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.

50. Summary of other accounting policies *(continued)*

50.15 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.

50.16 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.

50. Summary of other accounting policies *(continued)*

50.16 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.

50. Summary of other accounting policies *(continued)*

50.16 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.

50. Summary of other accounting policies *(continued)*

50.17 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 30 for further information about the Group's accounting for trade receivables and note 49.1 for a description of the Group's impairment policies.

50.18 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, 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.

50.19 Borrowings

Borrowings are 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.

50. Summary of other accounting policies *(continued)*

50.20 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.

51. 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:

	Note	31 December 2025 RMB million	31 December 2024 RMB million
Non-current assets			
Property, plant and equipment		**72,440**	74,676
Investment properties		**46**	60
Right-of-use assets		**91,914**	75,028
Intangible assets		**11,658**	11,560
Advanced payments on acquisition of aircraft		**11,215**	14,986
Investments in subsidiaries		**27,811**	25,887
Investments in associates		**2,241**	2,474
Investments in joint ventures		**135**	428
Financial assets at FVTOCI		**1,485**	1,359
Deferred tax assets		**4,488**	5,589
Other non-current assets		**5,505**	6,789
		228,938	218,836
Current assets			
Flight equipment spare parts		**15**	17
Trade receivables		**1,636**	1,463
Prepayments and other receivables		**63,614**	56,355
Financial assets at FVTPL		**122**	101
Derivative financial instruments		**3**	56
Restricted bank deposits		**7**	12
Cash and cash equivalents		**3,422**	1,023
		68,819	59,027
Total assets		**297,757**	277,863
Current liabilities			
Trade and bills payables		**26,448**	16,416
Other payables and accruals		**34,832**	31,312
Contract liabilities		**10,592**	9,806
Current portion of borrowings		**47,870**	52,681
Current portion of Lease liabilities		**11,866**	11,989
Current portion of provision for lease return costs for aircraft and engines		**270**	–
Derivative financial instruments		**28**	–
		131,906	122,204
Net current liabilities		**(63,087)**	(63,177)
Total assets less current liabilities		**165,851**	155,659

51. 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)*

	Note	31 December 2025 RMB million	31 December 2024 RMB million
Non-current liabilities			
Borrowings		**52,390**	50,943
Lease liabilities		**51,309**	40,965
Provision for lease return costs for aircraft and engines		**4,262**	3,649
Contract liabilities		**660**	418
Post-retirement benefit obligations		**1,536**	1,732
Other long-term liabilities		**648**	595
		110,805	98,302
Net assets		**55,046**	57,357
Equity			
Capital and reserves			
– Share capital		**22,088**	22,291
– Perpetual Bond		**25,067**	25,067
– Reserves	(b)	**7,891**	10,019
– Treasury Shares		**–**	(20)
Total equity		**55,046**	57,357

51. 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
Balance at 1 January 2024	57,475	(720)	26	752	(2,530)	(39,343)	15,660
Unrealised gains on cash flow hedges	–	–	5	–	–	–	5
Fair value movements in equity investments designated at FVTOCI	–	–	–	–	(66)	–	(66)
Actuarial losses on post-retirement benefit obligations	–	–	–	–	(107)	–	(107)
Loss for the year	–	–	–	–	–	(4,873)	(4,873)
Distribution to holders of perpetual bond	–	–	–	–	–	(600)	(600)
At 31 December 2024	57,475	(720)	31	752	(2,703)	(44,816)	10,019
Balance at 1 January 2025	**57,475**	**(720)**	**31**	**752**	**(2,703)**	**(44,816)**	**10,019**
Unrealised losses on cash flow hedges	**-**	**-**	**(59)**	**-**	**-**	**-**	**(59)**
Fair value movements in equity investments designated at FVTOCI	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Actuarial gains on post-retirement benefit obligations	**-**	**-**	**-**	**-**	**42**	**-**	**42**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,406)**	**(1,406)**
Distribution to holders of perpetual bond	**-**	**-**	**-**	**-**	**-**	**(700)**	**(700)**
At 31 December 2025	**57,475**	**(720)**	**(28)**	**752**	**(2,666)**	**(46,922)**	**7,891**

Supplementary Financial Information

Year ended 31 December 2025

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 owners of the Company and consolidated net assets attributable to owners of the Company are summarised as follows:

	2025 **RMB million**	2024 RMB million
Consolidated loss attributable to owners of the Company		
As stated in accordance with PRC Accounting Standards	**(1,633)**	(4,226)
As stated in accordance with IFRSs	**(1,633)**	(4,226)

	2025 **RMB million**	2024 RMB million
Consolidated net assets attributable to owners of the Company		
As stated in accordance with the PRC Accounting Standards	**37,759**	40,532
Impact of IFRSs and other adjustments:		
– Intangible assets (goodwill) (a)	**2,242**	2,242
As stated in accordance with IFRSs	**40,001**	42,774

(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.

Independent Auditor's Report

Deloitte. 德勤

To the Shareholders of China Eastern Airlines Corporation Limited

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

Opinion

We have audited the consolidated financial statements of China Eastern Airlines Corporation Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 98 to 215, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment tests of goodwill, aircraft and engines	
As stated in Note 4(a), Note 4(b), Note 17, Note 19, and Note 20 to the consolidated financial statements, as of 31 December 2024, the balance of the Group's goodwill was RMB11,272 million, and the balances of the Group's owned and leased aircraft and engines were RMB82,977 million and RMB108,298 million, which were significant to the financial statements. The Group performs impairment tests of goodwill annually and performs impairment tests of aircraft and engines when indication of impairment exists. The goodwill and aircraft and engines were all associated with airline transportation operations unit. When performing the impairment tests, management determined the recoverable amount of the airline transportation operations unit based on the higher of its fair value less costs of disposal and its present value of projected future cash flows. The determination of the present value of projected future cash flows of the airline transportation operations unit was based on the key assumptions, including revenue growth rates, gross margin rates, and discount rate, which depended on management's significant estimates and judgements. We identified the impairment tests of goodwill, aircraft and engines as a key audit matter since the balances of goodwill, aircraft and engines were significant, and there were significant management's accounting estimates and judgements involved.	Our procedures in relation to the impairment tests of goodwill, aircraft and engines included: • Understanding and evaluating the design and implementation of key internal controls related to impairment tests of goodwill, aircraft and engines. Testing the operating effectiveness of those key internal controls. • Evaluating the reasonableness of management's inclusion of goodwill, aircraft and engines in airline transportation operations unit. • Involving internal valuation specialist to assist in evaluating appropriateness of the method and model used in the impairment tests, and the reasonableness of the key parameters including discount rate and long term revenue growth rates. • Evaluating the reasonableness of the profit forecast used in projected future cash flows by comparing it with the Group's historical data, approved financial budgets and operating plans. • Evaluating the reasonableness of management's estimates by comparing the current year's actual financial results with the respective forecasts used in prior year's impairment tests. • Performing sensitivity analysis to evaluate the impact on the impairment tests of goodwill, aircraft and engines if there would be reasonable changes in the key parameters which were significant in determining the present value of projected future cash flows.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

Responsibilities of Directors and Those Charged with Governance 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 as issued by the IASB 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.

Those charged with governance 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for 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 the independent auditor's report is Yam Siu Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB million	2023 RMB million (Restated Note 2.2)
Revenue	5	**132,120**	113,788
Other operating income and gains	7	**6,503**	5,429
Operating expenses			
Aircraft fuel		**(45,499)**	(41,102)
Depreciation and amortisation		**(26,644)**	(25,041)
Wages, salaries and benefits	9	**(26,552)**	(23,672)
Take-off and landing charges		**(17,535)**	(14,558)
Aircraft maintenance		**(6,171)**	(4,542)
Food and beverages		**(4,227)**	(2,993)
Selling and marketing expenses		**(3,949)**	(2,931)
Civil aviation development fund		**(1,122)**	(1,056)
Ground services and other expenses		**(445)**	(564)
Impairment charges	10	**(44)**	(17)
Impairment losses on financial assets, net	11	**(38)**	(49)
Low value and short-term lease rentals		**(26)**	(400)
Fair value changes of financial asset at fair value through profit or loss		**36**	(7)
Other operating expenses		**(4,789)**	(4,222)
Total operating expenses		**(137,005)**	(121,154)
Operating income/(loss)	8	**1,618**	(1,937)
Share of result of associates	23	**225**	131
Share of result of joint ventures	24	**49**	(8)
Finance income	12	**115**	496
Finance costs	13	**(5,911)**	(6,982)
Loss before income tax		**(3,904)**	(8,300)
Income tax expense	14	**(894)**	(336)
Loss for the year		**(4,798)**	(8,636)
Loss is attributable to:			
Equity holders of the Company		**(4,226)**	(8,190)
Non-controlling interests		**(572)**	(446)
		(4,798)	(8,636)
Loss per share attributable to the equity holders of the Company:			
– Basic (expressed in RMB per share)	16	**(0.19)**	(0.37)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	Year ended 31 December 2024 RMB million	2023 RMB million (Restated Note 2.2)
Loss for the year		**(4,798)**	(8,636)
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss			
– Effective portion of changes in fair value of hedging instruments arising during the period, net of tax		**5**	(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 (loss)/income, net of tax		**(81)**	6
– Share of other comprehensive income of an associate, net of tax	23	**2**	5
– Actuarial loss on the post-retirement benefit obligations, net of tax	39	**(152)**	(79)
Other comprehensive expense for the year, net of tax		**(226)**	(103)
Total comprehensive expense for the year		**(5,024)**	(8,739)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(4,441)**	(8,300)
Non-controlling interests		**(583)**	(439)
		(5,024)	(8,739)

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 2024

	Notes	31 December 2024 RMB million	31 December 2023 RMB million (Restated Note 2.2)
Non-current assets			
Property, plant and equipment	17	**103,330**	95,991
Investment properties	18	**96**	277
Right-of-use assets	19(a)	**112,433**	118,331
Intangible assets	20	**11,603**	11,607
Advanced payments on acquisition of aircraft	21	**14,986**	15,183
Investments in associates	23	**2,218**	2,049
Investments in joint ventures	24	**512**	464
Equity investments designed at fair value through other comprehensive income	25	**1,417**	1,057
Derivative financial instruments	26	**–**	33
Deferred tax assets	28	**9,160**	9,851
Other non-current assets	27	**3,984**	4,157
		259,739	259,000
Current assets			
Flight equipment spare parts	29	**1,680**	1,640
Trade and bills receivables	30	**1,949**	2,191
Prepayments and other receivables	32	**11,184**	9,727
Financial assets at fair value through profit or loss	31	**101**	65
Derivative financial instruments	26	**56**	16
Restricted bank deposits	33	**61**	319
Cash and cash equivalents	33	**4,072**	11,858
		19,103	25,816
Current liabilities			
Trade and bills payables	34	**14,515**	4,601
Other payables and accruals	36	**20,227**	20,584
Contract liabilities	35	**10,678**	7,422
Current portion of borrowings	37	**49,576**	53,006
Current portion of lease liabilities	19(b)	**16,997**	19,428
Income tax payable		**71**	50
Current portion of provision for lease return costs for aircraft and engines	38	**1,939**	1,191
		114,003	106,282
Net current liabilities		**(94,900)**	(80,466)
Total assets less current liabilities		**164,839**	178,534

As at 31 December 2024

	Note	31 December 2024 RMB million	31 December 2023 RMB million (Restated Note 2.2)
Non-current liabilities			
Borrowings	37	**53,598**	58,022
Lease liabilities	19(b)	**55,852**	64,747
Provision for lease return costs for aircraft and engines	38	**7,619**	7,897
Contract liabilities	35	**632**	586
Post-retirement benefit obligations	39	**2,240**	2,206
Other long-term liabilities	40	**1,246**	1,510
Deferred tax liabilities		**1**	1
		121,188	134,969
Net assets		**43,651**	43,565
Equity attributable to equity holder of the Company			
– Share capital	41	**22,291**	22,291
– Perpetual bond	42	**25,067**	20,057
– Reserves	43	**(4,564)**	606
– Treasury Shares		**(20)**	–
		42,774	42,954
Non-controlling interests	22	**877**	611
Total equity		**43,651**	43,565

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

The consolidated financial statements on pages 98 to 215 were approved by the Board of Directors on 28 March 2025 and were signed on behalf.



Wang Zhiqing
Chairman



Liu Tiexiang
Vice Chairman, President

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Notes	Attributable to equity holders of the Company							
		Share capital RMB million	Perpetual bond RMB million	Treasury shares 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 2022, as previously stated		22,291	–	–	53,289	(43,922)	31,658	1,020	32,678
Business combination under common control	2.2	–	–	–	72	50	122	–	122
Total equity at 1 January 2023, as restated		22,291	–	–	53,361	(43,872)	31,780	1,020	32,800
Comprehensive income:									
Loss for the year		–	–	–	–	(8,190)	(8,190)	(446)	(8,636)
Other comprehensive (expense) income		–	–	–	(110)	–	(110)	7	(103)
Total comprehensive expense		–	–	–	(110)	(8,190)	(8,300)	(439)	(8,739)
Total transaction with equity holders:									
Issue of perpetual bond	42	–	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, as restated		22,291	20,057	–	52,791	(52,185)	42,954	611	43,565
Total equity at 1 January 2024, as restated		**22,291**	**20,057**	**–**	**52,791**	**(52,185)**	**42,954**	**611**	**43,565**
Comprehensive (expense) income:									
Loss for the year		**–**	**–**	**–**	**–**	**(4,226)**	**(4,226)**	**(572)**	**(4,798)**
Other comprehensive expense		**–**	**–**	**–**	**(215)**	**–**	**(215)**	**(11)**	**(226)**
Total comprehensive expense		**–**	**–**	**–**	**(215)**	**(4,226)**	**(4,441)**	**(583)**	**(5,024)**
Total transaction with equity holders:									
Issue of perpetual bond	42	**–**	**5,000**	**–**	**–**	**–**	**5,000**	**–**	**5,000**
Business combination under common control		**–**	**–**	**–**	**(126)**	**–**	**(126)**	**–**	**(126)**
Transactions with non-controlling interest		**–**	**–**	**–**	**(3)**	**–**	**(3)**	**–**	**(3)**
Repurchase of shares		**–**	**–**	**(20)**	**–**	**–**	**(20)**	**–**	**(20)**
Capital injection by non-controlling interests in subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**849**	**849**
Interests paid to holders of perpetual bond		**–**	**(590)**	**–**	**–**	**–**	**(590)**	**–**	**(590)**
Distribution to holders of perpetual bond		**–**	**600**	**–**	**–**	**(600)**	**–**	**–**	**–**
Balance at 31 December 2024		**22,291**	**25,067**	**(20)**	**52,447**	**(57,011)**	**42,774**	**877**	**43,651**

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 2024

	Notes	Year ended 31 December 2024 RMB million	2023 RMB million (Restated Note2.2)
Cash flow from operating activities			
Cash generated from operations	44(a)	**37,521**	26,646
Income tax paid		**(207)**	(93)
Net cash generated from operating activities		**37,314**	26,553
Cash flow from investing activities			
Additions to property, plant and equipment and other non-current assets		**(16,339)**	(18,665)
Additions to financial assets at fair value through other comprehensive income		**–**	(600)
Withdrawal/(Placement) of restricted bank deposits		**294**	(300)
Net proceeds from disposal of a subsidiary		**–**	45
Dividends received		**91**	66
Proceeds from disposal of property, plant and equipment		**681**	459
Withdraw of novation of purchase rights		**4,097**	2,934
Net cash (used in) investing activities		**(11,176)**	(16,061)
Cash flows from financing activities			
Proceeds from perpetual bond		**5,000**	20,000
Proceeds from draw-down of short-term bank loans		**42,803**	31,000
Proceeds from draw-down of long-term bank loans		**10,500**	23,500
Proceeds from short-term debentures		**18,000**	40,000
Proceeds from non-controlling interests in subsidiaries		**849**	–
Repayments of short-term bank loans		**(46,700)**	(40,600)
Repayments of long-term bank loans		**(5,216)**	(17,983)
Repayments of short-term debentures		**(18,000)**	(40,000)
Repayments of long-term debentures and bonds		**(9,000)**	(6,800)
Repayments of principal of lease liabilities		**(25,777)**	(18,974)
Repurchase of treasury shares		**(20)**	–
Dividends paid to company's shareholders		**–**	(19)
Interest paid		**(6,287)**	(6,571)
Decrease in an amount due to a jointly-controlled entity		**(126)**	(430)
Settlement relating to derivative financial instruments		**46**	60
Net cash used in financing activities		**(33,928)**	(16,817)
Net decrease in cash and cash equivalents		**(7,790)**	(6,325)
Cash and cash equivalents at beginning of the year		**11,858**	18,169
Effects of exchange rate changes on cash and cash equivalents		**4**	14
Cash and cash equivalents at end of the year		**4,072**	11,858

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

Notes to the Consolidated Financial Statements

Year ended 31 December 2024

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, also manufacturing and maintenance of aircraft and aviation equipment, agency services, import and export business, tourism and hotel business; and other businesses related to air transportation.

The immediate 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 2025.

2. Basis of preparation

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRSs") issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

(i) Going concern

In 2024, the Group incurred net loss of RMB4.798 billion. As at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB94.900 billion. In preparing these financial statements, the Board has conducted a detailed review over the Group's going concern ability based on its unutilized banking facilities, financial condition and operating results. The Board has also considered the following factors:

- Sufficient unutilised banking facilities as at 31 December 2024;
- 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 year end date of these financial statements, considering the Group's major operating costs including fuel prices during such period.

2. Basis of preparation *(continued)*

2.1 Basis of preparation *(continued)*

(i) Going concern *(continued)*

The Board believes that the Group has sufficient source of financing to enable it to operate, as well as to meet its liabilities as and when they become due, and to support its capital expenditures in the forseeable future of not less than twelve months starting from the year end date of these financial statements. Accordingly, the Board continued to prepare the Group's financial statements as of and for the year ended 31 December 2024 on a going concern basis.

2.2 Restatement

Formerly the Group held 45% interest of China Eastern Media Co., Ltd. ("China Eastern Media") and it was accounted for as an associate using the equity method of accounting. In February 2024, the Group acquired the remaining 55% equity interest in China Eastern Media from CEA Holding, with the purchase consideration of RMB126 million, and China Eastern Media 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 for 2023 as set out in these consolidated financial statements have been restated to include the historical financial information of China Eastern Media since the date when China Eastern Media first came under the control of CEA Holding.

The adoption of merger accounting has resulted in a increase in the Group's loss for the year ended 31 December 2023 by approximately RMB19 million, see Note 22(b).

3. Application of New and amendments to IFRSs

(i) Amended standards adopted by the Group

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangement

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. Application of New and amendments to IFRSs *(continued)*

(ii) New standards and interpretations not yet adopted

The following new and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards — Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after 1 January 2026
4 Effective for annual periods beginning on or after 1 January 2027

Except for the new IFRSs mentioned below, the Directors anticipate that the application of all other amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements.

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRSs, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

4. 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) 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 value in use of the cash-generating unit to which the goodwill is allocated to determine the recoverable amount. 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. (See Note 20)

(b) 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 17.2 to the consolidated financial statements. The recoverable amount of the asset or the cash-generating unit has been determined based on the higher of its value in use and its fair value less costs of disposal. When the single asset is hard to estimate, the recoverable amount would calculated as the CGU. 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, 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.

(c) 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. As at 31 December 2024, the amount of provision is RMB9,558 million (2023: RMB9,088 million) in accordance with the accounting policy stated in Note 38.1.

(d) Depreciation of property, plant and equipment and right-of-use assets

Depreciation of components related to the owned and leased airframe and engine overhaul costs are based on the Group's historical experience with similar airframe and engine models and taking into account anticipated overhauls costs, timeframe between each overhaul, ratio of actual flying hours and estimated flying hours between overhauls. Different judgments or estimates could significantly affect the estimated depreciation charge and the results of operations.

Except for components related to the owned and leased airframe and engine overhaul costs, other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The Group reviews the estimated useful lives of assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

4. Critical accounting estimates and judgements *(continued)*

(e) Deferred income tax

The Group pays corporate income tax in different regions. There is uncertainty about the final tax treatment of certain transactions and events among the ordinary course of business. The Group needs to make significant judgments when accruing income tax expense in each region. If there is a discrepancy between the final determination of these tax events and the amount originally recorded, the difference will have an impact on the amount of income tax expense and deferred income tax.

As at 31 December 2024, a deferred tax asset of RMB7,223 million (2023: RMB7,803 million) in relation to unused tax losses has been recognised in the consolidated statement of financial position. Addition information is disclosed in Note 28.

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. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(f) Recognition of contract liabilities for frequent flyer programme

Passenger ticket under the Company's frequent flyer programme provide customers with mileage points earned. 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, which is estimated by reference to the quantitative value a program member receives by redeeming mileage points for flights and goods, and the estimated Breakage. The Breakage is estimated considering historical redemption pattern, current industry and economic trends and other relevant factors. Changes in the significant assumptions could have a significant effect on the balance of contract liabilities for frequent flyer programme and the results of operations.

(g) Retirement benefits

The Group operates and maintains a defined retirement benefit plan which provides eligible retirees with benefits including retirement subsidies, life 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 39.1 to the consolidated financial statements. These assumptions include, without limitation, the selection of discount rate, mortality and annual rate of increase of per capita benefit payment. The discount rate is based on management's review of government bonds. The Mortality is based on average expected remaining life of eligible participants. The annual rate of increase of benefit payments is based on the general local economic conditions. Additional information regarding the retirement benefit plan is disclosed in Note 39 to the consolidated financial statements.

5. Revenue

(a) Disaggregated revenue from contracts with customers:

An analysis of revenue is as follows:

	2024 RMB million	2023 RMB million
Revenue from contracts with customers	**131,889**	113,552
Revenue from other sources		
– Rental income	**231**	236
	132,120	113,788

For the year ended 31 December 2024

	Airline transportation operations RMB million	Others operations RMB million	Total RMB million
Types of goods or services			
Traffic revenues			
– Passenger	**121,483**	**–**	**121,483**
– Cargo and mail	**5,331**	**–**	**5,331**
Ticket cancellation and commission service	**2,445**	**–**	**2,445**
Ground service income	**823**	**–**	**823**
Others	**1,489**	**318**	**1,807**
Total revenue from contracts with customers	**131,571**	**318**	**131,889**
Geographical markets			
Domestic	**90,127**	**318**	**90,445**
Regional	**3,591**	**–**	**3,591**
International	**37,853**	**–**	**37,853**
Total revenue from contracts with customers	**131,571**	**318**	**131,889**

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

5. Revenue *(continued)*

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

For the year ended 31 December 2023

	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	440	2,166
Total revenue from contracts with customers	113,112	440	113,552
Geographical markets			
Domestic	89,514	440	89,954
Regional	2,848	–	2,848
International	20,750	–	20,750
Total revenue from contracts with customers	113,112	440	113,552

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:

	2024 RMB million	2023 RMB million
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Passenger transportation services	**6,333**	2,932

As at 31 December 2024, the contract liabilities for passenger transportation services amounted to RMB9,574 million (2023: RMB6,453 million).

5. Revenue *(continued)*

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

The table below presents the activity of the contract liabilities for frequent flyer programme.

	2024 RMB million	2023 RMB million
At 1 January	**1,405**	1,370
Deferred during the year	**1,483**	1,350
Recognised as revenue during the year	**(1,219)**	(1,315)
At 31 December	**1,669**	1,405
Less: the related pending output value added tax therein	**(151)**	(125)
	1,518	1,280

5.1 Accounting policies of revenue recognition

(i) Performance obligations for contracts with customers

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

(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) Transaction price allocated to the remaining performance obligation for contracts with customers

The active customer loyalty points have no expiration and can be redeemed anytime at customers' discretion.

(iii) Rental income

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. Operating segment information

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

The Group has two reportable segments. "Airline transportation operations", mainly 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 sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

6. Operating segment information *(continued)*

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. Segment revenue and loss before income tax are the same as the consolidated figures as reported in the consolidated financial statement for the year ended 31 December 2024 and 2023. The difference between reportable segment assets and consolidated figures as reported in the consolidated financial statements, arising from different accounting policies is set out in Note (ii) below.

The segment results for the year ended 31 December 2024 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	**131,802**	**318**	**–**	**–**	**132,120**
Inter-segment sales	**–**	**1,444**	**(1,444)**	**–**	**–**
Reportable segment revenue	**131,802**	**1,762**	**(1,444)**	**–**	**132,120**
Reportable segment (loss)/income before income tax	**(4,771)**	**522**	**–**	**345**	**(3,904)**
Reportable segment income tax expense	**(792)**	**(102)**	**–**	**–**	**(894)**
Reportable segment (loss)/income	**(5,563)**	**420**	**–**	**345**	**(4,798)**
Other segment information					
Depreciation and amortisation	**26,393**	**251**	**–**	**–**	**26,644**
Impairment losses, net	**39**	**(1)**	**–**	**–**	**38**
Impairment charges	**44**	**–**	**–**	**–**	**44**
Interest income	**141**	**14**	**(40)**	**–**	**115**
Interest expenses	**5,155**	**33**	**(40)**	**–**	**5,148**
Investment in associates	**–**	**–**	**–**	**225**	**225**
Investment in joint venture	**–**	**–**	**–**	**49**	**49**

6. Operating segment information *(continued)*

The segment results for the year ended 31 December 2023 were as follows:

	Airline transportation operations RMB million (Restated Note 2.2)	Other segments RMB million (Restated Note 2.2)	Eliminations RMB million (Restated Note 2.2)	Unallocated* RMB million (Restated Note 2.2)	Total RMB million (Restated Note 2.2)
Segment revenue					
Reportable segment revenue from external customers	113,348	440	–	–	113,788
Inter-segment sales	–	826	(826)	–	–
Reportable segment revenue	113,348	1,266	(826)	–	113,788
Reportable segment (loss)/income before income tax	(8,835)	422	–	113	(8,300)
Reportable segment income tax expense	(260)	(76)	–	–	(336)
Reportable segment (loss)/income	(9,095)	346	–	113	(8,636)
Other segment information					
Depreciation and amortisation	24,767	274	–	–	25,041
Impairment losses, net	50	(1)	–	–	49
Impairment charges	22	(5)	–	–	17
Interest income	1,068	13	(585)	–	496
Interest expenses	6,660	6	(585)	–	6,081
Investment in associates	–	–	–	131	131
Investment in joint venture	–	–	–	(8)	(8)

The segment assets and liabilities as at 31 December 2024 and 31 December 2023 were as follows:

	Airline transportation operations RMB million	**Other segments RMB million**	**Eliminations RMB million**	**Unallocated[i] RMB million**	**Total RMB million**
At 31 December 2024					
Reportable segment assets[ii]	**261,705**	**4,275**	**(2,844)**	**13,464**	**276,600**
Reportable segment liabilities	**236,235**	**1,799**	**(2,844)**	**1**	**235,191**
Capital expenditure	**34,669**	**274**	**(10)**	**–**	**34,933**
At 31 December 2023					
Reportable segment assets[ii]	267,430	4,029	(2,420)	13,535	282,574
Reportable segment liabilities	242,039	1,631	(2,420)	1	241,251
Capital expenditure	27,243	109	–	–	27,352

(i) 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, deferred tax assets and liabilities and financial assets at fair value through profit or loss.

(ii) The difference between reportable segment assets and consolidated figures as reported in the consolidated financial statements of RMB2,242 million (2023: RMB2,242 million) 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.

6. Operating segment information *(continued)*

The Group's business operates in three main geographical areas, even though they are managed on a worldwide basis.

The Group's revenues by geographical area are analysed based on the following criteria:

(1) Traffic revenue from services within the PRC (excluding the Hong Kong Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau") and Taiwan) is classified as domestic operations. Traffic revenue from inbound or outbound services among Hong Kong, Macau and Taiwan is classified as regional operations while that with other overseas markets is classified as international operations.

(2) The Group's revenues by geographical area are listed as below:

	2024 **RMB million**	2023 RMB million
Domestic	**90,676**	90,190
Regional	**3,591**	2,848
International	**37,853**	20,750
	132,120	113,788

(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. Except the aircraft, most non-current assets (except financial instruments) are registered and located in the PRC.Except the aircraft, most non-current assets (except financial instruments) are registered and located in the PRC.

7. Other operating income and gains

	2024 RMB million	2023 RMB million
Co-operation routes income (note (a))	**4,510**	3,616
Routes subsidy income (note (b))	**323**	221
Other subsidy income (note (c))	**672**	1,165
Gain on disposal of items of property, plant and equipment, right-of-use assets and intangible assets	**394**	86
Compensation from ticket sales agents	**305**	174
Others	**299**	167
	6,503	5,429

(a) Co-operation routes income represents subsidies granted by various local authorities and other parties, with which the Group developed certain routes to support the development of local economy. The amounts granted are calculated based on the agreements entered into by all parties.

(b) Routes subsidy income represents subsidies granted by various authorities to support certain international and domestic routes operated by the Group.

(c) Other subsidy income represents subsidies granted by various local authorities based on certain amounts of tax paid and other government grants.

(d) There are no unfulfilled conditions or other contingencies related to subsidies that were recognised for the year ended 31 December 2024 and 2023.

8. Operating income/(loss)

Operating income/(loss) is stated after charging the following items:

	2024 RMB million	2023 RMB million
Amortisation of intangible assets (Note 20)	**166**	193
Depreciation of property, plant and equipment (Note 17)	**11,151**	9,632
Depreciation of right-of-use assets (Note 19(a))	**14,586**	14,454
Depreciation of investment properties (Note 18)	**17**	10
Amortisation of long-term deferred assets included in other non-current assets	**724**	752
Write-down of flight equipment spare parts to net realisable value and rotables (Note 10)	**43**	17
Consumption of flight equipment spare parts	**2,077**	1,463
Auditors' remuneration	**10**	12

9. Wages, salaries and benefits

	2024 RMB million	2023 RMB million
Wages, salaries, bonuses and allowances	**20,530**	17,842
Employee welfare and benefits	**582**	675
Pension (Note 39(a))	**2,878**	2,698
Medical insurance (note (i))	**986**	941
Staff housing fund (note (ii))	**1,390**	1,290
Staff housing allowances	**177**	217
Early retirement benefits (note (iii))	**9**	9
	26,552	23,672

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) 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".

9. Wages, salaries and benefits *(continued)*

Notes: *(continued)*

(iv) Directors' and executive's remuneration

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the applicable Listing rules and Companies Ordinance, was as follows:

	2024 RMB'000	2023 RMB'000
Fees	**856**	700
Other emoluments:		
Salaries, allowances and benefits in kind	**2,165**	1,872
Performance related bonuses*	**–**	–
Pension scheme contributions	**99**	64
	3,120	2,636

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

2024

	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***	–	–	–	–	–
Liu Tiexiang*&**	–	–	–	–	–
Cheng Guowei*&**	–	–	–	–	–
Li Yangmin*&****	–	–	–	–	–
Tang Bing*&****	–	–	–	–	–
Lin Wanli****	–	–	–	–	–
Jiang Jiang*&****	–	–	–	–	–
Independent non-executive Directors					
Cai Hongping****	**60**	–	–	–	**60**
Dong Xuebo****	**60**	–	–	–	**60**
Sun Zheng	**200**	–	–	–	**200**
Lu Xiongwen	**200**	–	–	–	**200**
Fung Wing Yee Sabrina**	**140**	–	–	–	**140**
Zheng HongFeng**	**140**	–	–	–	**140**
Luo Qun**	**56**	–	–	–	**56**
Supervisors					
Guo Junxiu*&**	–	–	–	–	–
Shao Zuming**	–	**701**	–	**38**	**739**
Zhou Huaxin**	–	**799**	–	**48**	**847**
Guo Lijun****	–	**665**	–	**13**	**678**
Fang Zhaoya*&****	–	–	–	–	–
Total	**856**	**2,165**	**–**	**99**	**3,120**

9. Wages, salaries and benefits *(continued)*

Notes: *(continued)*

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

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**

* These directors and supervisors of the Company received emoluments from CEA Holding, the parent company, part of which were in respect of their services to the Company and its subsidiaries. No apportionment has been made as it is impracticable to apportion those amounts between their services to the Group and their services to CEA Holding.

** These directors and supervisors of the Company were newly appointed or elected during the year ended 31 December 2024.

*** Mr. Wang Zhiqing was 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.

**** These directors and supervisors of the Company resigned during the year ended 31 December 2024.

None of directors and supervisors waived any renunciation during 31 December 2024 and 2023.

(v) 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 2024 (2023: Nil). The emoluments payable to the five highest paid individuals were as follows:

	2024 RMB'000	2023 RMB'000
Wages, salaries and allowances	**9,717**	8,844
Performance related bonuses*	**–**	–
Pension scheme contributions	**318**	194
	10,035	9,038

* 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.

9. Wages, salaries and benefits *(continued)*

Notes: *(continued)*

(v) Five highest paid individuals *(continued)*

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

	2024	2023
HK$1,500,001 to HK$2,000,000	**4**	4
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	–

During the year ended 31 December 2024, 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 (2023: Nil).

10. Impairment charges

	2024 **RMB million**	2023 RMB million
Write-down of flight equipment spare parts to net realisable value (Note 29)	**43**	17
Write-down of rotables to net realisable value	**1**	–
	44	17

11. Impairment losses on financial assets, net

	2024 **RMB million**	2023 RMB million
Impairment losses reversed on other non-current assets	**–**	(1)
Impairment losses on trade receivable, net (Note 30)	**15**	12
Impairment losses on other receivables (Note 32)	**23**	38
	38	49

12. Finance income

	2024 **RMB million**	2023 RMB million
Interest income	**115**	496

13. Finance costs

	2024 RMB million	2023 RMB million
Interest on bank borrowings	**2,304**	2,340
Interest relating to lease liabilities	**2,412**	2,980
Interest relating to post-retirement benefit obligations	**59**	67
Interest relating to provision for lease return costs for aircraft and engines	**305**	307
Interest on bonds and debentures	**536**	917
Interest relating to interest rate swap contracts	**(46)**	(60)
Less: Amounts capitalised (note (a))	**(422)**	(470)
	5,148	6,081
Foreign exchange losses, net (note (b))	**763**	901
	5,911	6,982

Notes

(a) The weighted average interest rate used for interest capitalisation is 2.74% per annum for the year ended 31 December 2024 (for the year ended 31 December 2023: 3.24%).

(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 2024.

14. Income tax

The amounts of income tax expense charged to the consolidated income statements represent:

	2024 RMB million	2023 RMB million
Current income tax	**178**	320
Deferred income tax	**716**	16
	894	336

Most of the Company's branches and subsidiaries in mainland China are subject to income tax rate of 25% (2023: 25%) except some branches and subsidiaries obtained approval from the tax authorities at a preferential rate of 15% (2023:15%), and certain subsidiaries of the Company in Hong Kong are subject to Hong Kong profits tax rate of 16.5% (2023: 16.5%).

14. Income tax *(continued)*

A reconciliation of the income tax expense 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:

	2024 **RMB million**	2023 RMB million
Loss before income tax	**3,904**	8,300
Tax calculated at the tax rate of 25% (2023: 25%)	**(976)**	(2,075)
Lower tax rates enacted by local authorities	**(43)**	33
Additional deduction of research and development costs	**(61)**	(40)
Income tax deduction of purchase of special equipment for production safety	**(32)**	(18)
Share of results of associates and joint ventures	**(69)**	(33)
Income not subject to tax	**(20)**	(5)
Unrecognised tax losses and timing difference	**1,951**	2,286
Expenses not deductible for tax	**148**	125
Adjustments in respect of current tax of previous periods	**(4)**	63
Tax expense	**894**	336
Effective tax rate	**23%**	4%

15. Dividends

The Board did not propose any dividend for the years ended 31 December 2024 and 2023.

16. Loss per share

The calculation of basic loss per share for the year ended 31 December 2024 was based on the loss attributable to equity holders of the Company of RMB4,226 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 2023 was based on the loss attributable to equity holders of the Company of RMB8,190 million and the weighted average number of shares of 22,291,295,570 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 2024 and 2023.

17. 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 2024					
At 1 January 2024					
Cost	**152,903**	**17,516**	**9,468**	**2,409**	**182,296**
Accumulated depreciation and impairment	**(75,140)**	**(4,400)**	**(6,765)**	**–**	**(86,305)**
Net carrying amount	**77,763**	**13,116**	**2,703**	**2,409**	**95,991**
At 1 January 2024, net of accumulated depreciation and impairment	**77,763**	**13,116**	**2,703**	**2,409**	**95,991**
Additions	**8,373**	**–**	**493**	**493**	**9,359**
Disposals	**(46)**	**(296)**	**(27)**	**–**	**(369)**
Other decrease	**–**	**–**	**–**	**(4)**	**(4)**
Transfer from construction in progress	**–**	**74**	**17**	**(91)**	**–**
Transfer from investment properties (Note 18)	**–**	**48**	**–**	**–**	**48**
Transfer from right-of-use assets (Note 19(a))	**9,541**	**–**	**–**	**–**	**9,541**
Transfer to investment properties (Note 18)	**–**	**(15)**	**–**	**–**	**(15)**
Transfer to intangible assets (Note 20)	**–**	**–**	**–**	**(5)**	**(5)**
Transfer to right-of-use assets (Note 19(a))	**–**	**–**	**–**	**(59)**	**(59)**
Transfer to other non-current assets	**–**	**–**	**–**	**(6)**	**(6)**
Depreciation provided during the year	**(9,948)**	**(621)**	**(582)**	**–**	**(11,151)**
At 31 December 2024, net of accumulated depreciation and impairment	**85,683**	**12,306**	**2,604**	**2,737**	**103,330**
At 31 December 2024:					
Cost	**176,139**	**17,315**	**9,653**	**2,737**	**205,844**
Accumulated depreciation and impairment	**(90,456)**	**(5,009)**	**(7,049)**	**–**	**(102,514)**
Net carrying amount	**85,683**	**12,306**	**2,604**	**2,737**	**103,330**

17. Property, plant and equipment *(continued)*

(a) As at 31 December 2024, the ownership certificates of buildings with a net carrying amount of RMB3,359 million (2023: RMB3,227 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.

(b) The following table indicates the cost and net carrying amount of the Group's aircraft pledged as collateral under certain borrowing arrangements (Note 38):

	2024		2023	
	Cost RMB million	**Net carrying amount RMB million**	Cost RMB million	Net carrying amount RMB million
Aircraft – pledged as collateral	**34,243**	**23,483**	31,669	18,948

(c) As of 31 December 2024, the balances of the Group's owned and leased aircraft and engines were RMB82,977 million and RMB108,298 million, respectively. The aircraft and engines were all associated with air transportation unit.

In 2024, the Group incurred net loss of RMB47.98 billion and the Company performed the impairment tests of aircraft and engines. For the purpose of impairment test, the aircraft and engines and other assets (including Property, plant and equipment, right-of-use assets, construction in progress and intangible assets) 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 the present value of future cash flows.

The key assumptions for revenue growth rate and gross margins are based on the past performances and market development expectations. The growth rates within forecast period based on financial budgets approved by managements covering a five-year period. The growth rates beyond the five-year period were extrapolated using a 2%. The discount rates used are pre-tax rates which are 10.1%.

17. 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 2023					
At 1 January 2023					
Cost	136,733	16,499	9,556	3,738	166,526
Accumulated depreciation and impairment	(66,650)	(3,992)	(6,660)	–	(77,302)
Net carrying amount	70,083	12,507	2,896	3,738	89,224
At 1 January 2023, net of accumulated depreciation and impairment	70,083	12,507	2,896	3,738	89,224
Additions	10,774	6	222	570	11,572
Interest capitalised	–	–	–	22	22
Disposals	(30)	(12)	(32)	–	(74)
Other decrease	–	(24)	(1)	(99)	(124)
Transfer from construction in progress	–	1,232	246	(1,478)	–
Transfer from investment properties (Note 18)	–	6	–	–	6
Transfer from right-of-use assets (Note 19(a))	5,386	–	–	–	5,386
Transfer to investment properties (Note 18)	–	(45)	–	–	(45)
Transfer to intangible assets (Note 20)	–	–	–	(10)	(10)
Transfer to right-of-use assets (Note 19(a))	–	–	–	(277)	(277)
Transfer to other non-current assets	–	–	–	(57)	(57)
Depreciation provided during the year	(8,450)	(554)	(628)	–	(9,632)
At 31 December 2023, net of accumulated depreciation and impairment	77,763	13,116	2,703	2,409	95,991
At 31 December 2023:					
Cost	152,903	17,516	9,468	2,409	182,296
Accumulated depreciation and impairment	(75,140)	(4,400)	(6,765)	–	(86,305)
Net carrying amount	77,763	13,116	2,703	2,409	95,991

17. Property, plant and equipment *(continued)*

17.1 Accounting policies of property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the supply of services, or for administrative purposes. Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

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.

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.

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.

17. Property, plant and equipment *(continued)*

17.2 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.

18. Investment properties

	2024 **RMB million**	2023 RMB million
Cost		
At 1 January	**620**	475
Transfer from property, plant and equipment (Note 17)	**22**	176
Transfer from right-of-use assets (Note 19(a))	**15**	–
Transfer to property, plant and equipment (Note 17)	**(98)**	(12)
Transfer to right-of-use assets (Note 19(a))	**(12)**	(4)
Eliminated on disposals	**(234)**	(15)
At 31 December	**313**	620
Accumulated depreciation		
At 1 January	**343**	219
Transfer from property, plant and equipment (Note 17)	**7**	131
Transfer from right-of-use assets (Note 19(a))	**4**	–
Transfer to property, plant and equipment (Note 17)	**(50)**	(6)
Transfer to right-of-use assets (Note 19(a))	**(4)**	(1)
Eliminated on disposals	**(100)**	(10)
Charge for the year (Note 8)	**17**	10
At 31 December	**217**	343
Net book amount		
At 31 December	**96**	277

As at 31 December 2024, the fair value of the investment properties was approximately 510 million (2023: 1,020 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 RMB231 million (2023: RMB236 million) was received by the Group during the year in respect of the leases.

As at 31 December 2024, the Group had no pledged investment properties (2023: Nil).

18. Investment properties *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
Buildings	**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 2024	**–**	**113**	**397**	**510**
As at 31 December 2023	–	141	879	1,020

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2023: 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. For the estimated rental value and rent growth which change in the same direction to the fair value, in contrast, the long term vacancy rate and discount rate change opposite to the fair value.

18.1 Accounting policies of Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

19. 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 2024, the Group had 454 aircraft (2023: 481 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 and 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.

(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 2022 and 1 January 2023, net of accumulated depreciation	124,453	2,148	1,330	257	128,188
Additions	8,036	158	553	973	9,720
Transfer from investment properties (Note 18)	–	3	–	–	3
Transfer to property, plant and equipment (Note 17)	(5,386)	–	–	–	(5,386)
Transfer from construction in progress	–	277	–	–	277
Disposals	(17)	–	–	–	(17)
Depreciation provided during the year (Note 8)	(13,207)	(73)	(889)	(285)	(14,454)
At 31 December 2023	113,879	2,513	994	945	118,331
At 31 December 2023 and 1 January 2024, net of accumulated depreciation	**113,879**	**2,513**	**994**	**945**	**118,331**
Additions	**16,945**	**216**	**1,278**	**150**	**18,589**
Transfer from investment properties (Note 18)	**–**	**8**	**–**	**–**	**8**
Transfer to property, plant and equipment (Note 17)	**(9,541)**	**–**	**–**	**–**	**(9,541)**
Transfer from construction in progress	**–**	**59**	**–**	**–**	**59**
Transfer to investment properties (Note 18)	**–**	**(11)**	**–**	**–**	**(11)**
Disposals	**–**	**(76)**	**(2)**	**(338)**	**(416)**
Depreciation provided during the year (Note 8)	**(12,985)**	**(103)**	**(1,267)**	**(231)**	**(14,586)**
At 31 December 2024	**108,298**	**2,606**	**1,003**	**526**	**112,433**

19. 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:

	2024 RMB million	2023 RMB million
Carrying amount at 1 January	**84,175**	97,008
New leases	**14,271**	5,645
Other addition	**46**	57
Effect of foreign exchange	**134**	439
Accretion of interest recognised during the year	**2,360**	2,909
Payments	**(28,137)**	(21,883)
Carrying amount at 31 December	**72,849**	84,175
Analysed into:		
Current portion	**16,997**	19,428
Non-current portion	**55,852**	64,747

The maturity analysis of lease liabilities is disclosed in Note 49 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB million	2023 RMB million
Interest on lease liabilities (Note 13)	**2,671**	3,227
Depreciation charge of right-of-use assets (Note 8)	**14,586**	14,454
Low value and short-term lease rental	**18**	400
Total amount recognised in profit or loss	**17,275**	18,081

(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 44(d) and 45, respectively, to the consolidated financial statements.

19. Leases *(continued)*

The Group as a lessor

The Group leases certain of 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 RMB231 million (2023: RMB236 million) (Note 5).

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 **RMB million**	2023 RMB million
Within one year	**250**	214
After one year but within two years	**122**	136
After two years but within three years	**88**	58
After three years but within four years	**62**	51
After four years but within five years	**50**	48
After five years	**176**	215
	748	722

19.1 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.

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

19. Leases *(continued)*

19.1 Accounting policies of Leases *(continued)*

(i) As lessee *(continued)*

- 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.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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.

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

19. Leases *(continued)*

19.1 Accounting policies of Leases *(continued)*

(i) As lessee *(continued)*

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 which newly valuations below USD5,000 or RMB35,000. 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.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

A lease contract is modified and the lease modification is not accounted for as a separate lease.

19. Leases *(continued)*

19.1 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. Leases *(continued)*

19.1 Accounting policies of Leases *(continued)*

(iii) Sales and leaseback *(continued)*

As seller-lessee *(continued)*

Sublease – When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(iv) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(v) Finance leases

The Group accounts for a lease modification as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification; and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification. Otherwise, the Group accounts for the modification in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

20. Intangible assets

	Goodwill (Note(a)) RMB million	Others RMB million	Total RMB million
Cost at 1 January 2024, net of accumulated amortization	**11,272**	**335**	**11,607**
Additions	**–**	**157**	**157**
Transfer from construction in progress (Note 17)	**–**	**5**	**5**
Amortisation provided during the year	**–**	**(166)**	**(166)**
At 31 December 2024	**11,272**	**331**	**11,603**
At 31 December 2024:			
Cost	**11,272**	**2,538**	**13,810**
Accumulated amortisation	**–**	**(2,207)**	**(2,207)**
Net carrying amount	**11,272**	**331**	**11,603**

	Goodwill (Note(a)) RMB million	Others RMB million	Total RMB million
Cost at 1 January 2023, net of accumulated amortization	11,274	386	11,660
Additions	–	133	133
Transfer from construction in progress (Note 17)	–	10	10
Disposal	(2)	(1)	(3)
Amortisation provided during the year	–	(193)	(193)
At 31 December 2023	11,272	335	11,607
At 31 December 2023:			
Cost	11,272	2,377	13,649
Accumulated amortisation	–	(2,042)	(2,042)
Net carrying amount	11,272	335	11,607

(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.

The above goodwill belongs to the Group's airline transportation operations which is a independent CGU. The recoverable amount of the CGU is rely on financial budgets approved by managements covering a five-year period. The long-term growth rate used to extrapolate the cash flows of the above cash-generating unit beyond the five-year period is 2%. The pre-tax discount rate applied to the pre-tax cash flow projections is 10.1%. The gross margins are based on the utilization of aircraft and engines and market development expectations when calculating the present value of future cash flows. No impairment for the goodwill was required based on the value-in-use calculation as at the reporting date.

21. Advanced payments on acquisition of aircraft

	2024 RMB million	2023 RMB million
At 1 January	**15,183**	13,970
Payment during the year	**4,676**	4,337
Interest capitalised	**422**	448
Other reduction (Note (a))	**(5,295)**	(3,572)
At 31 December	**14,986**	15,183

Included in the Group's balance as at 31 December 2024, the amounts of accumulated interest capitalised are approximately RMB1,553 million (2023: RMB1,736 million).

(a) During the year, the Group received prepaid advanced payments amounting to RMB4,097 million (2023: RMB2,934 million).

22. Subsidiaries

The Group's principal subsidiaries at 31 December 2024 and 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The place of incorporation or registration is also their principal place of business.

Company name	Place and date of incorporation/ registration and place of business	Principle activities	Issued ordinary/ registered share capital million	Ownership interest held by the group		Ownership interest held by non-controlling interests	
				2024	2023	**2024**	2023
China Eastern Airlines Jiangsu Co., Ltd. ("CEA Jiangsu")	PRC/Mainland China, 7 April 1993	Provision of airline services	RMB4,000[Note]	**62.56%**	62.56%	**37.44%**	37.44%
China Eastern Airlines Wuhan Co., Ltd. ("CEA Wuhan")	PRC/Mainland China, 16 August 2002	Provision of airline services	RMB2,750[Note]	**60%**	60%	**40%**	40%
Shanghai Eastern Flight Training Co., Ltd. ("Shanghai Flight Training")	PRC/Mainland China, 18 December 1995	Provision of flight training services	RMB694	**100%**	100%	**-**	-
Shanghai Airlines Co., Ltd. ("Shanghai Airlines")	PRC/Mainland China, 16 March 2010	Provision of airline services	RMB10,000	**100%**	100%	**-**	-
Eastern Airlines Technic Co., Ltd. ("CEA Technic")	PRC/Mainland China, 19 November 2014	Provision of airline maintenance services	RMB4,652	**100%**	100%	**-**	-
China Eastern Airlines Yunnan Co., Ltd. ("CEA Yunnan")	PRC/Mainland China, 27 July 2010	Provision of airline services	RMB3,662	**65%**	65%	**35%**	35%
Eastern Air Overseas (Hong Kong) Co., Ltd. ("Eastern Air Overseas")	Hong Kong, 10 June 2011	Provision of import and export, investment, leasing and consultation services	HKD280	**100%**	100%	**-**	-
China United Airlines Co., Ltd. ("China United Airlines")	PRC/Mainland China, 21 September 1984	Provision of airline services	RMB3,320	**100%**	100%	**-**	-
China Eastern Airlines Application Development Center Co., Ltd. ("Application Development Center")	PRC/Mainland China, 21 November 2011	Provision of research and development of technology and products in the field of aviation	RMB498	**100%**	100%	**-**	-
China Eastern Airlines E-Commerce Co., Ltd. ("Eastern E-Commerce")	PRC/Mainland China, 1 December 2014	E-commerce platform and ticket agent	RMB100	**100%**	100%	**-**	-
China Eastern Media Co., Ltd. ("China Eastern Media") (Note(b))	PRC/Mainland China	Provision of aviation advertising platform operation services	RMB200	**100%**	45%	**-**	55%
Shanghai Eastern Digital Technology Co., Ltd. ("Eastern Digital")	PRC/Mainland China	Provision of development of information system and technical service	RMB200	**100%**	-	**-**	-
SPV	PRC/Mainland China	Provision of leasing business	-	**100%**	100%	**-**	-
China Eastern Airlines (Shantou) Economic Development Co., Ltd.	PRC/Mainland China	Provision of airline products	RMB10	**55%**	55%	**45%**	45%

Note：

As at 31 December 2024, the company's capital increase process is still ongoing.

22. Subsidiaries *(continued)*

(a) Non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	31 December 2024	31 December 2023
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 2024 RMB million	31 December 2023 RMB million
Loss for the year allocated to non-controlling interests:		
CEA Jiangsu	**(372)**	(195)
CEA Yunnan	**(159)**	(208)
CEA Wuhan	**(37)**	(41)
Accumulated balances of non-controlling interests at the reporting date:		
CEA Jiangsu	**(566)**	(940)
CEA Yunnan	**777**	936
CEA Wuhan	**667**	612

22. 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 2024	**CEA Jiangsu RMB million**	**CEA Yunnan RMB million**	**CEA Wuhan RMB million**
Revenue	**10,199**	**10,944**	**4,556**
Loss for the year	**(1,006)**	**(454)**	**(93)**
Total comprehensive loss for the year	**(1,015)**	**(454)**	**(113)**
Current assets	**1,257**	**363**	**1,246**
Non-current assets	**12,676**	**13,690**	**6,223**
Current liabilities	**10,601**	**8,405**	**3,596**
Non-current liabilities	**4,864**	**2,564**	**1,448**
Net cash flows from operating activities	**468**	**1,530**	**698**
Net cash flows used in investing activities	**(371)**	**(623)**	**(214)**
Net cash flows (used in)/from financing activities	**(103)**	**(920)**	**516**
Net (decrease)/increase in cash and cash equivalents	**(6)**	**(13)**	**1,000**

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	–

22. Subsidiaries *(continued)*

(b) Business combination under common control

Formerly the Group held 45% interest of China Eastern Media and it was accounted for as an associate using the equity method of accounting. In February 2024, the Group acquired the remaining 55% equity interest in China Eastern Media from CEA Holding, with the purchase consideration of RMB126 million, and China Eastern Media 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 2023 as set out in these consolidated financial statements have been restated to include the historical financial information of China Eastern Media since the date when China Eastern Media first came under the control of CEA Holding.

The adoption of merger accounting for the year ended 31 December 2023 has resulted in a increase in the Group's total comprehensive income and loss attributable to ordinary shareholders of the Company for the year ended 31 December 2023 by approximately RMB10 million and RMB19 million respectively. The restatement of China Eastern Media affected the allocated part of the other segments.

The following is a reconciliation of the effect arising from the acquisition of China Eastern Media which is accounted for under common control combination on the consolidated financial statements.

	As at 31 December 2023			
	Balances as previously reported RMB million	Merger of China Eastern Media RMB million	Elimination of inter-company balances RMB million	Balances as restated RMB million
Consolidated Statement of Financial Position				
Total assets	284,733	249	(166)	284,816
Total liabilities	241,270	60	(79)	241,251
Total equity	43,463	189	(87)	43,565

	Year ended 31 December 2023			
	Amounts as previously reported RMB million	Merger of China Eastern Media RMB million	Elimination of inter-company balances RMB million	Amounts as restated RMB million
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Total revenue	113,741	98	(51)	113,788
Loss for the year	(8,617)	(39)	20	(8,636)

23. Investments in associates

	2024 RMB million	2023 RMB million
Share of net assets	**2,218**	2,049

The movements in investments in associates were as follows:

	2024 RMB million	2023 RMB million
At 1 January	**2,049**	1,956
Additions	**–**	–
Share of results of associates	**225**	131
Share of revaluation on equity investments designated at fair value through other comprehensive income held by an associate	**2**	1
Share of other reserve of associates	**(3)**	–
Dividend declared during the year	**(55)**	(39)
At 31 December	**2,218**	2,049

23. 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
		2024	2023	**2024**	2023	
		Million	Million			
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
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"	**RMB42**	RMB42	**49%**	49%	Provision of supply chain and logistics
Xi'an Civil Aviation Kaiya Technology Co., Ltd. ("Xian Kaiya")	PRC/Mainland China 9 July 2002	**RMB1,500**	RMB1,500	**32%**	32%	Provision of technology service
Shanghai Hongpu Civil Airport Communication Co., Ltd ("Shanghai Hongpu")	PRC/Mainland China 2 June 2000	**RMB2,500**	RMB2,500	**30%**	30%	Provision of technology service

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.

23. Investments in associates *(continued)*

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

	2024 RMB million	2023 RMB million
Share of the associates' results for the year	**225**	131
Share of the associates' other comprehensive income	**2**	1
Share of the associates' total comprehensive income	**227**	132
Aggregate carrying amount of the Group's interests in the associates	**2,218**	2,049

24. Investments in joint ventures

	2024 RMB million	2023 RMB million
Share of net assets	**512**	464

The movements in investments in joint ventures were as follows:

	2024 RMB million	2023 RMB million
At 1 January	**464**	455
Additions	**–**	14
Share of results	**49**	(8)
Share of revaluation on equity investments designated at fair value through other comprehensive income held by the Joint venture	**–**	4
Dividend declared during the year	**(1)**	(1)
At 31 December	**512**	464

24. 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
		2024 Million	2023 Million	**2024**	2023	
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%**	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:

	2024 RMB million	2023 RMB million
Share of the joint ventures' loss and total comprehensive income for the year	**49**	(8)
Share of revaluation on equity investments designated at fair value through other comprehensive income held by the Joint venture	**–**	4
Share of the associates' total comprehensive income	**49**	(4)
Aggregate carrying amount of the Group's interests in the joint ventures	**512**	464

25. Equity investments designated at fair value through other comprehensive income

	2024 RMB million	2023 RMB million
Listed equity investment, at fair value		
TravelSky Technology Limited	**204**	260
Unlisted equity investments, at fair value		
Aviation Data Communication Corporation Limited	**95**	126
Sichuan Airlines Corporation Limited	**1,068**	600
Others	**50**	71
	1,213	797
	1,417	1,057

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:

	2024 RMB million	2023 RMB million
(Losses)/gains recognised in other comprehensive income	**(81)**	6
Dividends from equity investments held at FVOCI recognised in profit or loss in other income	**32**	11

26. Derivative financial instruments

	Assets		Liability	
	2024	2023	**2024**	2023
	RMB million	RMB million	**RMB million**	RMB million
Foreign exchange swaps	**47**	–	**–**	–
Interest rate swaps	**9**	49	**–**	–
Total	**56**	49	**–**	–
Less: current portion				
– Foreign exchange swaps	**(47)**	–	**–**	–
– Interest rate swaps	**(9)**	(16)	**–**	–
Total	**(56)**	(16)	**–**	–
Non-current portion	**–**	33	**–**	–

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 2024, the notional principal of the outstanding interest rate swap contracts amounted to USD53 million (31 December 2023: USD189 million) These contracts would expire in 2025.

Cash flow hedge — Foreign exchange risk

The Group entered into foreign exchange swap contracts to mitigate its foreign exchange risk. The foreign exchange swap contracts had been designated as cash flow hedge against the currency fluctuations. As at 31 December 2024, the notional principal of the outstanding foreign exchange swap contracts amounted to USD216 million (31 December 2023: nil). These contracts would expire in 2025.

27. Other non-current assets

	2024	2023
	RMB million	RMB million
Deferred pilot recruitment costs	**2,169**	2,198
Deposits relating to aircraft held under leases	**81**	80
Rebate receivables on aircraft acquisitions	**697**	684
Prepayment for acquisition of property, plant and equipment	**82**	287
Others	**955**	908
	3,984	4,157

28. 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:

	2024 **RMB million**	2023 RMB million
Deferred tax assets	**9,160**	9,851
Deferred tax liabilities	**1**	1
Net deferred income tax assets	**9,159**	9,850

Movements in the net deferred tax assets were as follows:

	2024 **RMB million**	2023 RMB million
At 1 January	**9,850**	9,857
Charged to profit or loss (Note 14)	**(716)**	(16)
Credit to other comprehensive income	**25**	9
At 31 December	**9,159**	9,850

28. 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:

	2024 RMB million	2023 RMB million
Deferred tax assets:		
Loss available for offsetting against future taxable profits	**7,223**	7,803
Lease liabilities	**6,087**	7,395
Provision for lease return costs for aircraft and engines	**1,871**	1,680
Impairment provision for receivables	**103**	97
Impairment provision for flight equipment spare parts	**88**	84
Other payables and accruals	**48**	74
Impairment provision for property, plant and equipment	**18**	18
Government grants related to assets	**11**	14
Financial asset at fair value through profit or loss	**5**	5
Others	**116**	76
	15,570	17,246
Deferred tax liabilities:		
Right-of-use assets	**(6,343)**	(7,299)
Equity investments designated at fair value through other comprehensive income	**(54)**	(80)
Derivative financial instruments	**(14)**	(13)
Others	**–**	(4)
	(6,411)	(7,396)
	9,159	9,850

28. 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 2024 RMB million	Credited/ (charged) to profit or loss RMB million	(Charged)/ credited to other comprehensive income RMB million	At 31 December 2024 RMB million
For the year ended 31 December 2024				
Provision for lease return costs for aircraft and engines	**1,680**	**191**	**–**	**1,871**
Lease liabilities	**7,395**	**(1,308)**	**–**	**6,087**
Impairment provision for flight equipment spare parts	**84**	**4**	**–**	**88**
Impairment provision for receivables	**97**	**6**	**–**	**103**
Impairment provision for property, plant and equipment	**18**	**–**	**–**	**18**
Financial asset at fair value through profit or loss	**5**	**–**	**–**	**5**
Other payables and accruals	**74**	**(26)**	**–**	**48**
Government grants related to assets	**14**	**(3)**	**–**	**11**
Loss available for offsetting against future taxable profits	**7,803**	**(580)**	**–**	**7,223**
Safety equipment tax credit	**76**	**40**	**–**	**116**
	17,246	**(1,676)**	**–**	**15,570**
Right-of-use assets	**(7,299)**	**956**	**–**	**(6,343)**
Equity investments designated at fair value through other comprehensive income	**(80)**	**–**	**26**	**(54)**
Derivative financial instruments	**(13)**	**–**	**(1)**	**(14)**
Others	**(4)**	**4**	**–**	**–**
	(7,396)	**960**	**25**	**(6,411)**
Net deferred tax assets	**9,850**	**(716)**	**25**	**9,159**

28. 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 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	74	–	–	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
	17,162	84	–	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)	–	–	(4)
	(7,305)	(100)	9	(7,396)
Net deferred tax assets	9,857	(16)	9	9,850

28. 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:

	2024		2023	
	Deferred taxation RMB million	**Temporary differences RMB million**	Deferred taxation RMB million	Temporary differences RMB million
Tax losses carried forward	**13,090**	**53,352**	11,788	47,859
Other deductible temporary differences	**8**	**32**	5	20
Total unrecognised deferred tax assets	**13,098**	**53,384**	11,793	47,879

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 2025 and 2029.

	At 31 December 2024	At 31 December 2023
2024	**–**	198
2025	**2,016**	1,339
2026	**16,133**	7,306
2027	**26,465**	31,744
2028	**8,200**	7,272
2029	**538**	–
	53,352	47,859

As at 31 December 2024, 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 RMB7,223 million (2023: RMB7,803 million) for tax losses of RMB29,977 million (2023: RMB32,512 million).

28.1 Accounting 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.

28. Deferred tax assets and liabilities *(continued)*

28.1 Accounting 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 at the time of the transaction does not give rise to equal taxable and deductible temporary differences; 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 at the time of the transaction does not give rise to equal taxable and deductible temporary differences; 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.

29. Flight equipment spare parts

	2024 RMB million	2023 RMB million
Flight equipment spare parts	**2,038**	1,983
Less: provision for spare parts	**(358)**	(343)
	1,680	1,640

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

	2024 RMB million	2023 RMB million
At 1 January	**343**	327
Accrual	**43**	17
Amount written off in relation to disposal of spare parts	**(28)**	(1)
At 31 December	**358**	343

30. Trade and bills receivables

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

	2024 RMB million	2023 RMB million
Trade and bills receivables	**2,047**	2,285
Less: impairment	**(98)**	(94)
	1,949	2,191

An aging analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice/billing date, is as follows:

	2024 RMB million	2023 RMB million
Within 90 days	**1,970**	2,156
91 to 180 days	**5**	17
181 to 365 days	**3**	39
Over 365 days	**69**	73
	2,047	2,285

As at 1 January 2024, trade and bills receivables from contracts with customers amounted to RMB2,191 million.

Balances with related parties included in trade and bills receivables are summarised in Note 46(c)(i). As at 31 December 2024, total bills received amounting to RMB59 million (2023: nil) are held by the Group for future settlement of trade and bills receivables. All bills received by the Group are with a maturity period of less than one year.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB million	2023 RMB million
At 1 January	**94**	88
Impairment losses, net (Note 11)	**15**	12
Amount written off as uncollectible	**(11)**	(6)
At 31 December	**98**	94

As at 31 December 2024, the loss allowance based on collective assessment is RMB42 million (2023: 46 million).

30. Trade and bills 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 2024

		Past due			
	Current	Less than 90 days	90 to 365 days	Over 365 days	Total
Expected credit loss rate (%)	**1.52**	**1.91**	**12.50**	**95.65**	**4.79**
Gross carrying amount (RMB million)	**1,708**	**262**	**8**	**69**	**2,047**
Expected credit losses (RMB million)	**26**	**5**	**1**	**66**	**98**

As at 31 December 2023

		Past due			
	Current	Less than 90 days	90 to 365 days	Over 365 days	Total
Expected credit loss rate (%)	1.11	1.74	5.36	90.41	4.11
Gross carrying amount (RMB million)	1,984	172	56	73	2,285
Expected credit losses (RMB million)	22	3	3	66	94

As at 31 December 2024, the Group did not have any past due trade receivables without impairments.

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 11). Amounts charged to the allowance account are generally written off when there is no expectation of recovering.

31. Financial assets at fair value through profit or loss

	2024 RMB million	2023 RMB million
Listed equity investment, at fair value:		
Shanghai Pudong Development Bank Co., Ltd.	**101**	65

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

	2024 RMB million	2023 RMB million
Fair value losses on equity investments at FVPL charged to profit or loss	36	(7)

32. Prepayments and other receivables

	2024 RMB million	2023 RMB million
Value added tax recoverable	**7,120**	6,357
Subsidy receivable	**2,173**	1,625
Prepaid corporate income tax	**84**	37
Advance to suppliers	**207**	311
Rebate receivables on aircraft acquisitions	**325**	289
Amounts due from related parties (Note 46(c)(i))	**691**	578
Other deposits	**166**	172
Others	**795**	712
	11,559	10,081
Provision for impairment of other receivables	**(377)**	(354)
	11,184	9,727

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 2024	**15**	**116**	**223**	**354**
Transferred — to stage 3	**–**	**(22)**	**22**	**–**
Transferred — to stage 2	**(2)**	**2**	**–**	**–**
Accrual	**14**	**25**	**43**	**82**
Net impairment losses reversed	**–**	**–**	**(59)**	**(59)**
As at 31 December 2024	**27**	**121**	**229**	**377**

32. Prepayments and other receivables *(continued)*

	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

33. Cash and cash equivalents and restricted cash

	2024 RMB million	2023 RMB million
Cash at bank and on hand	**4,133**	12,177
Less: restricted cash (a)	**(61)**	(319)
Cash and cash equivalents (b)	**4,072**	11,858

(a) Details of restricted cash are as follows:

	2024 RMB million	2023 RMB million
Restricted bank deposits	**61**	319

(b) Cash and cash equivalents 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.

34. Trade and bills payable

The ageing analysis of the accounts payable, based on the transaction date, as at the end of the reporting period was as follows:

	2024 RMB million	2023 RMB million
Within 90 days	**3,388**	4,096
91 to 180 days	**10,838**	193
181 to 365 days	**33**	76
1-2 years	**46**	62
Over 2 years	**210**	174
	14,515	4,601

Balances with related parties included in trade and bills payables are summarised in Note 46(c)(ii).

As at 31 December 2024, notes payable of the Group amounted to RMB12,802 million (2023: RMB2,508 million).

35. Contract liabilities

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

	2024 RMB million	2023 RMB million
Sales in advance of carriage	**8,839**	5,995
Frequent flyer programme (Note 5)	**1,518**	1,280
Advances from customers	**953**	733
	11,310	8,008
Analysed into:		
Current portion	**10,678**	7,422
Non-current portion	**632**	586

As at 1 January 2024, contract liabilities amounted to RMB8,008 million.

36. Other payables and accruals

	2024 RMB million	2023 RMB million
Salaries, wages and benefits	**3,184**	2,457
Take-off and landing charges	**2,810**	3,251
Expenses related to aircraft overhaul conducted	**2,305**	1,654
Duties and levies payable	**2,014**	1,803
Other accrued operating expenses	**1,888**	913
Fuel cost	**1,882**	2,064
Payable for system services	**1,199**	981
Food and beverages	**854**	602
Payable for purchase of property, plant and equipment	**533**	1,413
Other deposit	**557**	678
Pending output value added tax	**402**	326
Current portion of other long-term liabilities (Note 40)	**341**	429
Deposits received from ticket sales agents	**290**	235
Lease rentals	**212**	702
Amounts due to related parties (Note 46(c)(ii))	**157**	149
Current portion of post-retirement benefit obligations (Note 39(b))	**151**	154
Others	**1,448**	2,773
Total	**20,227**	20,584

37. Borrowings

	2024 RMB million	2023 RMB million
Non-current:		
Long-term bank borrowings		
– secured (note (a))	**16,740**	12,692
– unsecured	**29,702**	34,648
Guaranteed bonds (note (b))	**4,156**	4,183
Unsecured bonds (note (b))	**3,000**	6,499
	53,598	58,022
Current:		
Current portion of non-current borrowings		
– secured (note (a))	**1,781**	1,941
– unsecured	**8,365**	2,028
Current portion of guaranteed bonds (note (b))	**34**	34
Current portion of unsecured bonds (note (b))	**3,668**	9,385
Short-term bank borrowings		
– unsecured	**35,728**	39,618
	49,576	53,006
	103,174	111,028

The borrowings are repayable as follows:

	2024 RMB million	2023 RMB million
Within one year	**49,576**	53,006
In the second year	**29,537**	13,753
Between third and fifth years, inclusive	**13,338**	35,596
After the fifth year	**10,723**	8,673
	103,174	111,028

37. Borrowings *(continued)*

Notes:

(a) As at 31 December 2024, the secured bank borrowings of the Group were secured by the related aircrafts with a net carrying amount of RMB23,483 million (2023: RMB18,948 million) (Note 17).

(b) Detailed bonds are listed below:

	Issue date	Principal	Notes	Interest rate
Ten-year corporate bonds	2016/10/24	RMB1,500 million	(i)	3.30%
Five-year corporate bonds	2019/08/19	RMB3,000 million	(ii)	3.60%
Ten-year corporate bonds	2021/03/11	RMB3,000 million	(iii)	3.95%
Six-year corporate bonds	2021/03/11	RMB6,000 million	(iv)	3.68%
Five-year credit enhanced bonds	2021/07/15	SGD500 million	(v)	2.00%
Three-year medium-term bonds	2022/04/13	RMB2,000 million	(vi)	2.92%
Three-year medium-term bonds	2022/04/19	RMB1,500 million	(vii)	2.92%

(i) On 24 October 2016, the Company issued ten-year corporate bonds with a total principal amount of RMB1.5 billion. The bonds bear interest at the rate of 3.30% per annum. Which 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 46(d)).

(ii) 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 has been paid on 20 August 2024, which is the maturity date (Note 46(d)).

(iii) 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 principal of the bonds will mature and become repayable on 12 March 2031 (callable 2026).

(iv) 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 principal of the bonds has been redeemed on 12 March 2024.

(v) 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.

(vi) 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.

(vii) 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.

37. Borrowings *(continued)*

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

	Interest rate and final maturities	**2024 RMB million**	2023 RMB million
Long-term bank borrowings			
RMB denominated	Interest rates ranging from 1.87% to 2.85% with final maturities through 2045 (2023: 2.00% to 3.45%)	**56,588**	50,137
EUR denominated	Interest rates at 3-month EURIBOR +0.5% all have been paid during 2024 (2023: 3-month EURIBOR +0.5%)	**–**	1,172
Guaranteed bonds			
RMB denominated	Interest rates ranging from 3.03% to 3.30% with final maturities through 2026 (2023: 3.03% to 3.30%)	**1,510**	1,510
SGD denominated	Interest rate at 2.00% with final maturities through 2026 (2023: 2.00%)	**2,680**	2,707
Unsecured bonds			
RMB denominated	Interest rates ranging from 2.92% to 3.95% with final maturities through 2031 (2023: from 2.92% to 3.95%)	**6,668**	15,884
		67,446	71,410

Short-term borrowings of the Group are repayable within one year. As at 31 December 2024, the interest rates relating to such borrowings were 0.90% to 3.15% (2023: 0.80% to 2.60%).

38. Provision for lease return costs for aircraft and engines

	2024 RMB million	2023 RMB million
At 1 January	**9,088**	8,468
Accrual	**1,137**	1,082
Utilisation	**(667)**	(462)
At 31 December	**9,558**	9,088
Less: current portion	**(1,939)**	(1,191)
Non-current portion	**7,619**	7,897

38.1 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 provision for lease return costs for aircraft and engines relates to the estimated cost of return agreed to be carried out for the Group's major customers. 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.

39. Post-retirement benefit obligations

(a) Pension — defined contribution

The group companies participate in defined contribution retirement schemes organised by municipal governments of various provinces in which the group companies operate. Substantially all of the Group's PRC employees are eligible to participate in these defined contribution retirement schemes. Therefore, the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. In addition, the group companies have implemented an additional defined contribution retirement pension scheme for eligible employees since 2014.

As at 31 December 2024 and 31 December 2023, the Group cannot use forfeited contributions to reduce its contributions to the pension schemes.

39. 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 2024 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:

	2024 **RMB million**	2023 RMB million
Post-retirement benefit obligations	**2,391**	2,360
Less: current portion include in other payables and accruals (Note 36)	**(151)**	(154)
Non-current portion	**2,240**	2,206

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

	2024	2023
Discount rates for post-retirement benefits	**1.75%**	2.60%
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%

39. 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
2024				
Discount rate for post-retirement benefits	**0.25**	**(62)**	**0.25**	**65**
Annual increase rate of pension benefits	**1.00**	**223**	**1.00**	**(193)**
Annual increase rate of medical expenses	**1.00**	**35**	**1.00**	**(29)**
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)

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:

	2024 RMB million	2023 RMB million
Within the next 12 months	**151**	157
Between 2 and 5 years	**587**	610
Between 6 and 10 years	**678**	713
Over 10 years	**1,496**	1,683
Total expected payments	**2,912**	3,163

The average duration of the post-retirement benefit obligations at the end of 2024 was 11 years (2023: 11 years).

39. Post-retirement benefit obligations *(continued)*

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

		Disposal of subsidiaries	Pension cost charged to profit or loss			Remeasurement losses in other comprehensive income				
	1 January 2024 RMB million	Actuarial changes arising from disposal of subsidiaries RMBmillion	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 2024 RMB million
Defined benefit obligations/ benefit liability	2,360	-	-	59	59	152	-	152	(180)	2,391

		Disposal of subsidiaries	Pension cost charged to profit or loss			Remeasurement losses in other comprehensive income				
	1 January 2023 RMB million	Actuarial changes arising from disposal of subsidiaries RMBmillion	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	2,400	(3)	–	67	67	79	–	79	(183)	2,360

39. Post-retirement benefit obligations *(continued)*

39.1 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

40. Other long-term liabilities

	2024 RMB million	2023 RMB million
Long-term duties and levies payable relating to finance leases	**432**	635
Deferred income relating to government grants	**46**	54
Provision for early retirement benefit obligations and other benefit obligations	**326**	309
Other long-term payables	**783**	941
	1,587	1,939
Less: current portion included in other payables and accruals (Note 36)	**(341)**	(429)
Non-current portion	**1,246**	1,510

41. Share capital

	2024 RMB million	2023 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
– Tradable shares without trading moratorium	**17,114**	13,480
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.

42. Perpetual Bond

On 25 November 2024, the Company issued perpetual bonds that are redeemable solely at the Company's discretion, with principal amounts of RMB5 billion respectively, 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 the Company's discretion, they had 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 Group.

43. 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
At 31 December 2022	56,304	(767)	60	782	(3,090)	(43,922)	9,367
Business combination under common control	73	–	–	–	(1)	50	122
Balance at 1 January 2023	56,377	(767)	60	782	(3,091)	(43,872)	9,489
Unrealised gains 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 associate	–	–	–	–	5	–	5
Actuarial gains on post-retirement benefit obligations	–	–	–	–	(77)	–	(77)
Loss for the year	–	–	–	–	–	(8,190)	(8,190)
Transactions with non-controlling interests	(30)	–	–	–	–	–	(30)
Distribution 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	55,917	(767)	25	782	(3,166)	(52,185)	606
Balance at 1 January 2024	**55,917**	**(767)**	**25**	**782**	**(3,166)**	**(52,185)**	**606**
Unrealised gains on cash flow hedges	**–**	**–**	**5**	**–**	**–**	**–**	**5**
Fair value movements in equity investments designated at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**(75)**	**–**	**(75)**
Fair value changes of equity investments designated at fair value through other comprehensive income held by an associate	**–**	**–**	**–**	**–**	**2**	**–**	**2**
Actuarial gains on post-retirement benefit obligations	**–**	**–**	**–**	**–**	**(147)**	**–**	**(147)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,226)**	**(4,226)**
Transaction with non-controlling interests	**(3)**	**–**	**–**	**–**	**–**	**–**	**(3)**
Distribution of perpetual bond	**–**	**–**	**–**	**–**	**–**	**(600)**	**(600)**
Business combination under common control	**(126)**	**–**	**–**	**–**	**–**	**–**	**(126)**
At 31 December 2024	**55,788**	**(767)**	**30**	**782**	**(3,386)**	**(57,011)**	**(4,564)**

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.

44. Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2024 RMB million	2023 RMB million
Loss before income tax	**(3,904)**	(8,300)
Adjustments for:		
Depreciation of property, plant and equipment	**11,151**	9,632
Depreciation of right-of-use assets	**14,586**	14,454
Depreciation of investment properties	**17**	10
Amortisation of intangible assets	**166**	193
Amortisation of other non-current assets	**724**	752
Gain on disposal of property, plant and equipment and right-of-use assets	**(372)**	(34)
Dividend income from equity investments at fair value through other comprehensive income	**(32)**	(11)
Dividend income from a financial asset at fair value through profit or loss	**(3)**	(3)
Share of results of associates	**(225)**	(131)
Share of results of joint ventures	**(49)**	8
Net foreign exchange loss	**99**	625
Fair value changes of financial asset at fair value through profit or loss	**(36)**	7
Impairment charges	**44**	17
Impairment losses on financial assets, net	**38**	49
Interest expense	**5,148**	6,081
Operating profit before working capital changes	**27,352**	23,349
Changes in working capital		
Flight equipment spare parts	**(83)**	1
Trade and bills receivables	**305**	(1,367)
Prepayments and other receivables	**(1,616)**	(838)
Contract liabilities	**3,255**	4,044
Trade and bills payables	**8,820**	4,743
Other payables and accruals	**544**	(2,454)
Other long-term liabilities	**(166)**	(197)
Post-retirement benefit obligations	**31**	(181)
Provision for lease return costs for aircraft and engines	**(921)**	(454)
Cash generated from operations	**37,521**	26,646

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

(b) Major non-cash transactions

	2024 RMB million	2023 RMB million
Additions to right-of-use assets and lease liabilities	**14,667**	6,417

(c) Reconciliation of liabilities arising from financing activities

	2024 RMB million	2023 RMB million
Lease liabilities	**72,849**	84,175
Borrowings	**103,174**	111,028

	Bank and other loans RMB million	Lease liabilities RMB million
At 1 January 2023	121,947	97,007
Changes from financing cash flows	(10,883)	(18,974)
Other (reduction)/addition	(224)	58
Foreign exchange movement	188	439
New leases	–	5,645
At 31 December 2023	111,028	84,175
At 1 January 2024	**111,028**	**84,175**
Changes from financing cash flows	**(7,613)**	**(25,777)**
Other (reduction)/addition	**(216)**	**46**
Foreign exchange movement	**(25)**	**134**
New leases	**–**	**14,271**
At 31 December 2024	**103,174**	**72,849**

44. 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:

	2024 RMB million	2023 RMB million
Within operating activities	**(26)**	(400)
Within investing activities	**(3,212)**	(3,129)
Within financing activities	**(28,137)**	(21,883)

45. Commitments

(a) The Group had the following capital expenditure in respect of the acquisition of property, plant and equipment and investments but not provided in the consolidated financial statements:

	2024 RMB million	2023 RMB million
Contracted for:		
– Aircraft, engines and flight equipment (note i)	**81,464**	91,065
– Other property, plant and equipment	**5,252**	5,720
– Investments	**174**	463
	86,890	97,248

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:

	2024 RMB million	2023 RMB million
Within one year	**27,736**	21,202
In the second year	**21,518**	22,347
In the third year	**15,191**	19,666
Over three years	**17,019**	27,850
	81,464	91,065

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 2024. The future lease payments for these non-cancellable lease contracts are RMB74 million (2023: RMB279 million) due within one year, RMB296 million (2023: RMB530 million) due in the second to fifth years and RMB365 million due over five years (2023: RMB332 million).

(c) As at 31 December 2024, lease commitments for short-term leases amounted to RMB38 million (2023: RMB227 million).

46. Related party transactions

The Group is controlled by CEA Holding, which directly owns 39.74% of the Company's shares as at 31 December 2024 (31 December, 2023: 39.57%). 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 12.46% and 2.05% respectively as at 31 December 2024 (31 December 2023: 12.19% 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
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
Xi'an Civil Aviation Kaiya Technology Co., Ltd. ("Xian Kaiya")	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
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
CES Finance Holding Co., Ltd. ("CES finance")	Controlled by the same parent company
China Eastern Airlines (Hangzhou) Flight Training Co., Ltd. ("CES Hangzhou Training")	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

46. Related party transactions *(continued)*

(b) Related party transactions

Nature of transaction	Related party	Pricing policy and decision process	2024 RMB million	2023 RMB million
Purchase of goods and services				
Payments on food and beverages	Eastern Air Catering	(i)	**3,161**	2,395
Repairs and maintenance expense for aircraft and engines	Shanghai P&W	(i)	**4,187**	2,666
	Technologies Aerospace	(i)	**228**	209
	XIESA	(i)	**230**	160
Payments on conference and training services	CES Hangzhou Training	(i)	**3**	–
Payments on system services	China Kaiya	(i)	**13**	1
	Xian Kaiya	(i)	**1**	–
Equipment maintenance fee	Collins Aviation	(i)	**27**	38
Automobile maintenance service, aircraft maintenance, providing transportation automobile and other products	Eastern Investment	(i)	**90**	67
Property management and green maintenance expenses	Eastern Investment	(i)	**403**	255
Payments on hotel accommodation service	Eastern Investment	(i)	**268**	173
	Shanghai Airlines Tours	(i)	**95**	44
Payments on construction and management agent	Eastern Investment	(i)	**6**	7
Civil aviation information network services*	TravelSky	(i)	**773**	623

46. Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2024 RMB million	2023 RMB million
Purchase of goods and services *(continued)*				
Payments on aviation transportation cooperation and support services*	AFK	(i)	**5**	9
Financial services fees	Eastern Air Finance Company	(i)	**12**	11
Flight equipment spare parts maintenance and support services	AFK	(i)	**5**	69
Payments on hosting services	CES Lease Company		**1**	–
Aviation Internet services	Air Ground Internet	(i)	**74**	61
Cargo terminal business support services	Eastern Logistics	(i)	**426**	349
Bellyhold container management	Eastern Logistics	(i)	**15**	15
Payments on logistics services	Eastern Logistics	(i)	**134**	124
Sale of goods and provision of services				
Exclusive operation transportation in relation to the passenger aircraft cargo business (note)	Eastern Logistics	(i)	**5,331**	3,634
Freight logistics support services	Eastern Logistics	(i)	**330**	340
Software system and support services	Eastern Logistics	(i)	**13**	18
Transfer of pilots	Eastern Logistics Juneyao Air	(i) (i)	**142** **22**	47 –
Aviation transportation cooperation and support services*	AFK	(i)	**63**	8
Aviation transportation cooperation services	Juneyao Air	(i)	**23**	22
Flight equipment spare parts maintenance and support services	Juneyao Air	(i)	**36**	42

46. Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2024 RMB million	2023 RMB million
Sale of goods and provision of services *(continued)*				
Aviation transportation cooperation services	Sichuan Air	(i)	**23**	18
Sale of Goods	Eastern Air Catering	(i)	**75**	56
Provision of services	Eastern Investment	(i)	**33**	23
	Eastern Air Catering	(i)	**8**	4
	CEA Holding	(i)	**2**	–
	Technologies Aerospace	(i)	**10**	–
Provision of aviation material import services	XIESA	(i)	**23**	–
Sale of Goods	Air Ground Internet	(i)	**14**	–
	Shanghai Airlines Tours	(i)	**2**	–
Rental income				
Rental income for land and buildings under short-term leases	Eastern Air Catering	(ii)	**31**	33
	Sichuan Air	(ii)	**19**	19
	Juneyao Air	(ii)	**3**	1
	CEA Holding	(ii)	**6**	4
Rental income for Intangible assets	Eastern Logistics	(ii)	**5**	5
Rental income for cargo terminal	Eastern Logistics	(ii)	**93**	95
Lease Payments				
Lease Payments for land and buildings	Eastern Investment	(ii)	**148**	114
	Eastern Air Catering	(ii)	**8**	3
	CEA Holding	(ii)	**30**	35
	Eastern Logistics	(ii)	**2**	–
Lease payments for special vehicle and equipment	Eastern Investment	(ii)	**258**	161
Settlements of lease liabilities on aircraft and engines	CES Lease Company	(ii)	**13,010**	6,034
Addition in right-of-use assets on new leases				
Aircraft and engines	CES Lease Company	(ii)	**6,681**	–
Ground assets	Eastern Investment	(ii)	**271**	896
	CEA Holding		**7**	–
Land and buildings	Eastern Air Catering	(ii)	**8**	–
	Eastern Investment	(ii)	**–**	78

46. Related party transactions *(continued)*

(b) Related party transactions *(continued)*

Nature of transaction	Related party	Pricing policy and decision process	2024 RMB million	2023 RMB million
Interest on lease liabilities				
Aircraft and engines	CES Lease Company	(ii)	**952**	1,090
Ground assets	Eastern Investment	(ii)	**15**	12
Land and buildings	Eastern Investment	(ii)	**7**	11
	Eastern Air Catering	(ii)	**3**	–
Interest expense				
Interest expense on loans	CEA Holding	(iii)	**154**	190
	Eastern Air Finance Company	(iii)	**27**	34
	Eastern Investment	(iii)	**–**	15
Interest income				
Interest income on deposits	Eastern Air Finance Company	(iii)	**62**	24
Perpetual bond				
Interest expense on perpetual bond	CEA Holding	(iii)	**600**	57
Issue of perpetual bond – Principal	CEA Holding	(iii)	**5,000**	20,000
interest payment of perpetual bond	CEA Holding	(iii)	**590**	–

Notes:

(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. 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 2024 and 2023, 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.

46. Related party transactions *(continued)*

(c) Balances with related parties

(i) Amounts due from related parties

	2024 RMB million	2023 RMB million
Trade and bills receivables		
Eastern Logistics	**682**	1,071
Eastern Air Catering	**33**	17
Juneyao Air	**7**	6
Others	**26**	21
	748	1,115

	2024 RMB million	2023 RMB million
Prepayments and other receivables		
Eastern Air Finance Company	**379**	318
TravelSky	**230**	117
Eastern Air Catering	**–**	98
CEA Holding	**30**	24
Technologies Aerospace	**20**	–
Juneyao Air	**8**	3
Others	**24**	18
	691	578
Other Non-crrent Asset		
XIESA	**4**	8
TravelSky	**–**	87
	4	95

46. Related party transactions *(continued)*

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

(ii) Amounts due to related parties

	2024 RMB million	2023 RMB million
Trade payables and bills payables, Other payables and accruals		
TravelSky	**985**	87
Shanghai P&W	**642**	514
Eastern Air Catering	**405**	593
Air Ground Internet	**114**	–
Technologies Aerospace	**82**	7
CEA Holding	**57**	160
XIESA	**55**	–
Eastern Investment	**50**	60
China Kaiya	**1**	–
Junyao Air	**4**	3
Collins Aviation	**5**	3
Others	**23**	27
	2,423	1,454

	2024 RMB million	2023 RMB million
Lease liabilities		
CES Lease Company	**29,882**	34,776
Eastern Investment	**567**	1,086
CEA Holding	**36**	–
Eastern Logistics	**2**	–
Eastern Air Catering	**3**	4
	30,490	35,866

46. Related party transactions *(continued)*

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

(ii) Amounts due to related parties *(continued)*

	2024 RMB million	2023 RMB million
Perpetual bond		
CEA Holding	**25,067**	20,057

	2024 RMB million	2023 RMB million
Other long-term liabilities		
Eastern Air Catering	**63**	64

	2024 RMB million	2023 RMB million
Contact liabilities		
Eastern Air Catering	**13**	–
Juneyao Air	**1**	–
	14	–

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 unsecured, interest-free and payable within normal credit terms given by trade creditors.

46. 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
	2024	2023	**2024**	2023
			RMB million	RMB million
Short-term deposits (included in cash and cash equivalents)				
Eastern Air Finance Company	**0.20%**	0.20%	**2,774**	9,414
Short-term borrowings (included in borrowings)				
Eastern Air Finance Company	**2.30%**	2.60%	**1,600**	2,000
CES Finance	**3.15%**	–	**7**	–
CEA Holding	**2.00%**	2.00%	**1,701**	7,500
Eastern Investment	**2.00%**	–	**1,000**	–
Long-term borrowings (included in borrowings)				
CEA Holding	**2.00%**	2.00%	**1,001**	1,000

(d) Guarantees by the holding company

As at 31 December 2024, bonds of the Group guaranteed by CEA Holding amounted to RMB1,510 million (31 December 2023: RMB1,510 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:

	2024	2023
	RMB million	RMB million
Other payables and accruals		
Directors and supervisors	**2**	2
Senior management	**1**	1
	3	3

47. Financial instruments by category

The Group holds the following financial instruments:

Financial assets	Note	2024 RMB million	2023 RMB million
Financial assets at amortised cost			
Trade and bills receivables	30	**1,949**	2,191
Prepayments and other receivables	32	**4,019**	3,059
Cash and cash equivalents	33	**4,072**	11,858
Restricted bank deposits	33	**61**	319
Financial assets included in other non-current assets		**251**	177
Equity investments designed at fair value through other comprehensive income	25	**1,417**	1,057
Financial assets at fair value through profit or loss	31	**101**	65
Derivative financial instruments	26	**56**	49
		11,926	18,775

Financial liabilities	Note	2024 RMB million	2023 RMB million
Liabilities at amortised cost			
Trade and bills payables	34	**14,515**	4,601
Financial liabilities included in other payables and accruals	36	**14,488**	13,232
Borrowings	37	**103,174**	111,028
		132,177	128,861

48. 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:

	2024		2023	
	Carrying amount RMB million	**Fair value amount RMB million**	Carrying amount RMB million	Fair value amount RMB million
Financial liabilities				
Long-term borrowings	**53,598**	**53,682**	58,022	56,920
Total	**53,598**	**53,682**	58,022	56,920

The Group has assessed that the fair values of cash and cash equivalents, restricted bank deposits, Trade and bills 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 and long-term borrowings 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 and interest rate swaps with various counterparties, principally financial institutions with high credit ratings.

48. 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 and interest rate curves. 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 2024, 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 2024 and 2023:

	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 2023: 28%)	1% (31 December 2023: 1%) increase/decrease in multiple would result in increase/ decrease in fair value by RMB3 million (31 December 2023: RMB8 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.

48. 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 2024

	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	**204**	**–**	**1,213**	**1,417**
Derivative financial liabilities				
– Interest rate swaps	**–**	**7**	**–**	**7**
– Foreign exchange swaps	**–**	**49**	**–**	**49**
Financial assets at fair value through profit or loss	**101**	**–**	**–**	**101**
Total	**305**	**56**	**1,213**	**1,574**

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

48. 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 (2023: Nil) and no transfers into or out of Level 3 for both financial assets and financial liabilities during the year of 2024.

The following table presents the changes in level 3 items for the year ended 31 December 2024:

	Equity investments designated at fair value through other comprehensive income RMB million
Opening balance as at 1 January 2024	**797**
Addition	**468**
Loss recognised in other comprehensive income	**(52)**
Closing balance as at 31 December 2024	**1,213**

Assets and liabilities for which fair values are disclosed:

As at 31 December 2024

	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	**–**	**80**	**–**	**80**
Liabilities				
Long-term borrowings	**–**	**53,682**	**–**	**53,682**
	–	**53,762**	**–**	**53,762**

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

Fair value hierarchy *(continued)*

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

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
	–	56,998	–	56,998

48.1 Accounting policies of 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.

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

48.1 Accounting policies of fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

49. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, fuel price risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage risk exposures whenever management considers necessary.

Risk management is carried out by a central treasury department (the "Group Treasury") under policies approved by the Board. The Group Treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The overall risk management strategies, as well as written policies covering specific areas such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, were approved by the Board.

49.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

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.

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.

49. Financial risk management *(continued)*

49.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

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

	2024			
	USD	**EUR**	**SGD**	**JPY**
	RMB million	**RMB million**	**RMB million**	**RMB million**
Trade and bills receivables	**47**	**44**	**–**	**50**
Cash and cash equivalents	**687**	**115**	**37**	**11**
Other receivables	**62**	**9**	**–**	**10**
Other non-current assets	**1,079**	**–**	**–**	**–**
Trade and other payables	**(345)**	**(2)**	**(4)**	**(2)**
Lease liabilities	**(25,059)**	**(11)**	**(3)**	**(2)**
Borrowings	**–**	**–**	**(2,680)**	**–**
Other long-term liabilities	**(93)**	**–**	**–**	**–**

	2023			
	USD	EUR	SGD	JPY
	RMB million	RMB million	RMB million	RMB million
Trade and bills 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)	(2)	–	(2)
Lease liabilities	(30,992)	(9)	(4)	(30)
Borrowings	–	(1,172)	(2,707)	–
Other long-term liabilities	(218)	–	–	–

49. Financial risk management *(continued)*

49.1 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:

	2024		2023	
	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	**(237)/237**	**–**	(297)/297	–
If RMB (weakens)/strengthens Against EUR	**1/(1)**	**–**	(11)/11	–
If RMB (weakens)/strengthens against SGD	**(27)/27**	**–**	(27)/27	–

(ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings and lease liabilities. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings and finance leases issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the proportion of borrowings and finance leases issued at variable rates and fixed rates based on the market environment.

The Group's finance department has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings and finance leases issued at variable rates, which will further impact the performance of the Group. To hedge against the variability in the cash flows arising from a change in market interest rates, the Group has entered into certain interest rate swaps to swap variable rates into fixed rates. The interest rates and terms of repayment of borrowings made to the Group and interest rate swaps are disclosed in Notes 37 and 26 to the consolidated financial statements.

49. Financial risk management *(continued)*

49.1 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:

	2024 RMB million	2023 RMB million
Floating rate instruments		
Cash and cash equivalents	**4,072**	11,858
Restricted bank deposits	**14**	16
Borrowings	**(48,586)**	(45,262)
Lease liabilities	**(46,402)**	(47,015)
Interest rate swaps at notional amount	**378**	1,339
Foreign exchange swaps at notional amount	**1,553**	–

	2024 RMB million	2023 RMB million
Fixed rate instruments		
Restricted bank deposits	**47**	303
Borrowings	**(54,588)**	(65,279)
Lease liabilities	**(26,447)**	(36,617)

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:

	2024		2023	
	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	**(170)**	**5**	(153)	4

49. Financial risk management *(continued)*

49.1 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 2024, if fuel price had been 5% lower/higher with all other variables held constant, the Group's fuel cost would have been RMB2,275 million lower/higher (2023: RMB2,055 million lower/higher).

(iv) 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 31) and equity investments designated at fair value through other comprehensive income (Note 25) as at 31 December 2024. 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 2024	**High/Low 2024**	31 December 2023	High/Low 2023
Hong Kong – Hang Seng Index	**20,060**	**23,242/14,794**	17,047	22,701/15,972
Shanghai – A Share Index	**3,352**	**3,674/2,635**	2,974	3,419/2,882

The following table demonstrates the sensitivity to every 20% 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 2024.

2024	**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	**204**	**–**	**30/(30)**
Shanghai — Financial asset at fair value through profit or loss	**101**	**8/(8)**	**–**
Unlisted investments at fair value: — Equity investment designated at fair value through other comprehensive income	**1,213**	**–**	**92/(92)**

49. Financial risk management *(continued)*

49.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iv) Equity price risk (continued)

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)

(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.

Credit risk concentration

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 RMB789 million as at 31 December, 2024 (2023: approximately RMB709 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.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative in formation that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2024 and 2023, the Group assessed the ECL for other receivables are insignificant and recognised loss allowance.

Cash and cash equivalents

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 46(c)(iii)). Management does not expect any loss to arise from non-performance by these banks and the financial institution.

49. Financial risk management *(continued)*

49.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Derivative financial instruments

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, 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.

49. Financial risk management *(continued)*

49.1 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.

	12-month ECLs	**Lifetime ECLs**			
As at 31 December 2024	**Stage 1 RMB million**	**Stage 2 RMB million**	**Stage 3 RMB million**	**Simplified approach RMB million**	**Total RMB million**
Trade receivable*	**–**	**–**	**42**	**1,946**	**1,988**
Financial assets included in prepayments and other receivables					
– Normal**	**2,558**	**455**	**291**	**–**	**3,304**
Restricted bank deposits					
– Not yet past due	**61**	**–**	**–**	**–**	**61**
Cash and cash equivalents					
– Not yet past due	**4,072**	**–**	**–**	**–**	**4,072**

	12-month ECLs	Lifetime ECLs			
As at 31 December 2023	Stage 1 RMB million	Stage 2 RMB million	Stage 3 RMB million	Simplified approach RMB million	Total RMB million
Trade receivable*	–	–	46	2,239	2,285
Financial assets included in prepayments and other receivables					
– Normal**	1,871	499	274	–	2,644
Restricted bank deposits					
– Not yet past due	319	–	–	–	319
Cash and cash equivalents	–				–
– Not yet past due	11,858	–	–	–	11,858

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 30 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 30 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".

49. Financial risk management *(continued)*

49.1 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 2024	**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	**50,845**	**30,694**	**14,673**	**12,039**	**108,251**
Lease liabilities	**17,413**	**14,153**	**35,205**	**15,584**	**82,355**
Trade, bills and other payables	**29,037**	**–**	**–**	**–**	**29,037**
Long-term payables	**304**	**175**	**171**	**–**	**650**
Total	**97,599**	**45,022**	**50,049**	**27,623**	**220,293**

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	20,809	16,177	38,684	17,389	93,059
Trade, bills and other payables	20,315	–	–	–	20,315
Long-term payables	393	281	310	24	1,008
Total	95,977	31,709	76,494	27,844	232,024

49. Financial risk management *(continued)*

49.2 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 2024 and 31 December 2023.

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 2024 RMB million	31 December 2023 RMB million
Total liabilities	**235,191**	241,251
Total assets	**278,842**	284,816
Debt ratio	**84%**	85%

50. Summary of other accounting policies

50.1 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.

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.

50. Summary of other accounting policies *(continued)*

50.1 Principles of consolidation *(continued)*

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control.

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 17.2.

50. Summary of other accounting policies *(continued)*

50.1 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.

50.2 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.

50. Summary of other accounting policies *(continued)*

50.2 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.

50. Summary of other accounting policies *(continued)*

50.3 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.

50.4 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, cash and cash equivalents and lease liabilities are presented in profit or loss within "finance income" or "finance costs".

50.5 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.

50. Summary of other accounting policies *(continued)*

50.6 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.

50.7 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).

50.8 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.

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

50.9 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 20. 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.

50.10 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.

50. Summary of other accounting policies *(continued)*

50.11 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.

50.12 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.

50.13 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. 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.

50. Summary of other accounting policies *(continued)*

50.13 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 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.

50. Summary of other accounting policies *(continued)*

50.13 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.

50. Summary of other accounting policies *(continued)*

50.13 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).

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 forwardlooking 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 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

50. Summary of other accounting policies *(continued)*

50.13 Investments and other financial assets *(continued)*

(iv) Impairment *(continued)*

Simplified approach

For trade receivables 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.

50.14 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, 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, 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.

50. Summary of other accounting policies *(continued)*

50.15 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.

50.16 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.

50. Summary of other accounting policies *(continued)*

50.16 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.

50. Summary of other accounting policies *(continued)*

50.16 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.

50. Summary of other accounting policies *(continued)*

50.17 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 30 for further information about the Group's accounting for trade receivables and note 49.1 for a description of the Group's impairment policies.

50.18 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, 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.

50.19 Borrowings

Borrowings are 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.

50. Summary of other accounting policies *(continued)*

50.20 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.

51. 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 2024 RMB million	31 December 2023 RMB million
Non-current assets		
Property, plant and equipment	**74,676**	66,757
Investment properties	**60**	222
Right-of-use assets	**75,028**	80,858
Intangible assets	**11,560**	11,556
Advanced payments on acquisition of aircraft	**14,986**	15,183
Investments in subsidiaries	**25,887**	20,636
Investments in associates	**2,474**	2,474
Investments in joint ventures	**428**	428
Financial assets at fair value through other comprehensive income	**1,359**	979
Derivative financial instruments	**–**	33
Deferred tax assets	**5,589**	5,626
Other non-current assets	**6,789**	5,568
	218,836	210,320
Current assets		
Flight equipment spare parts	**17**	10
Trade receivables	**1,463**	1,751
Prepayments and other receivables	**56,355**	51,646
Financial assets at fair value through profit or loss	**101**	65
Derivative financial instruments	**56**	16
Restricted bank deposits	**12**	312
Cash and cash equivalents	**1,023**	10,416
	59,027	64,216
Total assets	**277,863**	274,536
Current liabilities		
Trade and bills payables	**16,416**	9,393
Other payables and accruals	**31,312**	22,866
Contract liabilities	**9,806**	6,767
Current portion of borrowings	**52,681**	54,563
Current portion of Lease liabilities	**11,989**	12,734
Derivative financial instruments	**–**	–
	122,204	106,323
Net current liabilities	**(63,177)**	(42,107)
Total assets less current liabilities	**155,659**	168,213

51. 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 2024 RMB million	31 December 2023 RMB million
Non-current liabilities			
Borrowings		**50,943**	55,341
Lease liabilities		**40,965**	47,920
Provision for lease return costs for aircraft and engines		**3,649**	4,132
Contract liabilities		**418**	399
Derivative financial instruments		**–**	–
Post-retirement benefit obligations		**1,732**	1,717
Other long-term liabilities		**595**	696
		98,302	110,205
Net assets		**57,357**	58,008
Equity			
Capital and reserves			
– Share capital		**22,291**	22,291
– Perpetual Bond		**25,067**	20,057
– Treasury Shares		**(20)**	–
– Reserves	(b)	**10,019**	15,660
Total equity		**57,357**	58,008

51. 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
Balance 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 bond	–	–	–	–	–	(57)	(57)
At 31 December 2023	57,475	(720)	26	752	(2,530)	(39,343)	15,660
Balance at 1 January 2024	**57,475**	**(720)**	**26**	**752**	**(2,530)**	**(39,343)**	**15,660**
Unrealised gains on cash flow hedges	**-**	**-**	**5**	**-**	**-**	**-**	**5**
Fair value movements in equity investments designated at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**(66)**	**-**	**(66)**
Actuarial gains on post-retirement benefit obligations	**-**	**-**	**-**	**-**	**(107)**	**-**	**(107)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(4,873)**	**(4,873)**
Distribution to holders of perpetual bond	**-**	**-**	**-**	**-**	**-**	**(600)**	**(600)**
At 31 December 2024	**57,475**	**(720)**	**31**	**752**	**(2,703)**	**(44,816)**	**10,019**

Supplementary Financial Information

Year ended 31 December 2024

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:

	2024 **RMB million**	2023 RMB million
Consolidated loss attributable to equity holders of the Company		
As stated in accordance with PRC Accounting Standards	**(4,226)**	(8,190)
As stated in accordance with IFRSs	**(4,226)**	(8,190)

	2024 **RMB million**	2023 RMB million
Consolidated net assets attributable to equity holders of the Company		
As stated in accordance with the PRC Accounting Standards	**40,532**	40,712
Impact of IFRSs and other adjustments:		
— Intangible assets (goodwill) (a)	**2,242**	2,242
As stated in accordance with IFRSs	**42,774**	42,954

(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.

ISSUER

Eastern Air Overseas (Hong Kong) Corporation Limited
Suites 801–802, 8/F., Shui On Centre
6–8 Harbour Road, Wanchai
Hong Kong

GUARANTOR

China Eastern Airlines Corporation Limited
No. 66, Jichang Avenue, Pudong International Airport,
Shanghai 201202, PRC

AUDITORS OF THE ISSUER AND THE GUARANTOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

TRUSTEE

Bank of China (Hong Kong) Limited
5/F Bank of China Building
2A Des Voeux Road Central
Central, Hong Kong

CMU LODGING AND PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Bank of China (Hong Kong) Limited
5/F Bank of China Building
2A Des Voeux Road Central
Central, Hong Kong

LEGAL ADVISORS

To the Issuer and Guarantor
English law and Hong Kong law

Norton Rose Fulbright Hong Kong
38/F, Jardine House
1 Connaught Place
Central, Hong Kong

To the Issuer and the Guarantor
as to PRC law

Hui Ye Law Firm
8–9/F, One Shanghai
299 Shimen 1st Road
Shanghai, PRC

To the Joint Lead Managers
as to English law

King & Wood
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

To the Joint Lead Managers
as to PRC law

King & Wood
17th Floor, One ICC, Shanghai ICC
999 Middle HuaiHai Road
Xuhui District
Shanghai, PRC

To the Trustee as to English law

King & Wood
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong