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

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

(Stock code: 00670)

CONNECTED TRANSACTION **ACQUISITION OF EQUITY INTERESTS OF EASTERN** **IMPORT & EXPORT BY EASTERN TECHNOLOGY**

ACQUISITION OF EQUITY INTERESTS OF EASTERN IMPORT & EXPORT

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

On 21 December 2023, Eastern Technology entered into the Agreement with CEA Holding, and Eastern Technology shall acquire 55% equity interests of Eastern Import & Export held by CEA Holding at a consideration for the equity acquisition of approximately RMB429.9234 million.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Eastern Technology is a wholly-owned subsidiary of the Company, and CEA Holding is the controlling Shareholder of the Company, holding 53.80% equity interest in the Company. Therefore, CEA Holding is a connected person of the Company within the meanings of the Hong Kong Listing Rules. The transaction contemplated under the Agreement constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

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

A. BACKGROUND

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

On 21 December 2023, Eastern Technology entered into the Agreement with CEA Holding, and Eastern Technology shall acquire 55% equity interests of Eastern Import & Export held by CEA Holding at a consideration for the equity acquisition of approximately RMB429.9234 million.

B. THE AGREEMENT

On 21 December 2023, Eastern Technology entered into the Agreement with CEA Holding. The principal terms of the Agreement are set out as follows:

Date:	21 December 2023
Parties:	(1) Eastern Technology (as transferee); and (2) CEA Holding (as transferor)
Subject matter:	55% equity interests of Eastern Import & Export
Consideration and basis of determination:	The consideration for the equity acquisition under the Agreement is approximately RMB429.9234 million, which shall be determined after arm's length negotiations between the parties with reference to the value of the entire shareholders' equity of Eastern Import & Export as at 31 December 2022 (the " Valuation Benchmark Date ") (i.e. RMB781.6788 million) as set out in the assets valuation report (the " Assets Valuation Report ") prepared by Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司) (the " Valuer "), an independent qualified valuer, using the income approach.
Payment method and term:	The payment of the consideration for the equity acquisition shall be in cash. Both parties unanimously agree that within five working days from the effective date of the Agreement, the transferee shall remit the above consideration for the equity acquisition in a lump sum to the bank account opened by the transferor.
Delivery or transfer schedule:	The registration of changes involved in the transfer of equity interests shall be completed within thirty working days from the date of completion of payment of the consideration for the equity acquisition.

Taking effect of the Agreement:	The Agreement shall take effect upon the affixing of signatures and official seals or special seals for contractual uses by the legal representatives of the parties or their authorised representatives.
Liabilities of default:	If any party violates its obligations under the Agreement or the representations and warranties made by any party are untrue or breached, it shall be deemed as a breach of contract, and the defaulting party shall take remedial measures in a timely manner and make compensation to the other party for the corresponding loss suffered thereby.

C. VALUATION AND PROFIT FORECAST

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

In the Assets Valuation Report, the Valuer adopted the income approach and the asset-based approach for the valuation of the entire shareholders' equity of Eastern Import & Export, and selected the income approach as the final valuation conclusion. The difference between the two valuation results is shown in the table below:

Unit: RMB million

Valuation method	Valuation amount	Appreciation amount	Appreciation rate
Asset-based approach	664.3401	203.1007	44.03%
Income approach	781.6788	320.4394	69.47%
Difference in approaches	117.3387	—	—

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

The discounted cash flow approach is adopted for the income approach, while free cash flow of the enterprise is selected, whereby the value of the entire shareholders' equity is indirectly obtained through the valuation of the overall value of the enterprise. This valuation was based on net free cash flow of the enterprise within the incoming several years. The value of the overall operating assets of the enterprise was calculated by totaling such net free cash flows discounted at an appropriate discount rate. Then, the value of the entire shareholders' equity was obtained by adding the value of excess assets and non-operating assets minus interest-bearing debts.

The asset-based approach can only reflect the value of the assets of the enterprise, while the income approach not only considers the assets of the enterprise measured in accordance with accounting principles, but also considers the resources actually owned or controlled by the enterprise that cannot be reflected in the balance sheet. The valuation conclusion of the income approach can better reflect the overall growth and profitability of the enterprise. After the investigation of the financial position and the analysis of the operating conditions of Eastern Import & Export, the Valuer is of the view that the valuation conclusion under the income approach can more comprehensively and reasonably reflect the embedded value of the enterprise. Therefore, the valuation result under the income approach is adopted as the final valuation conclusion under this valuation, where the value of entire shareholders' equity of Eastern Import & Export is RMB781.6788 million.

Profit Forecast

As the underlying Assets Valuation Report for determining the consideration for the equity acquisition was prepared based on the income approach, the relevant valuation is regarded as a profit forecast under Rules 14.61 and 14A.06 of the Hong Kong Listing Rules.

Baker Tilly Hong Kong Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of the calculations of the relevant income approach forecast in the valuation (excluding the review of adoption of accounting policies and the appropriateness and validity of assumptions). The Board confirms that the profit forecast in respect of the equity interests of Eastern Import & Export in the Assets Valuation Report has been made after due and careful enquiry.

As required by the Hong Kong Listing Rules, an extract of the Assets Valuation Report containing, among other things, the key assumptions, valuation model and input parameters for the preparation of the valuation is set out in Appendix I to this announcement. The letters from Baker Tilly Hong Kong Limited in relation to the profit forecast pursuant to Rules 14.62(2) and 14A.68(7) of the Hong Kong Listing Rules and from the Board pursuant to Rule 14.62(3) of the Hong Kong Listing Rules are set out in Appendix II and Appendix III to this announcement, respectively.

The following is the qualification of the expert who has given opinions in this announcement:

Name	Qualification	Date of Opinion
Baker Tilly Hong Kong Limited	Certified Public Accountants in Hong Kong	21 December 2023

As at the date of this announcement, the above expert has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group.

As at the date of this announcement, the above expert has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its letter and references to its name and letter, where applicable, in the form and context in which they respectively appear.

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

While Eastern Technology intends to acquire 55% equity interests of Eastern Import & Export held by CEA Holding, the Company intends to increase the capital of Eastern Technology with its 45% equity interests in Eastern Import & Export. Upon completion of the above equity adjustment involving Eastern Import & Export, Eastern Import & Export will become a wholly-owned subsidiary of Eastern Technology.

After the optimisation and adjustment of the shareholding of Eastern Technology, Eastern Import & Export can utilise the integration of internal and external resources to build a sound supply chain system for aviation supplies management, build an efficient network of aviation supplies, strengthen the construction of capabilities in operation and disposal and marketing of aviation supplies, and further control maintenance costs, expand third-party aviation supplies service business, thereby enhancing the core competitiveness of Eastern Technology segments and promoting the high-quality development of aviation maintenance business.

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

E. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, Eastern Technology is a wholly-owned subsidiary of the Company, and CEA Holding is the controlling Shareholder of the Company, holding 53.80% equity interest in the Company. Therefore, CEA Holding is a connected person of the Company within the meanings of the Hong Kong Listing Rules. The transaction contemplated under the Agreement constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules.

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

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

F. GENERAL INFORMATION

Information in relation to the Group

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

Information in relation to CEA Holding

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

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

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

Information in relation to Eastern Technology

Eastern Technology is principally engaged in aircraft maintenance and engineering services, including route maintenance, airframe maintenance, accessories maintenance, engine maintenance, aviation supplies maintenance, engineering services and maintenance training.

Information in relation to Eastern Import & Export

Eastern Import & Export is principally engaged in aviation supplies business, including agency import and export procurement and repair, aviation supplies distribution and bonded business, customs clearance business for various types of aircraft and aviation materials, implementation of centralised procurement, tendering business, trading of civilian goods and aircraft on-board supplies business.

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

The table below sets out the audited financial data of Eastern Import & Export for the years ended 31 December 2022 and 31 December 2021 in accordance with the China Accounting Standards for Business Enterprises:

Unit: RMB million

	For the years ended 31 December	
	2022	2021
Net profit/(loss) before tax and extraordinary items	49.1550	155.4088
Net profit/(loss) after tax and extraordinary items	40.0025	117.4711

Based on the audited financial accounts of Eastern Import & Export as at 31 December 2022, the total assets and net assets of Eastern Import & Export were RMB1,091.8287 million and RMB461.2394 million, respectively.

Upon completion of this transaction, Eastern Import & Export will become a wholly-owned subsidiary of Eastern Technology and be included in the scope of the consolidated statements of the Company. As this transaction involves a business combination under common control within the Group company, the Company is required to make retrospective adjustments to the financial statements for 2022. The operating income for 2022 is expected to increase by approximately RMB191.3449 million, and the net profit attributable to the parent company is expected to increase by approximately RMB28.2240 million.

G. DEFINITIONS

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

“Agreement”	means the Agreement in relation to the Transfer of Equity Interest in Eastern Aviation Import & Export Co., Ltd. (《關於東方航空進出口有限公司之股權轉讓協議》) dated on 21 December 2023 entered into between Eastern Technology and CEA Holding, pursuant to which, Eastern Technology shall acquire 55% equity interests of Eastern Import & Export held by CEA Holding at a consideration for the equity acquisition of approximately RMB429.9234 million
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	means the board of Directors of the Company
“CEA Holding”	means 中國東方航空集團有限公司 (China Eastern Air Holding Company Limited), the controlling Shareholder of the Company

“Company”	means 中國東方航空股份有限公司 (China Eastern Airlines Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	means the director(s) of the Company
“Eastern Import & Export”	means 東方航空進出口有限公司 (Eastern Aviation Import & Export Co., Ltd.), which is owned as to 55% by CEA Holding and 45% by the Company, respectively as at the date of this announcement
“Eastern Technology”	means 東方航空技術有限公司 (China Eastern Airlines Technology Co., Limited), a wholly-owned subsidiary of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Independent Shareholders”	means the Shareholders, excluding CEA Holding and its associates
“PRC”	means the People’s Republic of China
“RMB”	means Renminbi, the lawful currency of the PRC
“SASAC”	means the State-owned Assets Supervision and Administration Commission
“Shareholders”	means the shareholders of the Company
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Transfer of Equity Interest”	means the acquisition of 55% equity interests of Eastern Import & Export held by CEA Holding by Eastern Technology

“%”

means per cent

By order of the Board
CHINA EASTERN AIRLINES CORPORATION LIMITED
Wang Jian
Company Secretary
Shanghai, the People's Republic of China
21 December 2023

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

APPENDIX I — SUMMARY ASSET VALUATION REPORT

Valuation Assumption

In compliance with Rule 14.62(1) of the Hong Kong Listing Rules, the Company discloses the details of the major assumptions (including business assumptions) on which the profit forecast in the asset valuation report is based as follows:

(1) General assumptions

(i) Transaction assumption

Assuming that all assets to be valued are in the course of transaction and the valuation performed by the valuer is based on simulated market including terms of transaction of the valued assets.

(ii) Open market assumption

Open market assumption is an assumption for the conditions of assets proposed to enter the market and how the assets will be affected under such market conditions. Open market refers to the fully developed and sound market conditions, which is a competitive market with voluntary purchasers and sellers, and in which purchasers and sellers are of equal standing and have opportunities and time to access sufficient market information; parties to the transaction trade voluntarily, rationally, under no compulsion and without restriction.

(iii) Continuous use assumption

Continuous use assumption is an assumption about the conditions of assets proposed to enter the market and status of the assets under such market conditions. It is assumed that, firstly, the valued assets are under use, and secondly, the assets under use will be used continuously. Under the continuous use assumption, change of uses of assets and the best conditions of use are not taken into account, and the scope of use of the valuation result is limited.

(iv) Going-concern assumption of enterprise

It is an assumption for valuation made on the overall assets of enterprise as the valuation target. That means the enterprise, as the business entity, continues to operate towards its business goals under the external environment it is in. The business operator is responsible for and capable of taking up obligations; the enterprise operates in a lawful manner and makes appropriate profit to maintain the ability to operate in ongoing concern.

(2) Assumptions of income approach valuation

- (i) There is no material change to the relevant prevailing laws, regulations and policies, and in the macroeconomic trend of the PRC; there is no material change in political, economic and social environment of the regions where the parties to this transaction are in; there are no other unforeseen circumstances or force majeure to cause material adverse changes.
- (ii) Based on the actual status of the assets on the Valuation Benchmark Date, it is assumed that the enterprise operates in ongoing concern.
- (iii) It is assumed that the operators of the company are responsible, and the management of the company has the ability to perform its duties.
- (iv) Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations.
- (v) It is assumed that the accounting policies to be adopted by the company in the future will be basically consistent with those adopted in the compilation of this report in material respects.
- (vi) It is assumed that on the basis of the company's existing way of management and governance level, the scope and manner of operation are in line with the current directions.
- (vii) There are no material changes in the relevant interest rates, exchange rates, tax bases, tax rates and policy-based levies.
- (viii) There are no other force majeure factors and unforeseeable factors that can give rise to material adverse impact on the enterprise.
- (ix) It is assumed that the forecast annual cash flow of the enterprise is generated during the period.
- (x) It is assumed that the products or services of the enterprise can maintain the existing competitive edges after the Valuation Benchmark Date.

Valuation Model and Input Parameters

(1) Valuation Model

The discounted cash flow (DCF) approach is adopted for this income approach valuation, while free cash flow of the enterprise is selected, whereby the value of entire shareholders' equity is obtained indirectly through the valuation of the overall value of the enterprise. This valuation was based on net free cash flow of the enterprise within the incoming several years. The value of the overall operating assets of the enterprise was calculated by totaling such net free cash flows discounted at an appropriate discount rate. Then, the value of the entire shareholders' equity was obtained by adding the value of excess assets and non-operating assets minus interest-bearing debts.

(2) Operating income

Revenue from principal business of Eastern Import & Export mainly includes income from agency ordering business, operating fees of bonded business and sales revenue of self-operated aviation supplies.

(i) Income from agency ordering business

Agency ordering business of Eastern Import & Export mainly includes ordering of aviation supplies from abroad, and aircraft, engines, APU introduction, BFE project as well as tooling equipment introduction.

Ordering of aviation supplies from abroad-internal clients: undertakes the overseas procurement of aviation supplies from subsidiaries of Eastern Air such as the Company and China Cargo Airlines. As the core part of the whole supply chain service, it is responsible for the whole process of tracking and coordination from acceptance of application forms, price consultation to customs clearing and entry into the warehouses of goods.

According to the data in the previous years, the income from aviation supplies agency ordering decreased year by year in the past three years due to the impact of the pandemic since 2020. In 2023, with the boundary reopening after the pandemic, domestic and foreign flights gradually recovered, the fleet size of the Company continued to expand, and the demand for aviation supplies gradually increased. In the future, with the continuous expansion of fleet size of the Company, the income from aviation supplies agency ordering is expected to increase steadily with the expansion of fleet size. The business volume of each business of aviation supplies agency in 2023 is forecasted in accordance with the budget and the achieved situation in 2023. The business volume in 2024 will take into account a certain growth rate on the basis of 2023. The charge rates for ordering for aviation supplies, maintenance of aviation supplies, claims of aviation supplies, leasing of aviation supplies and exchange of aviation supplies are estimated at 1.51% as agreed in the contract terms, and the charge rate for taxes and freight is estimated at 2.01% as agreed in the contract terms.

Ordering of aviation supplies from abroad-external clients: the business volume of each business of aviation supplies agency in 2023 is forecasted in accordance with the budget and the achieved situation in 2023. The business volume in 2024 will take into account a certain growth on the basis of 2023. The charge rates for ordering of aviation supplies and maintenance of aviation supplies are estimated at the rate agreed in the contract terms.

Agency ordering of aircraft and engines: participates in the negotiation, enter into contract, execution and follow-up of the Company, China Cargo Airlines aircraft, engine purchases and BFE project, and handled and assisted in completing the procedures for the purchasing, lease termination and engine maintenance of main aircraft of Eastern Air.

Forecast of the income of agency ordering of aircraft and engines: the business volume of each business of agency in 2023 is forecasted in accordance with the budget and the achieved situation in 2023, and the business volume in the subsequent years will take into account a certain growth rate on the basis of the previous year.

In summary, the growth rate is 2% in 2024 and 2025, and 1% in 2026 and subsequent years.

(ii) Income from operating fees of bonded business

Bonded operations are mainly in the form of agency and service operations, and are charged to customers at an agreed agency fee rate. The income of the bonded business in 2023 is forecasted in accordance with the budget and the achieved situation in 2023. The business volume in the subsequent years will take into account a certain growth rate on the basis of the previous year. The growth rate is 2% in 2024 and 2025, and 1% in 2026 and subsequent years.

(iii) Income from self-operated sales of aviation supplies

For the self-operated sales of aviation supplies business, Eastern Import & Export, as the owner of the cargo, orders aviation supplies from foreign suppliers and re-sells them to other domestic customers after the completion of the warehouse entry inspection, and charges the difference between the cost of buyout and the selling price.

In 2020, Eastern Import & Export gradually resumed its import sales business. The income in 2023 is forecasted in accordance with the budget and the achieved situation in 2023, and the income in the subsequent years will take into account a certain growth rate on the basis of the previous year. The growth rate is 2% in 2024 and 2025, and 1% in 2026 and subsequent years.

(3) Operating costs

The costs for the principal businesses mainly include costs of bonded operations, customs clearance, import sales business and freight agency fees as well as miscellaneous business.

(i) Costs of bonded operations

The gross profit margin of bonded operations in 2022 was at a level of 64.11%. The gross profit margin of bonded operations is expected to be 64.11% in 2023 and is expected to remain at this level in the coming years.

(ii) Customs clearance costs

Customs clearance business is consistent with the forecast of gross profit margin of 81.37% in 2022 and is expected to remain at this level in coming years.

(iii) Costs of self-operated sales business of aviation supplies

Based on historical annual data, the gross profit margin of self-operated sales business of aviation supplies from 2020 to 2022 remained at a level of 10% to 15%. Based on the enterprise's historical annual operating data and development trend in the coming years, forecast of the overall planning of Eastern Import & Export is made and the gross profit margin of sales business is expected to remain at the historical average level in the coming years.

(iv) Miscellaneous and miscellaneous costs

The gross profit margin of miscellaneous and miscellaneous expenses is expected to remain at the 2022 level of 68.03%.

(4) Discount Rate

Discount rate is consistent in the perimeter with expected income amount. Discounted cash flow model of the enterprise is adopted for the Valuation Report, the perimeter of expected income amount will be the cash flow of the enterprise, therefore, the related discount rate determines is set as the weighted average cost of capital (WACC).

(i) Determination of risk-free yield

Treasury bond yield is usually believed to be of no risk because the risk of failure to redeem such bond held to maturity is very low and negligible. Based on the information disclosed in WIND information system, 10-year treasury bond has a yield to maturity rate of 2.84% per annum as at the Valuation Benchmark Date. In this Valuation Report 2.84% is taken as risk-free yield.

(ii) Determination of Beta Coefficient

According to the business characteristics of the valued unit, the valuer has enquired the L value of each of 7 Comparable Listed Companies, whose shares are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, through the WIND information system. They are converted into βU values based on the income tax rate and capital structure of the Comparable Listed Companies. D and E are determined based on market value in calculating capital structure. The average of the βU values as 0.7477 is then converted into βU value of the valued unit.

(iii) Determination of Capital Structure

As no borrowings are required for Eastern Import & Export on Benchmark Date and coming years, its capital structure is not taken into consideration.

(iv) Computation of βL

These parameters determined above are substituted in the calculation formula of systematic risk coefficient of equity to calculate the systematic risk coefficient of equity for Eastern Import & Export is 0.7477.

(v) Determination of market risk premium

The PRC Securities Market Index is adopted to calculate the market risk premium. The market risk premium is expressed by the formula:

Risk premium in the PRC market = average yield in the PRC stock market – PRC risk-free interest rate

Based on the Benchmark Date of 31 December 2022, the PRC market risk premium was calculated to be 7.14%.

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

The regulation coefficient of the specific risks of the enterprise refers to specific risks of the enterprise comparing to peer enterprises in the industry. Having considered various risk factors, the individual risk was determined to be 2.50%.

(vii) Computation of discount rate

Calculation of cost of equity capital

These parameters determined above are substituted in the calculation formula of cost of equity capital and the cost of equity capital for the valued unit was calculated to be 10.68%.

Calculation of weighted average cost of capital

The average interest rate (per annum) of the interest-bearing debts of Eastern Import & Export as at the Valuation Benchmark Date is 0%. These parameters determined above are substituted in the calculation formula of weighted average cost of capital and the weighted average cost of capital for the valued unit was calculated to be 10.68%.

(viii) Calculation of discount rate for the sustainable period

The discount rate for the sustainable period is calculated in the same way as that for the specific forecast period. The discount rate for the sustainable period of r was calculated to be 10.68%.

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

The following is the text of a letter dated 21 December 2023 from Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, which was prepared for inclusion in this announcement.

Independent assurance report on the calculations of discounted cash flow forecast in connection with the valuation of 100% equity interest in 東方航空進出口有限公司 and its subsidiaries (together referred to as the “Target Group”)

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

We have examined the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation prepared by Pan-China Appraisal Co., Ltd. dated 13 December 2023 in respect of the appraisal of the fair value of the Target Group as at 31 December 2022 (the “**Valuation**”) is based. The Valuation, prepared based on the Forecast, is regarded as a profit forecast under Rule 14.61 and Rule 14A.06 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The Valuation will be included in the Company’s announcement dated 21 December 2023 (the “**Announcement**”).

Directors’ Responsibilities

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

Our Independence and Quality Management

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

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

Our Responsibility

Our responsibility is to form an assurance conclusion on the arithmetical accuracy of the calculations of the Forecast on which the Valuation is based and to report solely to you, as a body, as required by Rules 14.62(2) and 14A.68(7) of the Listing Rules, and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

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

Opinion

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

Other Matter

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

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

Yours faithfully,

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 21 December 2023

Chan Sai Ho

Practising certificate number PO7705

APPENDIX III — LETTER FROM THE BOARD REGARDING PROFIT FORECAST

The following is the text of the letter dated 21 December 2023 from the Board which was prepared for inclusion in this announcement.

To:
Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square, 8 Connaught Place, Central,
Hong Kong

Dear Sir/Madam,

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

Re: Profit forecast — The confirmation letter required under the Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”)

Reference is made to the announcement of the Company dated 21 December 2023, which mentioned an valuation report (the “**Valuation Report**”) dated 13 December 2023 in respect of Eastern Import & Export Co., Ltd. prepared by Pan-China Assets Appraisal Co., Ltd. (the “**Valuer**”) using the income approach.

The board of directors of the Company has reviewed and discussed with the Valuer and Baker Tilly Hong Kong Limited, the reporting accountant of the Company (the “**Reporting Accountant**”), the basis and assumptions of the valuation. The board of directors of the Company has also considered the confirmation letter issued by the Reporting Accountant on 21 December 2023 in respect of the calculations of the profit forecast in the Valuation Report.

As required under Rule 14.62(3) of the Hong Kong Listing Rules, the board of directors of the Company confirms that the profit forecast used in the aforesaid Valuation Report has been made after due and careful enquiry.

The Board of
China Eastern Airlines Corporation Limited

21 December 2023