



行车道
Driving Lane

行车道
Driving Lane

行车道
Driving Lane

小客车
LIGHT PASSENGER VEHICLE

行车道
Driving Lane

大客车
HEAVY PASSENGER VEHICLE

航站楼 1
Terminal

国内出发
DOMESTIC DEPARTURE

1-5 出口

国际出发
INTERNATIONAL DEPARTURE

港澳台出发
HONG KONG, MACAO & TAIWAN DEPARTURE

6-15 出口

20

20

最高限速
92.4 KM/H
92.4 KM/H

禁止鸣笛

禁止鸣笛

Review of Operations and Management's Discussion and Analysis



President
Li Yangmin





Major Businesses and Operation Model

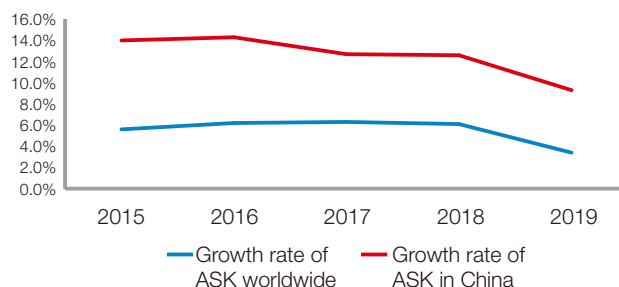
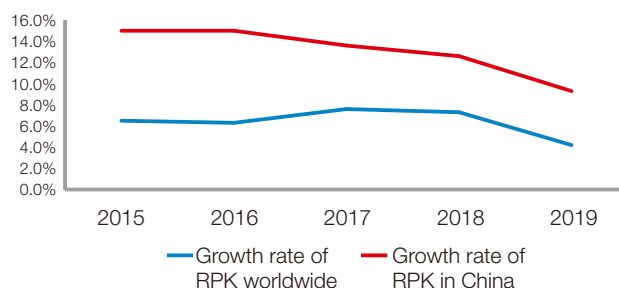
The scope of principal business of the Company includes: domestic and approved international and regional business for air transportation of passengers, cargo, mail, luggage and extended services; general aviation business; maintenance of aviation equipment and machinery; manufacture and maintenance of aviation equipment; agency business for domestic and overseas airlines and other business related to air transportation; insurance by-business agency services; e-commerce; in-flight supermarket; wholesale and retail of goods.

The Group adheres to its principle of deepening its comprehensive reforms, led by internationalization and application of internet, centered on reformation development, brand construction and ability enhancement, striving to realize the development objective of "Establishing a World-Class and Happy CEA", accelerated to change from a traditional air carrier to a modern aviation integrated services provider. The Group built up a streamlined while efficient modernized fleet, operating 734 passenger aircraft, including 11 business aircraft held under trust, with an average fleet age of 6.4 years. Surrounding Shanghai and Beijing core hub and Kunming and Xi'an hub being the center, we provided quality and convenient air transport and extended services to worldwide travelers and customers.



Current Development of Aviation Industry

According to the estimated data published by IATA, as affected by the decline in global economic growth, trade frictions and geopolitical tensions, the growth rate of global aviation passenger transportation in 2019 slowed down significantly, with number of passengers carried of approximately 4.54 billion, representing a year-on-year increase of 3.7%; passenger transportation capacity (calculated in ASK) increased by 3.4% year-on-year, and the growth rate decreased by 2.7 percentage points; passenger traffic volume (calculated in RPK) increased by 4.2% year-on-year, and the growth rate decreased by 3.1 percentage points^{Note 1}. According to the data published by the CAAC, in 2019, China's civil aviation industry had a total traffic volume of 129.77 billion tonne-kilometres, representing a year-on-year increase of 7.1%; number of passengers carried was 0.66 billion, representing a year-on-year increase of 7.9%; passenger traffic volume (calculated in RPK) was 1,170.51 billion passenger-kilometres, representing a year-on-year increase of 9.3%.



1 For details, please refer to the report of IATA in <https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly---dec-2019/>

Review of Operations and Management's Discussion and Analysis

In early 2020, as affected by COVID-19, the demand of the global aviation industry shrunk significantly, and global aviation companies drastically reduced their capacity, resulted in a significant decrease in revenue and even a liquidity crisis. IATA called for governments to take actions to help the global aviation industry to tide over the COVID-19 crisis.

Core Competitiveness Analysis

1. Advantages of Locating in Prosperous Developed Area in Shanghai and the Yangtze River Delta

The Group has a relatively strong location advantages. Being one of the three major state-owned aviation companies, the headquarters and main operation bases of the Company are located in the super-sized international city — Shanghai. As China's key economic centre and international shipping center, Shanghai has always had very close economic and trade connection with the Asia-Pacific region, Europe and America. The time it takes to fly from Shanghai to major Asian cities is about 2 to 5 hours, and to Europe and west coastal North America is about 10 to 12 hours. The resources within the 2 hours flying circle are rich, covering 80% of China's top 100 cities, 54% of the land resources, 90% of the population, 93% of the origins of GDP and most areas of East Asia. In 2019, the number of carried travelers in Shanghai Pudong International Airport and Shanghai Hongqiao International Airport throughput exceeded 0.122 billion, making Shanghai the largest aviation market in China.

The Group has the biggest market share in Shanghai Hongqiao International Airport and Shanghai Pudong International Airport, demonstrating the significant advantages of having main operation bases: The Eastern Air Jiangsu and Zhejiang Branch under the Company has base operational advantages and relatively strong brand influence in Jiangsu and Zhejiang provinces, respectively. The development of the Group will be benefited by the implementation of the "integrated development of Beijing-

Tianjin-Hebei region" and "Yangtze River Delta Integration" strategy, and the promotion of the construction of five centers, namely "Economic, Financial, Shipping, Trading, Technology Innovation", in Shanghai. The Group actively establishes the Shanghai core hub, and optimizes and improves the structure of flight network. In September 2019, the Satellite Terminal S1 of Pudong was opened, which launched a new hub model of "Terminal T1 + Satellite Terminal S1", further improving the Group's operational efficiency and service capabilities at Pudong Airport and enhancing its influence in the air transportation market in Shanghai and even in the Yangtze River Delta.

2. Operational Advantages Brought About by the "Two Cities, Four Airports" and Dual Core Hubs in Beijing and Shanghai

Beijing Daxing International Airport is positioned as a large international hub airport and a new source of momentum for the development of China. Beijing Daxing International Airport was officially opened on 25 September 2019, opening a new era of operation in Daxing Airport. The Group seized the opportunity of Beijing-Tianjin-Hebei coordinated development, coordinated the planning of the Beijing and Shanghai strategic hub, and actively promoted the construction and operation of the CEA base in Beijing Daxing International Airport, becoming the first base airline to obtain the final acceptance in Beijing Daxing International Airport. China United Airlines under the Company relocated from Beijing Nanyuan Airport to Beijing Daxing International Airport and became the first airline officially operated at Beijing Daxing International Airport. As the only main base airline of the SkyTeam Airline Alliance at Beijing Daxing International Airport, the Group will give full play to its home advantages, plan routes and time resource allocation in advance, and make Beijing Daxing International Airport a core hub of the SkyTeam Airline Alliance in the Asia-Pacific region. At the same time, the Group will keep the Beijing-Shanghai route, a premium business express route, to be operated at the Capital Airport.



Review of Operations and Management's Discussion and Analysis

3. Hub and Network Layout with Unique Advantages

The Group chose Shanghai and Beijing, places with highly-developed economy and keen demand on outbound travelling, as its core hubs. While Kunming (the gateway of Southeast Asia) and Xi'an (the gateway of North West under the "Belt and Road" initiative) as regional hubs. Through the cooperation with the members of SkyTeam Airline Alliance, the Group established and improved the flight transportation network that covers the whole country and expanded to the world.

For the domestic route, the Group has set up subsidiaries in 15 provinces and cities including Shanghai, Beijing, Yunnan, Shaanxi, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Hubei, Shanxi, Gansu, Sichuan, Hebei and Guangdong. The Group's flight routes can reach to all provincial capital cities and key cities in the PRC; for the international route, the Group's flight routes network can reach international metropolitans such as Hong Kong, Macau, Taiwan, Japan, Korea and major well-known cities and travel destinations of Southeast Asia, Paris, London, Frankfurt, Rome, Moscow, Prague, Amsterdam, Madrid, St. Petersburg, Stockholm and Budapest in Europe; New York, Los Angeles, San Francisco, Chicago, Hawaii, Vancouver and Toronto in America; Sydney, Melbourne and Auckland in Oceania. In addition, the Group has increased the chances of interline transit through the cooperation with members within or outside the SkyTeam Airline Alliance, expanding the international flight layout, enhancing the cooperation centred at interline operations, code-sharing and interline transit with world famous aviation companies, such as Delta, AFK, Qantas and Japan Airlines in North America, Europe, Australia and Asia respectively.

4. Streamlined and Efficient Fleet Structure

The Group has always strived on updating and optimizing the fleet structure, practising the concept of green development, introducing new aircraft continually, and retiring out model aircraft. As at the end of 2019, the Group's average fleet age was 6.4 years, ranking among the top in the world, thereby becomes one of the biggest

aviation companies equipped with the most streamlined and the most efficient fleet among the world's large airline companies. The Group mainly introduces long-haul B777 series aircraft in trans-Pacific routes; mid-to-long-haul A350 series, B787 series wide-body aircraft and A330 series aircraft in China-Europe routes, China-Australia and domestic business routes; A320 series and B737 series aircraft in domestic and surrounding countries and regions route, enhancing the matching level between fleet model and route, transportation capacity and market.

5. Informatization Leads to the Continual Enhancement of Operational Management and the Ability of Reform and Innovation

The Group focused on the "Internetization" strategy and established the "IT-leading" business philosophy to deeply integrate IT and business and gradually establish smart aviation with intelligent marketing services, intelligent management and control of business operation and intelligent corporate governance as its core elements.

In 2019, with the help of advanced technologies such as 5G and AI, the Group assisted in the construction of the Shanghai Pudong International Airport hub, and made every effort to ensure the smooth commencement of operation of Beijing Daxing International Airport, driving the Group to improve operational safety and efficiency. The Group promoted the construction of a new generation of operation control systems to ensure the safety of production and operation; improved the basic system support for marketing and service management, obtaining the highest level 4 certification from IATA for its construction of new distribution capability (NDC); rebuilt the in-flight WiFi operation management platform, equipped with technical support capabilities for commercial in-flight online product sales; realized payment system with customer experience that is basically consistent online and offline, domestic and overseas and in-flight and off-flight, and improved payment success rate; and created new products and new experience, introducing services such as face recognition check-in and silent VIP rooms.

6. A Brand with Strong Scent of Oriental and Quality Services

The Group has upheld the strategic objective of "providing world-class services" and continuously improved service quality, optimized customer experiences and built a "quiet, relieved and comfortable" service system to create a "warm" cabin; and has implemented catering service safety requirements and innovated and improved catering products to achieve accurate positioning of services.

The Company is committed to promoting related work such as brand image management, communications and promotion and brand maintenance. The Company has given full play to the advantages of new media and promoted integrated communication. A number of self-operated platforms have been honored as the most influential new media accounts of central enterprises. The Group ensured the second China International Import Expo with a high standard, demonstrated the brand image of central enterprises with corporate practice. The Group has actively participated in the construction of the "Belt and Road", built a route hub network in line with the "Aerial Silk Road", made new expansions in the Aerial Silk Road, and is committed to building a world-class brand with global influence.

7. High Quality Customer Cluster and Outstanding Partners

The Group has always maintained a good safety record and good service standards, and the loyalty of its passengers has continued to rise. The number of frequent flyer members of "Eastern Miles" reached 42.68 million, and the number of active group customers reached 4,668.

In the industry, facing well-known international aviation companies, the Group has established a more stable and close comprehensive strategic cooperation relationship with Delta and AFK through capital and business cooperation, building a golden triangle of air transportation connecting Asia, North America and Europe. The Group's cooperation with Qantas and Japan Airlines in capacity allocation and joint marketing has also become more extensive and in-depth. In the domestic aviation industry,

Juneyao Airlines is a representative of outstanding private airlines, and is also based in Shanghai. Through carrying out strategic cooperation using the "equity + business" model, the Group and Juneyao Airlines aim to enhance market influence at the main base in Shanghai.

In the upstream and downstream of the aviation industry chain, the Group has actively explored brand cooperation with world-renowned companies. Through capital cooperation, the Group established "Airline + Internet" cooperation model with Ctrip to realize the technical connection of auxiliary products such as brand freight. The Group intensified strategic cooperation with Shanghai Disneyland Resort, actively built the special marketing area on the official website and continuously launched the "Flight Ticket + Hotels + Tourist Spot Ticket" travel package products; and commenced cross-field cooperation with renowned enterprises such as China UnionPay and HSBC to carry out joint marketing activities and achieve resource sharing.

Competitive Landscape and Development Trend of the Industry

Since the "13th Five-Year" period, China has promoted new strategies in respect of opening up and regional development such as the "Belt and Road" initiative, the Beijing-Tianjin-Hebei integration strategy, the Guangdong-Hong Kong-Macao Greater Bay Area development plan, the Yangtze River Delta integration strategy, the Yangtze River Delta economic zone. Disposable income per capita continued to rise; the civil aviation industry maintained a good safety record; air transportation maintained rapid growth; infrastructure support capabilities continued to enhance; flight punctuality rate improved substantially; the pace of science and education construction of civil aviation speeded up; and the deepening of industry reform was fully promoted.

At present, China's civil aviation industry has formed a competitive landscape dominated by three major airlines, namely the Company, Air China Limited and China Southern Airlines Co., Ltd., with multiple airlines co-existing. According to the report of the CAAC, as at the end of 2019, there were 62 domestic civil aviation transportation companies, with a fleet size of 3,818 aircraft and about 5,155 domestic and international routes.



The way of competition and cooperation of the domestic and international aviation transportation industry has continued to evolve, and the competition in the Asia-Pacific aviation market has become increasingly fierce. In terms of short-to-mid-haul routes, the fast-growing low-cost airlines actively seized market share. Japan and South Korea's high-yield markets have opened up air freedoms, and the competition in regional market will become more intense. Facing the global economic downturn as well as external uncertainties, there will be impact on the demand of the air passenger and cargo markets, and will also cause wide fluctuations in oil prices and increase fluctuations in RMB exchange rate.

In early 2020, the outbreak of COVID-19 increased downward pressure on the global economy, and the global aviation industry is facing severe challenges. With the introduction of travel restrictions in many countries, the demand and willingness of passengers to travel have been greatly reduced. The flight capacity of global airlines has been significantly reduced, and some airlines are facing survival crisis. As at the date of this report, there are still great uncertainties in terms of the duration of the epidemic around the world, which may amplify and extend the impact on the recovery of travel demand. COVID-19 may catalyze new changes in the landscape of the global aviation transportation industry.

Development Strategy

The Group adheres to its principle of deepening its comprehensive reforms, led by globalization and internet-based development, centering at transformation and development, brand establishment, ability enhancement, strives to realize the development objective of "Establishing a World-Class and Happy CEA". The Group further implements the five main strategies "Hub Networking, Cost Controlling, Brand Building, Fine Management and Digitize", fully utilizing the internet thinking, operational ideology of customers and analysis method of mega data, enhancing customer's experiences and fostering the transformation from traditional aviation transportation corporate to modern aviation integrated services provider.

RISK ANALYSIS

1. Macro-economic Risk

The aviation transportation industry is closely related to the macro-economic environment. The civil aviation transportation industry is more sensitive to the macro-economic climate, which directly affects the development of economic activities, disposable income of residents and changes in the amount of import and export activities. These factors will in turn affect the demand for passenger and cargo services. Meanwhile, the scale of the international airline transportation operations of the Group is relatively large and the international macro-economic situation will significantly affect the demand for the Group's passenger and cargo services. If there is a decline in domestic and international macro-economic climate or a further intensification of strained trade relations, the Group's results on operations and financial condition may be adversely affected.

The Group paid close attention to the changes in international and national macro-economic conditions and proactively capitalized on the opportunities derived from the national strategies of the integrated development of Beijing-Tianjin-Hebei region and Yangtze River Delta region and "Belt and Road Initiative", the operation of Beijing Daxing International Airport and the opening of the Satellite Terminal S1 of Pudong to optimize allocation of flight capacity, production structure and marketing and sales, in order to achieve favorable results of operations.

2. Policy and Regulation Risk

The aviation transportation industry is relatively sensitive to policies and regulations. Changes in domestic and foreign economic environment and the continuous development of the civil aviation industry could result in the relevant laws and regulations and industry policies being adjusted accordingly. Such changes may, to a certain extent, result in uncertainties in the future business development and operating results of the Group.

Review of Operations and Management's Discussion and Analysis

With respect to industrial policies and regulations, the Group played an active role in various discussions concerning formulation and refinement, and considered the latest changes so as to seize the development opportunities arising from such updates and prudently respond to the uncertainties arising from the changes in policies and regulations.

3. Flight Safety Risk

Flight safety is the pre-condition and foundation for airlines to maintain normal operations and good reputation. Bad weather, mechanical failure, human errors, aircraft and equipment irregularities or failures and other force majeure events may have an adverse effect on the flight safety of the Group.

The Group regularly convened flight safety meetings, analyzed and reported on the Group's flight status in a timely manner and planned for flight safety management. Through the strengthening of safety responsibilities and the establishment of work style, and the commencement of effective evaluation on safety management system, the Group established effective measures such as the comprehensive flight training control mechanism to enhance its capabilities of preventing flight safety risks and to ensure the Group's continuous safe operations.

4. Terrorist Attack Risk

International and national terrorist attacks targeting aircraft and airports not only directly threatens flight safety, aviation security, operational safety and the safety of overseas institutions and employees, but also brings about on-going adverse impact on the outbound tourism demand for places where terrorist attacks have taken place as their starting point, transfer correspondence and destination.

The Group established a sound aviation security regulations standard system to enhance the Group's practical ability of aviation anti-terrorism, anti-hijacking, anti-aircraft bombing, attack prevention and destruction prevention. The Group enhanced aviation security team's service quality, which would in turn improve their responsiveness in handling emergencies. The initiation of establishment of the aviation

security information system enhanced the quality of aviation security informationalization.

5. Core Resources Risk

The rapid growth in the industry has caused competition among airlines for core human resources (such as management personnel in key positions and professional technical staff), air traffic rights resources and time slot resources. If the core resources reserve of the Group is not sufficient to match with the rapid expansion of the Group's operational scale, the business and operation of the Group may be adversely affected.

The Group promoted the building of corporate culture of "Love at CEA" and further improved its incentive scheme for core technical staff. The Group proactively developed a core back-up workforce through providing training programs to a pool of multitier back-up management personnel and launching of core technical staff recruitment plan. Meanwhile, the Group proactively coordinated with the industry regulators with respect to air traffic rights and time slot resources, and proactively participating in the market competition for time slot resources.

6. Competition Risk

With the liberalisation of the domestic aviation market, development of low-cost airlines and the leading international airlines' increasing addition of flight capacity in the China market, future competition in the domestic and overseas aviation transportation industries may intensify and may bring uncertainties to the Group's resources of air traffic rights and time slots, ticket price levels and market shares, and the results of operations of the Group may be adversely affected accordingly.

There is a certain level of overlap between the use of railway transportation, highway transportation, ship transportation and air transportation in certain markets. As the impact from railway, highway and ship transportation on the domestic civil aviation market has become normalised and internet-based, certain routes of the Group will experience greater competitive pressure.



Review of Operations and Management's Discussion and Analysis

The Group actively responded to the industry competition, strove for additions of air traffic rights and time slot resources in hub markets and core markets to steadily increase the aircraft utilization rate and market share in the key markets, so as to consolidate and expand market share in the four major hubs and core markets. Leveraging on the SkyTeam Airline Alliance platform, the Group enhanced its strategic cooperation with Delta and AFK, and strengthened the cooperation with non-member airlines of the SkyTeam Airline Alliance such as Qantas to develop a highly efficient and convenient flight network which covered the whole of China and connected to the whole world.

Under the impact of other means of transportation, the Group focused on the four major hubs and core and key markets, refined its route network, reinforced complete access to the network and the sale of international interline transit products, provided quiet, reassuring and comfortable cabin services, optimized on-board catering standards, actively developed and maintained the Group's customers and frequent flyer groups to take advantages from aviation service brands. Also, the Group focused on the flight punctuality rate to improve fine operations, in order to capitalize on the speed advantage of aviation transportation.

7. Risk Associated with the Fluctuation of Jet Fuel Prices

Jet fuel is one of the major expenses of airlines. Significant fluctuations of international oil prices will significantly impact jet fuel prices and the Group's revenue from fuel surcharge and accordingly, the Group's results of operations.

In 2019, setting aside the adjustment in factors such as fuel surcharge, if the average price of jet fuel had increased or decreased by 5%, jet fuel costs of the Group would have increased or decreased by approximately RMB1,710 million.

The Group optimized its flight capacity allocation and the production structure, strengthened its marketing efforts to actively boost the level of its passenger load factor and unit revenue. In order to hedge the risk of jet fuel price

fluctuation, the Board authorized the Company to make a prudent decision on whether and how to conduct aviation fuel hedging activities. The Company has designated a special working group to closely track and analyze the trend of oil prices. In 2019, the Company has not conducted aviation fuel hedging activities.

8. Exchange Rate Fluctuation Risk

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

As at 31 December 2019, if USD had strengthened or weakened by 1% against RMB with all other variables held constant, the effect on the Group's net profit and other comprehensive income would have been as follows:

Unit: RMB million

	Effect on net profit		Effect on other comprehensive income	
	Appreciation	Depreciation	Appreciation	Depreciation
USD exchange rates	-328	328	41	-41

In 2019, the Group expanded its financing channels by means of issuing super short-term debentures and acquiring RMB borrowings to bring in RMB financing, and proactively optimized the mix of currency denomination of the Group's debts.

In the future, the Group will further reinforce its research and judgement on the foreign exchange market, expand the variety of its financing instruments such as RMB and improve the Group's debts and currency structure in order to minimize the adverse impacts arising from exchange rate fluctuations on the Group's operations.

9. Interest Rate Fluctuation Risk

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

As at 31 December 2019, assuming all other variables remain constant, if the interest rate had increased or decreased by 25 basis points, the effect on the Group's net profit and other comprehensive income would have been as follows:

Unit: RMB million

	Effect on net profit		Effect on other comprehensive income	
	Increase	Decrease	Increase	Decrease
Floating rate instruments	-98	98	12	-12

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

10. Information Technology Safety Risk

The development of all businesses in the Group's operational process is closely related to the information network system which imposes new requirements on traditional management and work processes of the Group. If there are any design discrepancies, operational default or interruption in the network information system of the Group and inadequate legal compliance training and

education for internal staff, or if it experiences external network attacks, the Group's business and operations may be affected or leakage of customers' data may be resulted. The occurrence of any of the foregoing may have an adverse effect on the brand image of the Group. Constant upgrading of information systems will impose new challenges to the Group's development.

In order to address the risks imposed by rapidly developing technologies, the Group has initiated information technology safety projects, appointed a "data protection officer" in response to the implementation of the EU GDPR regulations, adopted defense-in-depth and key protection strategies, worked with external authorities and strategically cooperated with well-known security vendors. The Group has upgraded its customer privacy terms of online channels, investigated risks on third-party platforms, and strengthened passenger information protection firewalls. The Group has promoted its work on the construction of the Xi'an data centre and disaster backup facility centre and the construction of a globalized basic assurance and service system.

11. Development and Transformation Risk

While the Group expands to new international markets, carries out external investments, mergers and acquisitions projects and adjusts the structure of 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 strategies of the Group.

During the process of transformation, the Group explores the e-commerce market to reduce aviation operation costs and innovative asset management methods, and adjusts the structure of its existing businesses and assets, with new requirements for the overall operating management abilities of the Group. Some of the Group's transforming projects or adjusted businesses may be unable to achieve expected goals.



Review of Operations and Management's Discussion and Analysis

The Group has been making improvements to the whole process of monitoring and management system of foreign investment and will enhance the research and substantiation of projects, strictly supervise various investment activities and refine the risk management mechanism through conducting due diligence and asset valuation during the process of expansion into the new international markets, external investment and acquisition and mergers, and adjustments to the structure of its existing businesses and assets.

12. Suppliers Risk

The aviation transportation industry requires advanced technology and high operating costs. There are limited available suppliers in respect of key operating resources including aircraft, engines, flight spare parts, jet fuel and information technology services. Airlines generally obtain operating resources through centralized purchases to reduce operating costs. If the Group's major suppliers, main sales channels operators and major customers are adversely affected, this may have an adverse impact on the business and operations of the Group.

The Group has been focusing on the suppliers who are closely related to the Group's production and operation, while the supplier management team analyzed the contractual performance of suppliers and conducted assessment on suppliers regularly. The Group paid close attention to the changing market conditions of the types of material highly relevant to its production and operation, whereas the collection and analysis of the fluctuations in price was conducted by the Group's procurement department.

13. Securities Market Fluctuations Risks

The Company's share price is not only dependent on the Group's current results and projection for future operations, but also on factors including policy environment, macro-economy, flow of market capital and investor sentiment etc. The Company's share price may be subject to significant changes due to the aforementioned factors, which may directly or indirectly result in loss to the investors, which in turn will affect the Group's capital operations and implementation of projects.

The Group continued to enhance its corporate governance standards, fulfill its obligations of information disclosure, improve its management ability and strive for outstanding operating results. In the meantime, the Group strengthened the communication between the capital markets and various investors, paid close attention to the Company's share price performance and media coverage and gave timely response to the market.

14. Other Force Majeure and Unforeseeable Risks

The aviation transportation industry is highly sensitive to external factors. Natural disasters, public health emergencies and the navigational or personnel restrictions imposed by the countries concerned arising from it, geopolitical and political instability around the globe and regional situation of the markets in which the Group's main business operates may affect market demand and the normal operation of airlines. Flight suspension, decrease in passenger capacity and income, as well as increase in safety and insurance costs may adversely affect the business and operations of the Group.

Operating Revenues

In 2019, the Group's passenger revenue amounted to RMB110,416 million, representing an increase of 5.85% from the same period last year, and accounted for 96.65% of the Group's traffic revenue. The passenger traffic volume was 221,779.11 million passenger-kilometres, representing an increase of 10.07% from last year.

The passenger revenue of domestic routes amounted to RMB72,764 million, representing an increase of 6.04% from last year, and accounted for 65.90% of the passenger revenue. The passenger traffic volume was 142,921.41 million passenger-kilometres, representing an increase of 10.87% from last year.

The passenger revenue of international routes amounted to RMB33,966 million, representing an increase of 6.58% from last year, and accounted for 30.76% of the passenger revenue. The passenger traffic volume was 73,811.75 million passenger-kilometres, representing an increase of 9.69% from last year.

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The passenger revenue of regional routes amounted to RMB3,686 million, representing a decrease of 3.53% from last year, and accounted for 3.34% of the passenger revenue. The passenger traffic volume was 5,045.95 million passenger-kilometres, representing a decrease of 4.60% from last year.

In 2019, the Group's cargo and mail traffic revenues amounted to RMB3,826 million, representing an increase of 5.49% from last year, and accounted for 3.35% of the Group's traffic revenue. The cargo and mail traffic volume was 2,971.40 million tonne-kilometres, representing an increase of 14.80% from last year.

In 2019, the Group's other revenue amounted to RMB6,744 million, representing a decrease of 8.14% from last year.

Operating Expenses

In 2019, the Group's total operating expenses was RMB118,107 million, representing an increase of 4.93% from last year. Under the influence of further expansion of the Group's operational scale and the rapid growth in the passenger traffic volume and the number of passengers carried, the Group's various costs such as aircraft take-off and landing costs, catering, depreciation and amortisation increased from last year. Analysis of the changes in items under operating costs of the Group is set out as follows:

In 2019, under the influence of further expansion of the Group's operational scale and the growth in the passenger traffic volume and the number of passengers carried, the Group's major costs such as aircraft fuel cost, remuneration and take-off and landing charges increased from last year.

Aircraft fuel costs accounted for the most substantial part of the Group's operating expenses. In 2019, the Group's total aircraft fuel cost was RMB34,191 million, representing an increase of 1.52% from last year, and was mainly due to an increase in the Group's volume of refueling of 6.80% from last year, leading to an increase in aircraft fuel costs by RMB2,289 million. The average price of fuel decreased by 4.94% from last year, with the aircraft fuel costs decreased by RMB1,778 million.

In 2019, the Group's take-off and landing charges amounted to RMB16,457 million, representing an increase of 10.35% from last year, and its catering supply expenses amounted to RMB3,667 million, representing an increase of 8.39% from last year, and was primarily due to the expansion of the Group's operational scale and the growth in the number of take-off and landing flight and passenger transportation volume.

In 2019, the Group's depreciation and amortisation amounted to RMB22,080 million, representing an increase of 44.19% from last year, and was primarily due to the effect arising from the adoption of IFRS 16 *Leases*.

In 2019, the Group's wages, salaries and benefits amounted to RMB24,152 million, representing an increase of 9.12% from last year, and was primarily due to relevant increase in the remuneration as the result of the expansion of the Group's operational scale, the appropriately increase in the number of operation support staff and the growth in the flight hours.

In 2019, the Group's selling and marketing expenses amounted to RMB4,134 million, representing an increase of 8.59% from last year, and was primarily due to the increase in the Group's business volume followed by an increase in sales expenses.

In 2019, the Group's ground service and other expenses amounted to RMB2,476 million, representing a decrease of 12.97% from last year, and was primarily due the disposal of 65% of equity interests of Shanghai Airlines Tours, a subsidiary of the Group, resulting in the decrease in other business expenses accordingly.

In 2019, the Group's indirect operating expenses amounted to RMB5,113 million, remaining the same as last year.

Other operating income and gains

In 2019, the Group's other operating income amounted to RMB7,202 million, representing an increase of 9.25% from last year, and was primarily due to the increase in the revenue of co-operation routes.

Finance Income/Costs

In 2019, the Group's finance income was RMB96 million, representing a decrease of 12.73% from the same period last year. Finance costs amounted to RMB6,160 million, representing an increase of 6.81% from the same period last year, and was primarily due to the adoption of IFRS 16 *Leases* by the Group since 1 January 2019, resulting in the increase in interest expenses relating to lease liabilities, and meanwhile, exchange losses in 2019 decreased by RMB1,050 million as compared to 2018.

Profit

Net profit attributable to equity holders of the Company in 2019 was RMB3,192 million, representing an increase of 18.31% from the same period last year. The earnings per share attributable to the equity holders of the Company were RMB0.21.

Liquidity and Capital Structure

As at 31 December 2019, the Group had total assets of RMB285,185 million, representing an increase of 19.32% from 31 December 2018. Its debt ratio was 74.53%, representing a 0.3 percentage point increase from 31 December 2018.

In particular, the Group's total current assets amounted to RMB19,743 million, accounted for 6.92% of the total assets and represented an increase of 23.92% from 31 December 2018. The Group's non-current assets amounted to RMB265,442 million, accounted for 93.08% of the total assets and represented an increase of 18.99% from 31 December 2018.

As at 31 December 2019, the Group had total liabilities of RMB212,539 million, comprising current liabilities of RMB78,363 million which accounted for 36.87% of total liabilities, and non-current liabilities of RMB134,176 million which accounted for 63.13% of total liabilities.

Among the current liabilities, interest-bearing liabilities (short-term bank borrowings, super short-term debentures, long-term bank borrowings due within one year, bonds payable due within one year and lease liabilities due within one year) amounted to RMB40,818 million, representing an increase of 5.67% from 31 December 2018.

Among the non-current liabilities, interest-bearing liabilities (long-term bank borrowings, bonds payable and lease liabilities) amounted to RMB121,329 million, representing an increase of 29.14% from 31 December 2018.

As at 31 December 2019, the breakdown of the Group's interest-bearing obligations by currencies is as follows:

Unit: RMB million

Currency	2019		2018		Movement (%)
	RMB equivalent		RMB equivalent		
	Amount	Percentage (%)	Amount	Percentage (%)	
USD	46,542	28.70	28,515	21.51	63.22
RMB	103,822	64.03	92,497	69.77	12.24
Others	11,783	7.27	11,567	8.72	1.87
Total	162,147	100	132,579	100	22.30

As at 31 December 2019, the Group's interest-bearing liabilities included long-term and short-term bank borrowings, bonds payable and super short-term debentures equivalent to RMB51,872 million, representing a decrease of 5.95% from RMB55,152 million as at 31 December 2018. The breakdown by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent		Movement (%)
	2019	2018	
USD	870	3,139	-72.28
SGD	2,587	2,503	3.36
EUR	3,073	3,566	-13.83
KRW	1,810	1,072	68.84
RMB	40,327	41,778	-3.47
JPY	3,205	3,094	3.59
Total	51,872	55,152	-5.95

Review of Operations and Management's Discussion and Analysis

As at 31 December 2019, the Group's interest-bearing liabilities included lease liabilities equivalent to RMB110,275 million, representing an increase of 42.42% from RMB77,427 million as at 31 December 2018. The breakdown by currencies is as follows:

Unit: RMB million

Currency	RMB equivalent		
	2019	2018	Movement (%)
USD	45,672	25,376	79.98
SGD	392	514	-23.74
JPY	183	226	-19.03
HKD	486	592	-17.91
RMB	63,496	50,719	25.19
Others	46	—	100.00
Total	110,275	77,427	42.42

Interest Rate Fluctuation

The Group's total interest-bearing liabilities (including long-term and short-term bank borrowings, lease liabilities, bonds payable and super short-term debentures) as at 31 December 2019 and 31 December 2018 were equivalent to RMB162,147 million and RMB132,579 million, respectively, of which short-term liabilities accounted for 25.17% and 29.14%, respectively. Part of the interest-bearing liabilities were liabilities with floating interest rates. Both the short-term liabilities and interest-bearing liabilities were affected by fluctuations in current market interest rates.

The Group's interest-bearing liabilities were primarily denominated in USD and RMB. As at 31 December 2019 and 31 December 2018, the Group's interest-bearing liabilities denominated in USD accounted for 28.70% and 21.51% of total liabilities, respectively, while interest-bearing liabilities denominated in RMB accounted for 64.03% and 69.77% of total interest-bearing liabilities, respectively. Fluctuations in the USD and RMB interest rates have and will continue to have significant impact on the Group's finance costs. As at 31 December 2018, the outstanding interest rate swap contracts held by the Group amounted to a notional principal amount of approximately USD1,102 million, of which USD888 million as at 31 December 2019 will expire within five years.

Exchange Rate Fluctuation

As at 31 December 2019, the Group's total interest-bearing liabilities denominated in foreign currencies amounted to RMB58,325 million, of which USD liabilities accounted for 79.80% of the liabilities. Therefore, a significant fluctuation in the exchange rates will subject the Group to significant foreign exchange loss or gain arising from the exchange of foreign currency denominated liabilities, which affects the profitability and development of the Group. The Group typically uses hedging contracts for foreign currencies to reduce the foreign exchange risks for capital expenditures paid in foreign currencies. As at 31 December 2018, the outstanding foreign currency hedging contracts held by the Group amounted to a notional principal amount of USD655 million, of which USD776 million as at 31 December 2019 will expire within one year.

In 2018, the Group's net exchange loss amounted to RMB2,040 million. In 2019, the Group's net exchange loss amounted to RMB990 million, representing a decrease of 51.47% from last year.



Analysis on Investment

1. Significant equity investments

Significant equity investments set out in this section are not the significant investments set out in paragraph 32(4A) of Appendix 16 to the Hong Kong Listing Rules.

(1) Investment in securities

Type of securities	Stock code	Stock abbreviation	Initial investment (RMB)	Shareholdings (share)	Closing book value at the end of the Reporting Period (RMB)	Percentage of total investment at the end of the Reporting Period (%)	Profit and loss during the Reporting Period (RMB)
Share	00696	TravelSky	18,503,000	29,055,000	495,031,408	80.34	—
Share	600000	Pudong Development Bank	122,144,004	9,790,691	121,110,848	19.66	25,162,076
Other securities investments held at the end of the Reporting Period			/	/	/	/	
Profit and loss on securities investments sold during the Reporting Period			/	/	/	/	/
Total			140,647,004	/	616,142,256	100.00	25,162,076

(2) Equity held in unlisted financial enterprises

Unit: RMB'000

Name of investee	Initial amount of investment	Number of shares held (shares)	Percentage of equity in the company	Carrying amount at the end of the Reporting Period	Profit or loss during the Reporting Period	Change in owner's equity during the Reporting Period	Accounting item	Source of share
Eastern Air Group Finance Co., Ltd.	486,902	—	25%	627,800	28,587	-31,706	Investment in associates	Investment
Total	486,902	—	25%	627,800	28,587	-31,706	/	/

2. Explanation of changes in assets measured at fair value and major asset measurement attributes

Unit: RMB'000

Item name	Balance at the beginning of the Reporting Period	Balance at the end of the Reporting Period	Change for the period	Profit for the period
Interest rate swap contracts	222,839	17,660	-205,179	51,043
Forward foreign exchange contracts	-29,135	29,691	58,826	88,763
Total	193,704	47,351	-146,353	139,806

3. Analysis on major subsidiaries

Unit: RMB million

Name of subsidiaries	Revenue	Year-on-year increase (%)	Net profit	Year-on-year increase (%)	Total assets	Net assets	Gearing ratio (%)
Eastern Air Jiangsu	9,774	4.95	308	0.98	13,736	3,860	71.90
Eastern Air Wuhan	4,743	4.04	319	45.66	8,288	3,780	54.39
Eastern Air Yunnan	11,634	10.56	524	54.12	19,785	7,302	63.09
Shanghai Airlines	13,293	-5.29	-86	-114.33	28,849	1,537	94.67
China United Airlines	5,657	-0.05	658	-25.40	16,643	4,594	72.40
Shanghai Flight Training	891	1.83	411	3.53	2,334	1,307	44.00
Eastern Technology	8,353	8.37	52	183.87	6,210	3,991	35.73

(1) Eastern Air Jiangsu

The Company's controlling subsidiary Eastern Air Jiangsu was established in 1993, with a registered capital of RMB2,000 million. In 2019, Eastern Air Jiangsu achieved revenue of RMB9,774 million, representing a 4.95% increase from last year. Its net profit achieved RMB308 million, representing a 0.98% increase from last year. Passenger traffic volume was 18,882.92 million passenger-kilometres, representing a 11.80% increase from last year. The passengers carried were 13,647,000 persons, representing a 7.38% increase from last year. As of the end of 2019, Eastern Air Jiangsu operated a total of 67 A320 series aircraft.

(2) Eastern Air Wuhan

The Company's controlling subsidiary Eastern Air Wuhan was established in 2002, with a registered capital of RMB1,750 million. In 2019, Eastern Air Wuhan achieved revenue of RMB4,743 million, representing a 4.04% increase from last year. Its net profit achieved RMB319 million, representing a 45.66% increase from last year. Passenger traffic volume was 7,885.8 million passenger-kilometres, representing a 13.71% increase from last year. The passengers carried were 6,777,400 persons, representing a 9.53% increase from last year. As of the end of 2019, Eastern Air Wuhan operated a total of 33 B737 series aircraft.

(3) Eastern Air Yunnan

The Company's controlling subsidiary Eastern Air Yunnan was established in 2010, with a registered capital of RMB3,662 million. In 2019, Eastern Air Yunnan achieved revenue of RMB11,634 million, representing a 10.56% increase from last year. Its net profit achieved RMB524 million, representing a 54.12% increase from last year. Passenger traffic volume was 19,701.39 million passenger-kilometres, representing a 14.39% increase from last year. The passengers carried were 14,722,300 persons, representing a 9.96% increase from last year. As of the end of 2019, Eastern Air Yunnan operated 83 B787-9 and B737 series aircraft in aggregate.

(4) Shanghai Airlines

The Company's wholly-owned subsidiary Shanghai Airlines was established in 2010, with a registered capital of RMB500 million. In 2019, Shanghai Airlines achieved revenue of RMB13,293 million, representing a 5.29% decrease from last year; generating a loss of RMB86 million, representing a 114.33% decrease from last year. Passenger traffic volume was 23,452.14 million passenger-kilometres, representing a 5.39% decrease from last year. The passengers carried were 16,256,000 persons, representing a 5.39% decrease from the previous year. As of the end of 2019, Shanghai Airlines operated 105 B787-9, A330 series and B737 series aircraft in aggregate.

(5) China United Airlines

The Company's wholly-owned low-cost airline China United Airlines was established in 1984, with a registered capital of RMB1,320 million. In 2019, China United Airlines achieved revenue of RMB5,657 million, representing a 0.05% decrease from last year. Its net profit achieved RMB658 million, representing a 25.40% decrease from last year. Passenger traffic volume was 11,435.63 million passenger-kilometres, representing a 11.68% increase from last year. The passengers carried were 9,176,500 persons, representing a 10.54% increase from the previous year. As of the end of 2019, China United Airlines operated a total of 53 B737 series aircraft.

Pledges on Assets and Contingent Liabilities

As at 31 December 2018, the value of the Group's assets used to secure certain bank loans was RMB11,752 million. As at 31 December 2019, the value of the Group's assets used to secure certain bank loans was RMB10,819 million, representing a year-on-year decrease of 7.94%.

As at 31 December 2019, the Group had no significant contingent liabilities.

Capital Expenditure

Introduction of Aircraft and Related Equipment and Financing Plan

(1) Fund distribution for introduction of aircraft and related equipment during the Reporting Period

In 2019, the Group has met the needs of the introduction of aircraft and related equipment through operating income, existing bank credit limit, bank loans, leasing arrangements and other external financing methods. The Group introduced 43 aircraft through self-purchase, financial leasing, operating lease or sale-leaseback.

(2) Capital expenditure plan of aircraft and related equipment in the coming 3 years

According to the agreements that have been entered into in relation to aircraft and engines, as at 31 December 2019, the Group expected its future capital expenditures on aircraft and engines to be approximately RMB47,822 million in total, including the expected capital expenditure of approximately RMB18,388 million, RMB12,442 million and RMB11,956 million for each year from 2020 to 2022, respectively.

The capital requirements of the Group may vary due to factors such as entering into new purchase contracts for aircraft, engines and other flight equipment, amendments to the original contracts and changes in price index.

(3) The maintenance policy, expenses and depreciation costs of aircraft

In 2019, the repair cost of aircraft of the Group was RMB3.380 billion and depreciation cost of aircraft and engine was RMB19.704 billion.

Review of Operations and Management's Discussion and Analysis

For details of the Group's aircraft maintenance policy, please refer to "Maintenance and overhaul costs" in "2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" in the notes to the financial statements prepared by the Company in accordance with International Financial Reporting Standards.

Material Asset Impairment

The Company has not recorded any material asset impairment during 2019.

Route Network

In 2019, the Company launched new routes mainly including routes from Shanghai to Budapest, Shanghai via Chengdu to Budapest, Xi'an to Dubai, Qingdao to Paris, Qingdao to Dubai, etc., and increased the frequency of routes from Shanghai to London Gatwick, Kunming via Hefei to Weihai, Jinan to Yuncheng, Qingdao via Luliang to Lanzhou, Qingdao to Tokyo, Nanchang to Osaka and Nanchang to Shizuoka.

In 2020, the Company plans to launch new long-haul routes including routes from Beijing Daxing to Paris and Beijing Daxing to Moscow, and increase the frequency of current routes from Shanghai Pudong to Paris and Beijing Daxing to Hong Kong. Subsequently, the Company will combine the development and changes in situation as a result of the novel coronavirus (COVID-19) epidemic to strengthen the analysis and judgment of market demand and prudently evaluate the timing of launching routes.

Human Resources

As at 31 December 2019, the Group had 81,136 employees, the majority of whom were located in the PRC. The wages of the Group's employees generally consisted of basic salaries and performance bonuses. The Group was not involved in any major labour disputes with its employees, nor did it experience any significant turnover of employees or encounter any significant difficulties in recruiting new employees.

Composition of professionals

Category of Professionals	Number of Professionals
Pilots	8,284
Flight attendants and other aircrew	21,673
Maintenance personnel	12,960
Ground services and others	27,567
Operation control	1,877
Information technology	1,116
Sales and marketing	4,009
Management	3,650
Total	81,136

Education level

Category of Education Level	Number of Staff
Master and above	2,460
Bachelor	36,227
Non-degree tertiary	29,328
Other	13,121
Total	81,136

Pilot training conditions and changes

In 2019, the Group added 304 new captains and 329 new deputy pilots. The annual average flight hours of captains were 901 hours and the annual average flight hours of deputy pilots were 834 hours.

Total number of staff	81,136
Number of staff of the Company	46,040
Number of staff of major subsidiaries	35,096
Number of retired staff whose expenses are committed by the Company and major subsidiaries	7,645



Review of Operations and Management's Discussion and Analysis

Remuneration policies

In order to cater for the demand for the Group's strategic development, the Group improved the structure of its remuneration distribution system, optimized the protection and motivation effects of salaries, and reasonably protected the legal rights of the employees and the Group. According to the Labour Contract Law of the PRC and the relevant laws and regulations, the Group has established the work position and remuneration system, namely the Ground Crew work position and remuneration system and Flight-crew work position and remuneration system. The salaries of ground crew compose of basic salary, wage for seniority, position-points salary scheme, performance bonus, allowances and benefits. The salaries of flight-crew compose of basic salary, flight hour fees, flight benefits and other incentives.

Training program

✈ Management Personnel Training

With "Achieving Mutual Development of Employees and the Company" as its objective, the Group aims to build a "world-class" talent team, strives to establish various platforms for its employees' growth and advocates and encourages its employees to establish their positions to achieve enhancement of work ability and self-worth.

In 2019, the Group continued to commence domestic training for international strategy seminars and training for performance enhancement of safety management personnel. The Group completed according to plan the "Swallow Flies Eagle Wings" management talent team training program, the "Sailing Program", the "Spark Program" and the Lean Six Sigma Management black belt training program, and carried out rotation.

✈ Core Technician Training

In order to cater for the international development demand of the Group's global route network and the enhancement of long-haul flight capability, the Group continuously introduced advanced aircraft models including A320NEO, A350-900 and B787-9 in recent years, and carried out all-round trainings for cabin, ground and maintenance personnel to ensure the safe operation of new aircraft models.

Research Center, as a wholly-owned subsidiary of the Company, is responsible for cultivating high-skilled talents in the civil aviation industry and inheriting and promoting the spirit of civil aviation. In 2019, the Research Center developed various premium courses such as the "Essential Information on New Routes" and "TEM of 2020 CRM Crew Response Training", and was accredited with the qualification of flight dispatcher training institution. The Research Center has become the flight dispatcher training institution with the most comprehensive aircraft models, largest operation scale, most advanced facilities and equipment as well as the largest number of instructors in East China.

✈ Backup Talents Training

The Group is committed to strengthening the establishment of talent team. The Group has opened up the channels for talent growth, accomplishments and success, implemented market-based compensation, established and improved the reserve talent training system with "Swallow Flies Eagle Wings" program as the focus and vigorously carried out the establishment of "Captain, Chief Attendant and Section Chief" teams at fundamental level. Through the construction and operation of Application Development Center, the Group has provided professional and diversified trainings for employees in different positions with different working patterns to enhance their business skills and management capabilities.

✈ Enhancement of Learning Platform

The Group has managed training through research and development and driven research and development through business, explored research topics and projects in actual operation and vigorously promoted the implementation of results of research projects through technical cooperation, innovation and technology investment. Through the comprehensive analysis of the Group's safety operation and flight training, three research and analysis platforms for "Human, Fleet and Environment" in flight operations, i.e. the "Human" analysis platform for human factor in flight operation, the "Fleet" analysis platform for fleet maintenance and the "Environment" analysis platform for safe operational environment, have been established. The platforms form a set of mutually-enhanced closed-loop system research program.

Review of Operations and Management's Discussion and Analysis

The Group has focused on developing a distance learning platform to integrate online and offline training resources, enlarged the scale of the teaching and research development team, strengthened training and teaching results and formed a comprehensive teaching model. The Group also has accelerated the transformation of training results of current training and research and development projects, steadily promoted the construction of the curriculum system, and comprehensively carried out training room projects and research and development of various kinds of training courses. By proactively collaborating with external scientific research institutes and first-class schools to develop school-enterprise cooperation, introducing external experts and scholars to effectively integrate high-end research and development resources, it has provided basic theoretical research support for science and innovation projects.

Critical Accounting Policies

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

The Group's audited consolidated financial statements have been prepared in accordance with IFRSs. The Group's principal accounting policies are set forth in Note 2.4 to our audited consolidated financial statements. IFRSs require the Group to adopt the accounting policies and make estimates that our Directors believe are most appropriate in the circumstances for the purposes of giving a true and fair view of our results and financial position. However, different policies, estimates and assumptions in critical areas could lead to materially different results. The critical accounting estimates and judgements made in the preparation of these financial statements are identified and set forth in Note 3 to our audited consolidated financial statements.

Taxation

The Company is subject to income tax at a rate of 25% (2018: 25%). Our effective tax rate, however, may be lower than the rate of 25% because certain subsidiaries were incorporated in jurisdictions where the applicable income tax rate is 16.5%

or 15% rather than 25%. We had carried forward tax losses in respect of which deferred tax assets have not been recognised of approximately RMB217 million as at 31 December 2019 (2018: RMB267 million), which can be used to set off future taxable income between 2020 and 2024.

Enterprise Income Tax of Overseas Non-Resident Enterprises

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

Individual Income Tax of Overseas Individual Shareholders

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

Report of the Directors

The Board is pleased to present the audited financial report of the Group for the year ended 31 December 2019.

Group Results

Further discussion and analysis on the business of the Group for the year ended 31 December 2019, including a fair review of the business of the Group, description of the principal risks and uncertainties facing the Group and highlight of the Group's business development in the future is set out in Chairman's Statement from page 20 to 29 and Review of Operations and Management's Discussion and Analysis from page 30 to 48 of this report. Those discussion and analysis form part of this Report of the Directors.

The results of the Group for the year ended 31 December 2019 and the financial position of the Company and the Group as at that date, prepared in accordance with IFRSs and PRC Accounting Standards, are set out in the financial statements.

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

Revenue

	PRC Accounting Standards RMB million	IFRSs RMB million
Domestic	79,932	80,058
Regional (Hong Kong, Macau and Taiwan)	3,846	3,846
International	37,082	37,082
Total	120,860	120,986

Dividend

On 31 March 2020, the 2020 second regular meeting of the Board considered and approved the 2019 annual profit distribution proposal. The Board recommended the Company to distribute cash dividend of approximately RMB819 million for 2019. Based on the current total share capital of 16,379,509,203 shares of the Company, the cash dividend to be distributed per share is RMB0.050 (tax included). Payments are made in RMB to the shareholders of A shares and the equivalent amount of Hong Kong dollars will be paid to shareholders of H shares. The Company will pay the cash dividend to shareholders within two months from the date of the 2019 annual general meeting.

The retained profits of the Company will be used to supplement its daily working capital and repayment of debt. The utilization of such portion of capital will help the Company optimize its debt structure and ensure the daily business operation of the Company.

The independent non-executive Directors are of the view that the 2019 annual profit distribution proposal of the Board has comprehensively considered the returns to the Company's shareholders, profitability and capital requirements for future development. The review procedure of the Board to review on this matter was legal and effective. The above profit distribution proposal being made was compatible with the objective situation of the Company. The 2019 annual profit distribution proposal is in the interest of the Company and shareholders, in compliance with the "PRC Company Law", the "PRC Securities Law", the relevant laws and regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, and the Articles, and is not prejudicial to the interests of investors, particularly the interests of small and medium shareholders. The independent non-executive Directors of the Company agreed to submit the 2019 profit distribution proposal to the 2019 annual general meeting of the Company for consideration.

Report of the Directors

The aforesaid profit distribution proposal is subject to consideration and approval by the shareholders at the 2019 general meeting of the Company.

To the best knowledge of the directors, none of the shareholders have waived or agreed to waive any dividend distribution arrangement.

Dividend Policy

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

Pursuant to the Articles, the Company may distribute dividends by way of cash, shares, a combination of cash and shares, or in other reasonable manner in compliance with laws and regulations. Following the end of each fiscal year, the Board shall review the profit distribution plan and submit it to the general meeting for voting. If the profit distribution plan is approved by the general meeting, the Board shall complete the distribution within 2 months after the general meeting. Unless otherwise decided by the general meeting, the general meeting shall authorize the Board to distribute interim dividends.

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

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

Share Capital

As at 31 December 2019, the share structure of the Company is set out as follows:

		Total number of shares	Approximate percentage in shareholding (%)
I	A shares	11,202,731,426	68.39%
	1. Listed shares with trading moratorium	273,972,602	1.67%
		1,120,273,142	6.84%
	2. Listed shares without trading moratorium	9,808,485,682	59.88%
II	H shares	5,176,777,777	31.61%
	1. Listed shares with trading moratorium	517,677,777	3.16%
	2. Listed shares without trading moratorium	4,659,100,000	28.44%
III	Total number of shares	16,379,509,203	100%

Note:

As of December 31, 2019, the total number of A shares of the Company amounted to 11,202,731,426 shares, of which 1,394,245,744 shares were listed shares with trading moratorium (of which 273,972,602 shares were held by China Structural Reform Fund Holding Co. Ltd.; 1,120,273,142 shares were held by Juneyao Group, Juneyao Airlines (Juneyao Group's non-wholly owned subsidiary), and Shanghai Jidaohang (Juneyao Airlines' wholly-owned subsidiary)), and 9,808,485,682 shares were listed shares without trading moratorium. The total number of H shares of the Company was 5,176,777,777 shares, of which 517,677,777 shares were listed shares with trading moratorium (held by Juneyao Hong Kong, a wholly-owned subsidiary of Juneyao Airlines), 4,659,100,000 shares were listed shares without trading moratorium. The total number of shares issued by the Company amounted to 16,379,509,203 shares.

Number of Shareholders

As at 29 February 2020, the total number of registered shareholders was 229,602.

Substantial Shareholders

So far as the Directors are aware, as at 31 December 2019, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests or short positions in the shares and/or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange:

Report of the Directors

Name of substantial shareholder	Class of shares	Number of shares held	Capacity	Percentage in the relevant class of issued shares	Percentage in total issued shares
CEA Holding	A shares	5,072,922,927(L) ^{Note 2}	Beneficial owner	45.28%(L)	30.97%(L)
		457,317,073(L) ^{Note 2}	Interests of controlled corporation	4.08%(L)	2.79%(L)
CES Global	H shares	2,626,240,000(L) ^{Note 3}	Interests of controlled corporation	50.73%(L)	16.03%(L)
		2,626,240,000(L) ^{Note 3}	Beneficial owner	50.73%(L)	16.03%(L)
Juneyao Group	A shares	311,831,909 (L) ^{Note 4}	Beneficial owner	2.78%(L)	1.90%(L)
		808,441,233(L) ^{Note 4}	Interests of controlled corporation	7.22%(L)	4.94%(L)
Juneyao Airlines	H shares	529,677,777(L) ^{Note 5}	Interests of controlled corporation	10.23%(L)	3.23%(L)
		219,400,137(L) ^{Note 4}	Beneficial owner	1.96%(L)	1.34%(L)
	A shares	589,041,096(L) ^{Note 4}	Interests of controlled corporation	5.26%(L)	3.60%(L)
		311,831,909(L) ^{Note 4}	Others	2.78%(L)	1.90%(L)
	H shares	12,000,000(L) ^{Note 5}	Beneficial owner	0.23%(L)	0.07%(L)
		517,677,777(L) ^{Note 5}	Interests of controlled corporation	10.00%(L)	3.16%(L)
Juneyao Hong Kong	H shares	517,677,777(L) ^{Note 5}	Beneficial owner	10.00%(L)	3.16%(L)
Shanghai Jidaohang	A shares	589,041,096(L) ^{Note 4}	Beneficial owner	5.26%(L)	3.60%(L)
Wang Junjin	A shares	1,120,273,142(L) ^{Note 4}	Interests of controlled corporation	10%(L)	6.84%(L)
		529,677,777(L) ^{Note 5}	Interests of controlled corporation	10.23%(L)	3.23%(L)
Wang Han	A shares	1,120,273,142(L) ^{Note 4}	Interests of controlled corporation	10%(L)	6.84%(L)
		529,677,777(L) ^{Note 5}	Interests of controlled corporation	10.23%(L)	3.23%(L)
Ye Jinqi	A shares	1,120,273,142(L) ^{Note 4}	Interests of spouse	10%(L)	6.84%(L)
		529,677,777(L) ^{Note 5}	Interests of spouse	10.23%(L)	3.23%(L)
Delta	H shares	465,910,000(L)	Beneficial owner	9.00%(L)	2.84%(L)

Notes:

- The letter (L) denotes a long position. The data disclosed above is mainly based on the information provided on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).
- 5,072,922,927 A shares were held directly by CEA Holding; and 457,317,073 A shares were held directly by CES Finance, which in turn was entirely held by CEA Holding. Therefore, CEA Holding is deemed to be interested in the 457,317,073 A shares held directly by CES Finance.
- CES Global directly held 2,626,240,000 H shares in the capacity of beneficial owner through HKSCC, and CEA Holding indirectly owned the entire interests of CES Global through CES Finance. Therefore, CEA Holding is deemed to be interested in the 2,626,240,000 H shares held directly by CES Global.

On 20 March 2018, 260,000,000 H shares (listed shares without trading moratorium) of the Company pledged to The Hong Kong and Shanghai Banking Corporation Limited by CES Global had been released. As at 31 December 2019, CES Global had pledged 700,000,000 H shares. As at the end of the Reporting Period, CES Global had pledged 1,450,000,000 H shares. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 20 March and 30 August 2018.

- 311,831,909 A shares were held directly by Juneyao Group; 219,400,137 A shares were held directly by Juneyao Airlines; and 589,041,096 A shares were held directly by Shanghai Jidaohang. Mr. Wang Han and Mr. Wang Junjin were interested in 71.77% of shares of Juneyao Group; Juneyao Group is the controlling shareholder of Juneyao Airlines; and Juneyao Airlines owned the entire equity interests of Shanghai Jidaohang. Ms. Ye Jinqi is the spouse of Mr. Wang Junjin. Therefore, Juneyao Group is deemed to be interested in 219,400,137 A shares and 589,041,096 A shares held by Juneyao Airlines and Shanghai Jidaohang, respectively; Juneyao Airlines is deemed to be interested in 589,041,096 A shares held directly by Shanghai Jidaohang; Mr. Wang Han and Mr. Wang Junjin are deemed to be interested in 311,831,909 A shares, 219,400,137 A shares and 589,041,096 A shares held directly by Juneyao Group, Juneyao Airlines and Shanghai Jidaohang, respectively; and Ms. Ye Jinqi is deemed to be interested in 1,120,273,142 H shares held indirectly by Mr. Wang Junjin.

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

On 11 September 2019, Juneyao Group pledged 311,831,909 A shares (listed shares with trading moratorium) to China Merchants Wealth Asset Management Co., Ltd. (招商財富資產管理有限公司). On 11 September 2019, Shanghai Jidaohang pledged 589,041,096 A shares (listed shares with trading moratorium) to China Merchants Wealth Asset Management Co., Ltd. As at 31 December 2019, Juneyao Group and Shanghai Jidaohang continued to pledge the above shares. On 6 March 2020, Shanghai Jidaohang released the 589,041,096 A shares (listed shares with trading moratorium) it pledged to China Merchants Wealth Asset Management Co., Ltd. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 12 September 2019 and 6 March 2020.

5. Juneyao Airlines directly held 12,000,000 H shares; and Juneyao Hong Kong directly held 517,677,777 H shares in the capacity of beneficial owner through HKSCC. Mr. Wang Han and Mr. Wang Junjin were interested in 71.77% of shares of Juneyao Group; Juneyao Group is the controlling shareholder of Juneyao Airlines; and Juneyao Airlines owned the entire equity interests of Shanghai Jidaohang. Ms. Ye Jinqi is the spouse of Mr. Wang Junjin. Therefore, Juneyao Group, Mr. Wang Han and Mr. Wang Junjin are deemed to be interested in 12,000,000 H shares and 517,677,777 H shares held directly by Juneyao Airlines and Juneyao Hong Kong; Juneyao Airlines is deemed to be interested in 517,677,777 H shares held directly by Juneyao Hong Kong; and Ms. Ye Jinqi is deemed to be interested in 529,677,777 H shares held indirectly by Mr. Wang Junjin.

Juneyao Hong Kong has pledged 232,000,000 H shares. As at the date of this report, the above shares continued to be pledged. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 12 September 2019.

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

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

Shareholdings of top ten shareholders

Name of shareholders	Nature of shareholders	Percentage (%)	Shareholding as at the end of the Reporting Period	Increase/ (decrease) in shareholding during the Reporting Period	Share subject to trading moratorium held	Charged or locked-up shares
China Eastern Air Holding Company Limited	State-owned legal person	30.97%	5,072,922,927	0	—	Nil
HKSCC NOMINEES LIMITED	Overseas legal person	28.70%	4,701,626,955	517,765,776	517,677,777	Unknown
Shanghai Jidaohang Enterprise Management Company Limited	Domestic non-state-owned legal person	3.60%	589,041,096	589,041,096	589,041,096	589,041,096 Charged
China National Aviation Fuel Holding Company	State-owned legal person	3.07%	502,767,895	-2,000,000	—	Nil
DELTA AIR LINES INC	Overseas legal person	2.84%	465,910,000	0	—	Nil
Shanghai Licheng Information Technology Consulting Co., Limited	Domestic non-state-owned legal person	2.84%	465,838,509	0	—	465,838,509 Charged
CES Finance Holding Co. Ltd.	State-owned legal person	2.79%	457,317,073	0	—	Nil
China Securities Finance Corporation Limited	State-owned legal person	2.62%	429,673,382	0	—	Nil
Shanghai Juneyao (Group) Co., Ltd.	Domestic non-state-owned legal person	1.90%	311,831,909	311,831,909	311,831,909	311,831,909 Charged
China Structural Reform Fund Corporation Limited	State-owned legal person	1.67%	273,972,602	273,972,602	273,972,602	Nil

Shareholdings of top ten shareholders without trading moratorium

Name of shareholders	Shareholding of shares without trading moratorium	Type of shares held and shareholding	
		Type of shares held	Shareholding
China Eastern Air Holding Company Limited	5,072,922,927	RMB-denominated ordinary shares	5,072,922,927
HKSCC NOMINEES LIMITED	4,183,949,178	Overseas listed foreign shares	4,183,949,178
China National Aviation Fuel Holding Company	502,767,895	RMB-denominated ordinary shares	502,767,895
DELTA AIR LINES INC	465,910,000	Overseas listed foreign shares	465,910,000
Shanghai Licheng Information Technology Consulting Co., Limited	465,838,509	RMB-denominated ordinary shares	465,838,509
CES Finance Holding Co. Ltd.	457,317,073	RMB-denominated ordinary shares	457,317,073
China Securities Finance Corporation Limited	429,673,382	RMB-denominated ordinary shares	429,673,382
China COSCO Shipping Corporation Limited	232,919,254	RMB-denominated ordinary shares	232,919,254
Hong Kong Securities Clearing Company Ltd.	163,478,864	RMB-denominated ordinary shares	163,478,864
Central Huijin Asset Management Co., Ltd.	70,984,100	RMB-denominated ordinary shares	70,984,100
		<p>CES Finance is 100% held by CEA Holding. Among the 4,701,626,955 shares held by HKSCC NOMINEES LIMITED, 2,626,240,000 shares were held by CES Global in the capacity of beneficial owner. CES Global was 100% held by CEA Holding.</p>	
Description of any related party or concert party relationship among the above shareholders		<p>Juneyao Group is the controlling shareholder of Juneyao Airlines. Among the 4,701,626,955 shares held by HKSCC NOMINEES LIMITED, 517,677,777 shares were held by Juneyao Hong Kong in the capacity of beneficial owner. Juneyao Hong Kong was 100% held by Juneyao Airlines.</p>	
		<p>The Company is not aware of any related party or concert party relationship among other top ten shareholders without trading moratorium.</p>	

Shareholdings of top ten shareholders with trading moratorium

No.	Name of Shareholders	Shareholding of shares with trading moratorium	Trading details of shares with moratorium		Specific trading moratorium
			Date for listing and trading	Number of shares newly available for listing and trading	
1	Shanghai Jidaohang Enterprise Management Company Limited	589,041,096	30 August 2022	589,041,096	Non-public issue, lock-up period of 36 months
2	Shanghai Juneyao Airline Hong Kong Limited	517,677,777	29 August 2022	517,677,777	Non-public issue, lock-up period of 36 months
3	Shanghai Juneyao (Group) Co., Ltd	311,831,909	30 August 2022	311,831,909	Non-public issue, lock-up period of 36 months
4	China Structural Reform Fund Corporation Limited	273,972,602	30 August 2022	273,972,602	Non-public issue, lock-up period of 36 months
5	Juneyao Airlines Co., Ltd	219,400,137	30 August 2022	219,400,137	Non-public issue, lock-up period of 36 months
Explanation of the connected relationship or consistent action relationship among the above shareholders		Juneyao Airlines is a holding subsidiary of Juneyao Group; Juneyao Hong Kong and Shanghai Jidaohang are wholly-owned subsidiaries of Juneyao Airlines; Juneyao Group, Juneyao Airlines, Juneyao Hong Kong and Shanghai Jidaohang are parties acting in concert and hold approximately 10% of the Company's share.			

As at the date of this report, CES Global has pledged 1,450 million H shares of the Company and Juneyao Hong Kong has pledged 232 million H shares of the Company.

Controlling Shareholder and De Facto Controller

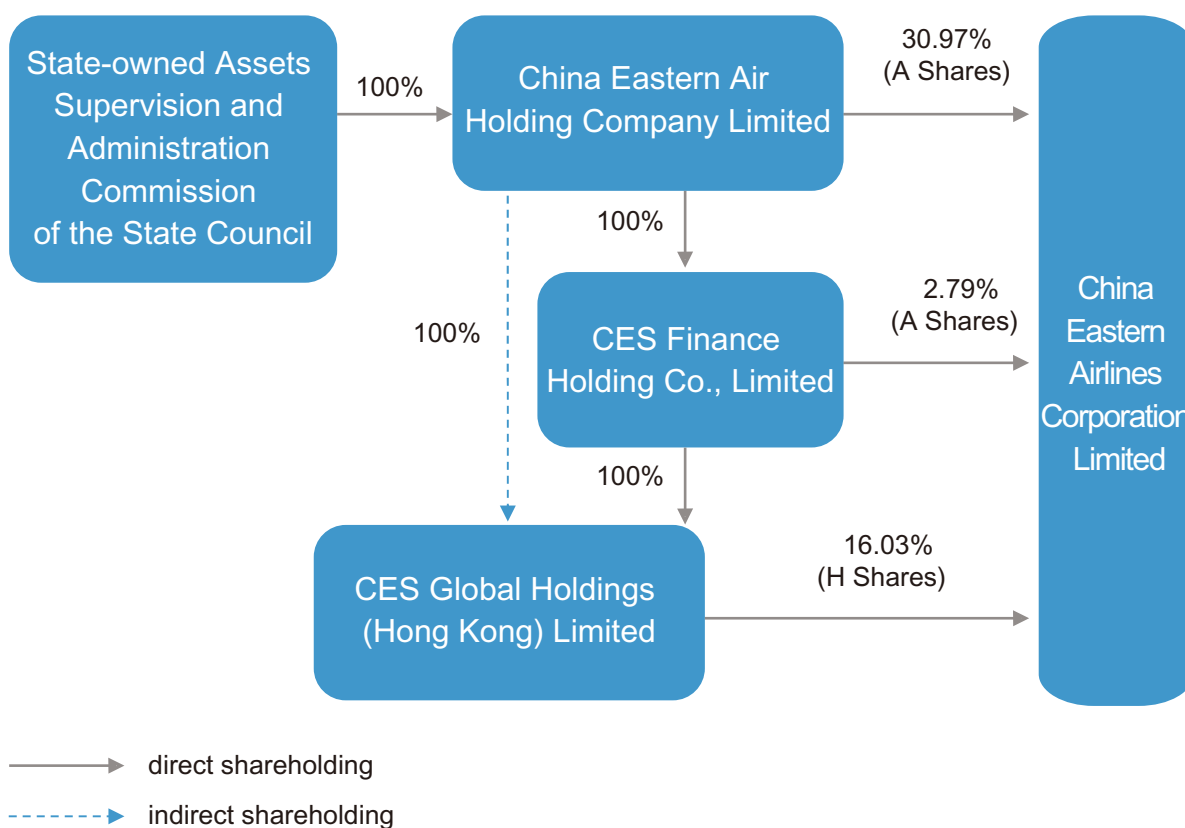
(I) Controlling Shareholder

Name	China Eastern Air Holding Company Limited
Person in charge or Legal representative	Liu Shaoyong
Date of establishment	3 August 2002
Major business activities	Principally engaged in managing all the state-owned assets and equity interest formed and invested by the state in group company and its invested enterprises
Details of controlling interests and investments in other domestic and foreign listed companies during the Reporting Period	Nil

(II) De facto Controller

Name	State-owned Assets Supervision and Administration Commission of the State Council
Person in charge or Legal representative	Hao Peng

(III) The graph of shareholding and control relationship between the Company, the de facto controller and controlling shareholders



Purchase, Sale or Redemption of Securities

During the year ended 31 December 2019, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed Securities (“Securities”, having the meaning ascribed thereto under Section 1 of Appendix 16 to the Hong Kong Listing Rules).

Non-public Issuance of A Shares and Non-public Issuance of H Shares

On 29 August 2019, the Company completed the non-public issuance of 517,677,777 H Shares to Juneyao Hong Kong. On 3 September 2019, the Company completed the non-public issuance of 1,394,245,744 A Shares to Juneyao Airlines and Juneyao Group, its controlling shareholder and China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司).

The non-public issuance of A Shares and non-public issuance of H Shares were an important measure in response to the national mixed ownership reform and the essential strategic arrangement for the transformation of Shanghai into the city of “five centres”, namely “global economy, finance, shipping, trading and technology innovation” and the construction of “four brands” of Shanghai, namely “services, made in Shanghai, shopping in Shanghai and culture of Shanghai”. The issuance facilitates the expansion of the Company’s fleet, meeting the Company’s need in flight training and expansion in engine resources, in order to meet the Company’s increasing demand in business and strengthen the Company’s core competitiveness in its main business to further enhance the Company’s profitability. At the same time, it facilitates the lowering of the Company’s debt ratio and the optimization of the equity structure and capital structure, building a firm foundation for achieving the Company’s strategic objectives.

The uses of amount raised from the non-public issuance of A Shares and non-public issuance of H Shares comply with the use of the fund raised previously disclosed by the Company without significant changes.

The details of the non-public issuance of A Shares and H Shares and use of the fund raised from the non-public issuance of A Shares and H Shares are as follows:

The non-public issuance of A Shares

- (1) Number of shares to be issued: 1,394,245,744
- (2) Nominal value: RMB1.00
- (3) Issue price: RMB5.35 per share
- (4) The net price to the listed issuer of each security: RMB5.33
- (5) The market price of A Shares on the date of fixation of the terms of issue: RMB5.18

Report of the Directors

(6) Aggregate amount of proceed from the issuance and details of use of the fund raised:

The aggregate fund raised from the non-public issuance of A Shares is RMB7,459,214,730.40 and the net fund raised is RMB7,436,123,525.04, net of related issuance expenses. As at 31 December 2019, the fund raised were fully utilized. The net fund raised are used to replace self-financed funds committed in advance by the Company for projects of introducing 14 aircraft and acquiring 20 standby engines, such investment projects are set out in the announcement of the Company published on 15 March 2019. The following table sets out the proposed use of the fund raised and actual use of the fund raised as at 31 December 2019:

No.	Name of project	Investment amount of the project (RMB100 million)	Intended use of fund raised (RMB100 million)	Amount of self-financed funds committed in advance (RMB100 million)	Fund replaced by fund raised (RMB100 million)
1	Project of introduction of 14 aircraft	75.78	73.99	76.91	73.99
2	Project of acquisition of 15 flight stimulators	13.27	9.96	2.29	—
3	Project of acquisition of 20 standby engines	17.83	17.83	12.15	0.37
Total		106.88	101.78	91.35	74.36

The non-public issuance of H Shares

- (1) Number of shares to be issued: 517,677,777
- (2) Nominal value: HK\$1.00
- (3) Issue price: HK\$4.29 per share
- (4) The net price to the listed issuer of each security: HK\$3.87
- (5) The market price of H Shares on the date of fixation of the terms of issue: HK\$3.79

(6) Aggregate amount of proceed from the issuance and details of use of the fund raised:

The aggregate fund raised from the non-public issuance of H Shares is HK\$2,220,837,663.33 and RMB2,006,238,119.92 based on the median RMB exchange rate of HKD1: RMB0.90337 quoted by State Administration of Foreign Exchange on the date of capital injection. The net amount of fund raised from the non-public issuance of H Shares is RMB2,003,106,037.92, net of related issuance expenses. As at 31 December 2019, the fund raised were fully utilized. The net amount of fund raised is used in accordance with the purposes set out in the circular of the Company published on 10 August 2018. The following table sets out the proposed use of the fund raised and actual use of the fund raised as at 31 December 2019:

No.	Name of project	Intended use of fund raised (RMB)	Actual use (As at 31 December 2019) (RMB)
1	General working capital (including but not limited to partial settlement of the outstanding Loan, purchase of aviation fuel and coverage of administrative expenses, etc.)	2,003,106,037.92	2,003,106,037.92
Total		2,003,106,037.92	2,003,106,037.92

Significant Differences between the Corporate Governance Practices of the Company's Home Jurisdiction and the Corporate Governance Practices required to be followed by U.S. Companies under the NYSE's Listing Standards

As a company incorporated in the PRC and listed on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the NYSE, the Company is subject to not only applicable PRC laws and regulations, including the PRC Company Law, the PRC Securities Law, the Corporate Governance Standards for Listed Companies and Guidance Opinions regarding the Establishment of the Independent Director System in Listed Companies (the "Independent Director Guidance"), but also Hong Kong laws and regulations, including the Hong Kong Listing Rules, the Companies Ordinance and the SFO, as well as applicable U.S. federal securities laws and regulations, including the U.S. Securities Exchange Act of 1934, as amended, and the Sarbanes-Oxley Act of 2002. Based on NYSE's listing standards, the NYSE imposes a series of corporate governance standards for companies listed on the NYSE. However, the NYSE permits foreign private issuers to follow their respective "home country" practices and grants waivers for compliance with certain corporate governance standards. One of the conditions for such waiver is for the foreign private issuer to disclose in its annual report how the corporate governance practices in its "home country" differ from those required of U.S. companies under the NYSE's listing standards.

In accordance with the requirements of Section 303A.11 of the NYSE Listed Company Manual, the following is a summary of the significant differences between the Company's corporate governance practices and those required to be followed by U.S. companies under the NYSE's listing standards:

Section 303A.01 of the NYSE Listed Company Manual provides that the Board of the listed companies must have a majority of independent Directors. As a company listed in the PRC, the Company is subject to the requirement under the Independent Director Guidance that at least one-third of the Board be independent as determined thereunder. As a company listed in Hong Kong, the Company is also subject to the requirement under the Hong Kong Listing Rules that at least three members of the Board shall be independent, and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise. As at 31 December 2019, the Company currently has four independent non-executive Directors out of a total of nine Directors. The standards for establishing independence set forth under either the Independent Director Guidance or the Listing Rules differ from those set forth in the NYSE Listed Company Manual.

Report of the Directors

Section 303A.03 of the NYSE Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. The Company is not required under the applicable PRC law and Hong Kong law to hold such executive sessions.

Section 303A.04 of the NYSE Listed Company Manual provides that listed companies must have a nominating/corporate governance committee composed entirely of independent directors. Under the PRC laws and the applicable listing rules in the PRC, a majority of the members of the nomination committee must be independent directors. Section 303A.04 of the NYSE Listed Company Manual also provides that the nominating/corporate governance committee must have a written charter that addresses the committee's purpose and responsibilities, and an annual performance evaluation of the committee. Listed companies must also post the committee charter on their company website and provide the website address in their annual report. The establishment of the Nomination Committee was considered and resolved and its charter was passed at the third regular meeting of the fifth session of the Board held on 28 April 2009. The merging of the Nomination Committee and the Remuneration and Appraisal Committee into the Nominations and Remuneration Committee was agreed at the 36th ordinary meeting of the fifth session of the Board held on 19 March 2010 and the "Working Rules of the Nominations and Remuneration Committee" was passed. The Nominations and Remuneration Committee consists of five members, three of which are independent non-executive Directors of the Company. The "Working Rules of the Nominations and Remuneration Committee" is published on the Company's website.

Section 303A.05 of the NYSE Listed Company Manual provides that listed companies must have a compensation committee composed entirely of independent directors. In addition, compensation committee members must satisfy the independence requirements specific to compensation committee membership set forth in Section 303A.02(a)(ii). The factors to be considered for independence include whether the committee member receives any consulting, advisory or other compensatory fees from the company and whether such director is affiliated with the listed company or its subsidiary. Under the PRC laws and the applicable listing rules in the PRC, a majority of the members of the remuneration committee must be independent directors. As above, the Nominations and Remuneration Committee of the Company is composed of three independent non-executive Directors and two Directors.

Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual provides that listed companies must have an audit committee composed entirely of independent directors. In addition, audit committee members must satisfy the independence requirements set forth in Section 303A.02(a)(ii). The factors to be considered for independence include whether the committee member receives any consulting, advisory or other compensatory fees from the company and whether such director is affiliated with the listed company or its subsidiary. Under the PRC laws and the applicable listing rules in the PRC, a majority of the members of the audit committee must be independent directors. As above, the Audit and Risk Management Committee of the Company is composed of three independent non-executive Directors, who also satisfy the requirements of Rule 10A-3 under the Securities Exchange Act of 1934.

Section 303A.10 of the NYSE Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. As required under the Sarbanes-Oxley Act of 2002, the Company has adopted a code of ethics that is applicable to the Company's Directors, Supervisors, President, Chief Financial Officer and other members of senior management.

Pre-emptive Rights

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

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Directors believe that the Company has at all times during the year ended 31 December 2019 maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Direct or Indirect Shareholdings and Remuneration of Incumbent and Resigned Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Sex	Age	Effective date of appointment	Expiry date of appointment	Shares held at the end of year (Shares)	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether remuneration is received from related parties
Liu Shaoyong*	Chairman	Male	61	31 December 2019	31 December 2022	—	—	Yes
Li Yangmin*	Vice Chairman, President	Male	56	31 December 2019	31 December 2022	3,960 ^{note 2} (A share)	—	Yes
Tang Bing*	Director	Male	53	31 December 2019	31 December 2022	—	—	Yes
Wang Junjin	Director	Male	51	31 December 2019	31 December 2022	1,120,273,142 ^{note 3} (A share)	—	Yes
						529,677,777 ^{note 4} (H share)		
Lin Wanli	Independent Director	Male	58	31 December 2019	31 December 2022	—	—	No
Shao Ruiqing	Independent Director	Male	62	31 December 2019	31 December 2022	—	20	No
Cai Hongping	Independent Director	Male	65	31 December 2019	31 December 2022	—	20	No
Dong Xuebo	Independent Director	Male	66	31 December 2019	31 December 2022	—	0.5	No
Yuan Jun*	Employee representative Director	Male	60	31 December 2019	31 December 2022	—	—	Yes
Xi Sheng*	Chairman of the Supervisory Committee	Male	57	31 December 2019	31 December 2022	—	—	Yes
Gao Feng	Employee representative Supervisor	Male	56	31 December 2019	31 December 2022	—	66.54	No
Fang Zhaoya*	Supervisor	Male	52	31 December 2019	31 December 2022	—	—	Yes

Report of the Directors

Name	Position	Sex	Age	Effective date of appointment	Expiry date of appointment	Shares held at the end of year (Shares)	Total remuneration before tax received from the Company during the Reporting Period (RMB ten thousand)	Whether remuneration is received from related parties
Wu Yongliang*	Vice President, Financial Officer	Male	56	31 December 2019	31 December 2022	3,696 ^{note 5} (A share)		
Feng Dehua	Vice President	Male	54	31 December 2019	31 December 2022	—	172.09	No
Cheng Guowei*	Vice President	Male	50	15 January 2020	31 December 2022			Yes
Jiang Jiang	Vice President	Male	55	31 December 2019	31 December 2022	—	244.06	No
Wang Jian	Board Secretary	Male	46	31 December 2019	31 December 2022	—	156.09	No
Tian Liuwen*	Vice President	Male	60	15 June 2016	29 November 2019	—	—	Yes
Li Ruoshan	Independent Director	Male	71	15 June 2016	31 December 2019	—	20	No
Ma Weihua	Independent Director	Male	71	15 June 2016	31 December 2019	—	20	No
Li Jinde*	Supervisor	Male	59	30 August 2018	31 December 2019	—	—	Yes
Feng Liang	Vice President	Male	55	15 June 2016	20 November 2019	—	166.07	No
Ma Xulun*	Vice Chairman, President	Male	55	15 June 2016	1 February 2019	—	—	Yes
Total	/	/	/	/	/	1,649,958,575	885.35	/

Note 1: * Such Director or Supervisor received emoluments from CEA Holding, the controlling shareholder of the Company, in respect of their directorship or senior management positions in the Company and its subsidiaries.

Note 2: Mr. Li Yangmin directly held 3,960 A shares in the capacity of beneficial owner.

Note 3: Among those A shares, Juneyao Group, Juneyao Airlines and Shanghai Jidaohang directly held 311,831,909 A shares, 219,400,137 A shares and 589,041,096 A shares respectively. Mr. Wang Junjin is interested in 71.77% of shares of Juneyao Group which is the controlling shareholder of Juneyao Airlines. Juneyao Airlines held the entire interests of Shanghai Jidaohang. Therefore, Mr. Wang Junjin is deemed to be interested in 311,831,909 A shares, 219,400,137 A shares and 589,041,096 A shares directly held by Juneyao Group, Juneyao Airlines and Shanghai Jidaohang respectively.

Note 4: Among those H shares, Juneyao Airlines directly held 12,000,000 H shares. Juneyao Hong Kong directly held 517,677,777 H shares in the capacity of beneficial owner through HKSCC. Mr. Wang Junjin is interested in 71.77% of shares of Juneyao Group which is the controlling shareholder of Juneyao Airlines. Juneyao Airlines held the entire interests of Shanghai Jidaohang. Therefore, Mr. Wang Junjin is deemed to be interested in 12,000,000 H shares and 517,677,777 H shares directly held by Juneyao Airlines and Juneyao Hong Kong respectively.

Note 5: Mr. Wu Yongliang directly held 3,696 A shares in the capacity of beneficial owner.

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

Mr. Liu Shaoyong, is currently the Chairman and party secretary of the Company and Chairman and party secretary of CEA Holding. Born in November 1958, Mr. Liu joined the civil aviation industry in 1978 and was appointed as vice president of China General Aviation Corporation, deputy director of Shanxi Provincial Civil Aviation Administration of the PRC, general manager of the Shanxi Branch of the Company, and director general of Flight Standard Department of CAAC. Mr. Liu served as President of the Company from December 2000 to October 2002, vice minister of the CAAC from October 2002 to August 2004, president of China Southern Air Holding Company from August 2004 to December 2008, chairman of China Southern Airlines Co., Limited from November 2004 to December 2008. Mr. Liu served as president and vice party secretary of CEA Holding from December 2008 to December 2016, and became the Chairman of the Company since February 2009. He served as the Chairman and party secretary of CEA Holding since December 2016 and the party secretary of the Company since December 2017. Mr. Liu is also currently the member of the 13th National Committee of the Chinese People's Political Consultative Conference, the council member of International Air Transport Association, and the vice chairman of International Advisory Board of School of Management, Fudan University. Mr. Liu graduated from the China Civil Aviation Flight College and obtained a Master of Business Administration degree from Tsinghua University. He holds the title of commanding (senior) pilot.

Mr. Li Yangmin, is currently the vice chairman, president and vice party secretary of the Company, and a director, the president and vice party secretary of CEA Holding. Born in August 1963, Mr. Li joined the civil aviation industry in 1985. He was previously deputy general manager of the aircraft maintenance base and the manager of air route department (航線部) of Northwest Company (西北航空公司), general manager of the aircraft maintenance base of China Eastern Air Northwest Branch Company and vice president of China Eastern Air Northwest Branch Company. From October 2005 to March 2019, he has also been a vice president of the Company. He served as Safety Director of the Company from July 2010 to December 2012. He has become a party member of CEA Holding since May 2011. He was a Director of the Company from June 2011 to August 2018 and served as the party secretary of the Company from June 2011 to December 2017. He served as the vice party secretary of CEA Holding since August 2016 and the vice president of CEA Holding from August 2016 to February 2019. Since December 2017, he served as the vice party secretary of the Company. He has served as a director and the president of CEA Holding since February 2019 and the President of the Company since March 2019. He has served as the vice chairman of the Company since May 2019 and vice president of China Association for Public Companies since August 2019. Since November 2019, he has served as a director of Juneyao Airlines. Mr. Li graduated from the Civil Aviation University of China and Northwestern Polytechnical University with master's degrees and obtained an Executive Master of Business Administration degree from Fudan University. He is also a qualified professor-level senior engineer.

Mr. Tang Bing, is currently a Director and vice party secretary of the Company and a director and vice party secretary of CEA Holding. Born in February 1967, Mr. Tang joined the civil aviation industry in 1993. He served as vice executive president (general manager representing Chinese shareholder) of 珠海摩天宇發動機維修有限公司 (MTU Maintenance Zhuhai Co., Limited), office director of China Southern Airlines Holding Company and president of 重慶航空有限公司 (Chongqing Airlines Company Limited). From December 2007 to May 2009, he served as chief engineer and general manager of the Aircraft Engineering Department of China Southern Airlines Company Limited. From May 2009 to December 2009, he was appointed as president of the Beijing Branch of the Company and was the president of Shanghai Airlines from January 2010 to December 2011. He served as the chairman and executive director of Shanghai Airlines Co., Limited (上海航空股份有限公司) from January 2012 to January 2018 and a vice president of the Company from February 2010 to March 2019. He was appointed a party member of CEA Holding in May 2011. He served as a Director of the Company from June 2012 to August 2018 and a vice president of CEA Holding from December 2016 to February 2019. Since February 2019, he served as a director and vice party secretary of CEA Holding, and has served as vice party secretary of the Company since March 2019 and as a Director of the Company since May 2019. Mr. Tang graduated from Nanjing University of Aeronautics and Astronautics majoring in electrical technology. He obtained a Master of Business Administration degree from the Administration Institute of Sun Yat-sen University, an Executive Master of Business Administration degree from the School of Economics and Management of Tsinghua University and a doctoral degree in national economics from the Graduate School of Chinese Academy of Social Sciences. He is also a qualified senior engineer.

Report of the Directors

Mr. Wang Junjin, is currently a Director of the Company, the chairman of Shanghai Juneyao (Group) Co., Ltd., the chairman of Shanghai Juneyao Airlines Co., Ltd., the chairman of Shanghai Aijian Group Co., Ltd., the chairman of Jiangsu Wuxi Commercial Building Group Co., Ltd., the chairman of Shanghai World Foreign Language Primary and Middle Schools, a vice president of China Glory Society, a vice chairman (vice president) of Shanghai Federation of Industry and Commerce (General Chamber of Commerce), and the president of Shanghai Zhejiang Chamber of Commerce. Mr. Wang served as a manager, deputy general manager and general manager of Wenzhou Tianlong Chartered Aircraft Industry Co., Ltd., the general manager of Juneyao Group Aviation Services Co., Ltd., a vice president, vice chairman and president of Shanghai Juneyao (Group) Co., Ltd., a member of the 11th and 13th National Committee of the CPPCC and a representative of the 12th National People's Congress. On 24 October 2018, Mr. Wang was selected into the List of 100 Outstanding Private Entrepreneurs in the 40 Years of Reform and Opening Up by the United Front Work Department of the Central Government and the All-China Federation of Industry and Commerce. Mr. Wang obtained a Master of Business Administration and has a postgraduate degree.

Mr. Lin Wanli, is currently an independent non-executive Director of the Company. Born in December 1961, Mr. Lin is currently an external director of Central Enterprise. Mr. Lin served as a vice party secretary and secretary of the disciplinary committee of the Tunnel Bureau of Ministry of Railways from December 1995 to March 2001, the vice chairman and party secretary of China Railway Tunnel Group Co., Ltd. from April 2001 to December 2006, and a vice party secretary, secretary of the disciplinary committee and chairman of the labour union of China Northern Locomotive and Rolling Stock Industry (Group) Corporation from January 2007 to August 2013. He served as the president and party secretary of China Railway Materials Commercial Corporation and the chairman and party secretary of China Railway Materials Co., Ltd. from August 2013 to June 2015, a director and party secretary of China National Aviation Fuel Group Corporation from July 2015 to November 2016, and the chairman of China Aviation Oil (Singapore) Corporation Ltd. from August 2015 to February 2017. Since November 2016, he has served as an external director of Central Enterprise. Since February 2017, he has served as an external director of China National Agricultural Development Group Co., Ltd. Since January 2018, he has served as a non-executive director of China Construction Science & Technology Group Co., Ltd. Since August 2018, he has served as an independent non-executive Director of the Company. Mr. Lin graduated from the Economics Faculty of Shandong University and obtained an executive master's degree in business administration from Tsinghua University. He is a researcher-level senior political work specialist and senior economist.

Mr. Shao Ruiqing, is currently an independent non-executive Director of the Company. Born in September 1957, Mr. Shao currently serves as a professor in accounting and a PhD supervisor at the Shanghai Lixin University of Commerce. Mr. Shao served as the deputy dean and dean of the School of Economics and Management of Shanghai Maritime University and the deputy dean of Shanghai Lixin University of Commerce. Mr. Shao was awarded the special allowance by the State Council of the PRC in 1995. He is currently consultant professional of the Committee for Accounting Standards of the Ministry of Finance, the deputy head of Accounting Society of China, a consultative committee member of the Ministry of Transport, as an expert in finance and accounting, and the deputy head of China Association of Communications Accountancy. Mr. Shao successively graduated from Shanghai Maritime University, Shanghai University of Finance and Economics and Tongji University with a bachelor's degree in economics, and master's and doctoral degrees in management. Mr. Shao has spent two and a half years studying and being a senior visiting scholar in the U.K. and Australia. Mr. Shao has served as an independent non-executive Director of the Company since June 2015. Mr. Shao is also an independent non-executive director of China Everbright Bank Co., Ltd and an independent director of Shanghai International Port (Group) Co., Ltd, Huayu Automotive Systems Company Limited and Tibet Urban Development And Investment Co., Ltd.

Mr. Cai Hongping, is currently an independent non-executive Director of the Company. Born in December 1954, Mr. Cai currently serves as the chairman of AGIC Capital. He is a resident of Hong Kong, special administrative region of China. He worked for Sinopec Shanghai Petrochemical Company Limited (“Sinopec Shanghai”) from 1987 to 1993. He participated in the listing of Sinopec Shanghai in Hong Kong and the United States (the first company of the PRC to be listed in the stock exchanges of Hong Kong and the United States) and is one of the founders of H shares in the PRC. From 1992 to 1996, he acted as a member of the Overseas Listing Team for Chinese Enterprises under the Restructuring Committee of the State Council and the chairman of the Joint Committee of Board Secretaries for H Share Companies in the PRC. He served as a joint director of the investment banking division of Peregrine Investments Holdings Limited in Asia from 1996 to 2006, chairman of the investment banking division of UBS AG in Asia from 2006 to 2010, chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015 and chairman of AGIC Capital since February 2015. Since June 2016, Mr. Cai has served as an independent non-executive Director of the Company. Mr. Cai is also an independent non-executive director of COSCO SHIPPING Development Co., Ltd., an independent director of Shanghai Pudong Development Bank Co., Ltd and an external director of China National Machinery Industry Corporation. Mr. Cai graduated from Fudan University, majoring in mass communications.

Mr. Dong Xuebo, is currently an independent non-executive Director of the Company. Born in February 1954, Mr. Dong served as the deputy mayor of Luoyang City, Henan Province, deputy director of the comprehensive planning department and director of the comprehensive programming department of the Ministry of Transport, assistant to the president of China Merchants Group, general manager of Huajian Transportation Economic Development Center, assistant to the president of China Merchants Group, executive vice chairman, director, CEO and party secretary of China Merchants Highway, and general counsel of China Merchants Group. Currently, Mr. Dong is also an external director of China National Machinery Industry Corporation. Mr. Dong obtained a postgraduate degree.

Mr. Yuan Jun, is currently an employee representative Director and chairman of the labour union of the Company and an employee representative director and chairman of the labour union of CEA Holding. Mr. Yuan entered civil aviation industry in 1997. From May 2007 to October 2011, Mr. Yuan was the deputy head and head of Work Department of Party Committee of the Company. From October 2011 to May 2016, he was the general manager of Human Resources Department of the Company. From July 2014 to March 2018, he served as the chief human resources officer of the Company. From June 2015 to September 2016, he concurrently served as the general manager of Ground Services Department and the deputy secretary of Party Committee of the Company. From September 2016 to October 2018, he served as the head of Human Resources Department of CEA Holding. He has served as an employee representative director of CEA Holding from December 2017, an employee representative Director of the Company since February 2018, the chairman of the labour union of the Company since April 2018 and the chairman of the labour union of CEA Holding since May 2018. Mr. Yuan is also the vice president of the Shanghai Technician Association. Mr. Yuan holds an executive master’s degree in business administration from Fudan University and a senior political work specialist title.

Mr. Xi Sheng, is currently the chairman of Supervisory Committee of the Company, vice president, party member, chief auditor and director of audit department of CEA Holding. Mr. Xi served as the deputy head of the foreign affairs department II of the foreign funds utilization and application audit department and the head of the liaison and reception office of the foreign affairs department of the National Audit Office of the PRC and the deputy head of the PRC Audit Institute (中國審計事務所). He was also the deputy head and head of the fixed assets investment audit department of the National Audit Office of the PRC, and the party secretary and a special commissioner of the Harbin office of the National Audit Office of the PRC. He served as the head of the personnel and education department of the National Audit Office of the PRC from January 2007 to September 2009. He was the head of the audit department of CEA Holding from September 2009 to November 2012. Mr. Xi has served as the chief auditor of CEA Holding since September 2009. Since June 2012, he has been a Supervisor of the Company. Since June 2016, he has been the chairman of Supervisory Committee of the Company. He served as the head of the audit department of CEA Holding from December 2017 to November 2018 and since January 2018, the vice president and party member of CEA Holding. Since November 2018, he has served as the director of audit department of CEA Holding. Mr. Xi is also the council member of China Institute of Internal Audit and vice chairman of the 2nd session of supervisory committee of China Association for Public Companies. Mr. Xi graduated from Jiangxi University of Finance and Economics with undergraduate education background. He is a senior auditor, a Chinese Certified Public Accountant (CPA) and an International Certified Internal Auditor (CIA).

Mr. Gao Feng, is currently an employee representative Supervisor, executive vice chairman of the labour union and director of the labour union office of the Company and the vice chairman of the labour union of CEA Holding. Mr. Gao joined the civil aviation industry in 1984 and worked in China General Aviation Corporation. He served as a vice party secretary, secretary of the disciplinary committee and chairman of the labour union of the Shanxi Branch of the Company. He served as the party secretary of the Shanxi Branch of the Company from July 2009 to January 2014 and the party secretary, vice president and executive vice president of China United Airlines Co., Ltd. from January 2014 to October 2015. He has served as the executive vice chairman of the labour union of the Company since October 2015, the director of the labour union office of the Company since June 2016, an employee representative Supervisor of the Company since August 2018 and the vice chairman of the labour union of CEA Holding from November 2018 to December 2019. He has been a member of party committee and deputy chief commander of the construction and operation command department of Party Committee of CEA Holding (CEA Corporation) in Beijing Daxing International Airport since November 2019. Mr. Gao graduated from the Central Party School of the Communist Party of China majoring in economic management, and obtained an executive master's degree in business administration from Fudan University. He obtained a senior political work specialist title.

Mr. Fang Zhaoya, is currently a Supervisor of the Company and the head of the strategic development department of CEA Holding. Mr. Fang joined the civil aviation industry in July 1989. He served as the director of the time control office of the production planning department and the director of the A310/300 workshop of the route department of the maintenance base of China Northwest Airlines Co., Ltd., and the deputy director of the technical maintenance control centre (TMCC) for production of the route department and the deputy head of the quality control department of the maintenance base of the Northwest Branch of the Company. He served as the manager of the production planning centre of the maintenance management department of China Eastern Air Engineering & Technique Co., Ltd. from September 2006 to August 2009, the manager of the business development department of China Eastern Air Engineering & Technique Co., Ltd. from August 2009 to July 2010, the manager of the aircraft selection and lease and sales management department of China Eastern Air Engineering & Technique Co., Ltd. from August 2010 to May 2015, the deputy general manager of China Eastern Air Engineering & Technique Co., Ltd. from May 2015 to June 2017, and the general manager of the planning department of the Company from June 2017 to April 2019. He has been the head of the strategic development department of CEA Holding since April 2019 and a Supervisor of the Company since December 2019. Mr. Fang graduated from the Department of Aviation Machinery of China Civil Aviation Institute majored in thermal power machinery and equipment. He obtained a master's degree from the Northwestern Polytechnical University majored in aviation engineering, and holds the title of an engineer.

Mr. Wu Yongliang, is currently a vice president and chief financial officer of the Company, and vice president, chief accountant and party member of CEA Holding. Mr. Wu joined the civil aviation industry in 1984 and served as deputy head and subsequently head of the Finance Department of the Company, head of Planning and Finance Department of the Company and head of the Finance Department of CEA Holding. From April 2001 to March 2009, he served as deputy chief accountant and head of the Finance Department of CEA Holding. From March 2009 onwards, he has served as chief financial officer of the Company. He has been a vice president of the Company since December 2011. He has been a vice president and party member of CEA Holding since November 2017. Since June 2018, he has served as the chief accountant of CEA Holding. Mr. Wu graduated from the Faculty of Economic Management of Civil Aviation University of China, majoring in planning and finance. He also graduated from Fudan University, majoring in business administration. Mr. Wu holds an MBA degree and is a certified accountant.

Mr. Feng Dehua, is currently the vice president of the Company, vice president and party member of CEA Holdings. Mr. Feng joined the civil aviation industry in 1989 and has successively worked in China General Aviation Corporation, the Shanxi Branch of the Company and the sales and marketing system of the Company. From May 2009 to August 2009, Mr. Feng was the executive vice president for sales and marketing of passenger transportation department of the Company. From August 2009 to November 2011, he was the party secretary and vice president for sales and marketing of passenger transportation department of the Company. From November 2011 to August 2014, he was the president and deputy party secretary of the Beijing Branch of the Company. From August 2014 to December 2017, he was the secretary of the disciplinary committee of the Company. From September 2014 to January 2019, he has been the deputy head of party disciplinary inspection group of CEA Holding. Since December 2017, he has been a vice president of the Company. Since December 2019, he is a party member and vice president of CEA Holdings. Mr. Feng graduated from Shanxi Finance and Economics Institute, majoring in commercial business management and obtained an executive master's degree in business administration from Fudan University. He is qualified as a senior economist.

Mr. Cheng Guowei, is currently the vice president of the Company, vice president and party member of CEA Holdings. Mr. Cheng joined the civil aviation industry in 1994 and served as the deputy chief engineer, chief engineer, director of flight maintenance and general manager of the flight maintenance engineering department of Shanghai Airlines Co., Limited of Shanghai Airlines Co., Limited from April 2005 to March 2010, the vice president of Shanghai Airlines Co., Limited from March 2010 to November 2010, the vice president and safety director of Shanghai Airlines Co., Limited from November 2010 to August 2011, the vice president, safety director and secretary of the disciplinary committee of Shanghai Airlines Co., Limited from August 2011 to July 2013, and the party secretary and vice president of Shanghai Airlines Co., Limited from July 2013 to September 2016. He served as the party secretary and vice president of the Northwest Branch of the Company from September 2016 to August 2017, and the president and vice party secretary of the Northwest Branch of the Company from August 2017 to November 2018. He served as the general manager and vice party secretary of China Eastern Airlines Technology Co., Ltd. from November 2018 to December 2019. He has served as the vice president and party member of CEA Holding since December 2019. He has served as the vice president of the Company since January 2020 and the safety director of the Company and CEA Holding since February 2020. Mr. Cheng graduated from Nanjing University of Aeronautics and Astronautics majoring in aerodynamics and obtained a Master of Business Administration degree jointly offered by Beijing University of Technology and American City University. He holds the title of senior engineer.

Mr. Jiang Jiang, is currently a vice president of the Company. Mr. Jiang joined the civil aviation industry in 1986, and has successively worked in the Civil Aviation Industry Airline Corporation and China General Aviation Corporation. From June 1999 to April 2005, he served as the deputy manager and manager of the flight division of the Shanxi Branch of the Company. From April 2005 to July 2010, he was the deputy general manager of the Shanxi Branch. From July 2010 to June 2014, he served as the general manager and the deputy secretary of the party committee of the Shanxi Branch. From June 2014 to December 2016, he served as the deputy secretary of the party committee of China Eastern Airlines Wuhan Limited. He served as director and general manager of China Eastern Airlines Wuhan Limited from June 2014 to April 2017. From December 2016 to February 2017, he has served as the person-in-charge of the safety operation management of the Company. Since February 2017, he has served as a vice president of the Company. Since May 2019, he has served as the Chairman of China Eastern Airlines Wuhan Limited. Mr. Jiang graduated from the Flight College of Civil Aviation Flight University of China, majoring in aviation transportation and obtained an Executive Master of Business Administration degree from Fudan University. He has the professional title of senior pilot.

Report of the Directors

Mr. Wang Jian, is currently the Company's Board secretary and head of the Board office. Mr. Wang joined the Company in 1995 and served as deputy head of the Company's office and deputy general manager of the Shanghai Business Office of the Company. From September 2006 to May 2009, he was the deputy general manager in the Shanghai Base of China Southern Airlines Company Limited. He served as the head of the Board office of the Company and a representative of the Company's Securities affairs from May 2009 to April 2012. He has served as the Board secretary of the Company since April 2012. He also served as the head of the Board office of the Company from April 2014 to May 2016. He served as a director and the general manager of Eastern Airlines Industry Investment from November 2016 to February 2019. He has also served as the head of the Board office of the Company since May 2018. He has served as the chairman of Eastern Airlines Industry Investment since February 2019. During his term as secretary to the Board and his relevant work, he designed and promoted to implement several capital and strategic projects of the Company. Mr. Wang graduated from Shanghai Jiao Tong University and has a Master of Business Administration postgraduate degree from East China University of Science and Technology and an Executive Master of Business Administration degree from Tsinghua University.

Mr. Ma Xulun, was the vice chairman, president and vice party committee secretary of the Company, vice chairman, president and vice party secretary of CEA Holding during the Reporting Period. Mr. Ma was previously vice president of China Commodities Storing and Transportation Corporation, deputy director general of the Finance Department of the CAAC and vice president of Air China Corporation Limited. In 2002, after the restructuring of civil aviation industry he was appointed as vice president of general affairs of Air China Corporation Limited. Mr. Ma served as president and deputy party secretary of Air China Corporation Limited from September 2004 to January 2007. Mr. Ma became a party member of China National Aviation Holding Company from December 2004 to December 2008, and deputy general manager of China National Aviation Holding Company from January 2007 to December 2008. Mr. Ma served as the president and deputy party secretary of the Company from December 2008 to February 2019 and deputy party secretary of CEA Holding from December 2008 to November 2011. Mr. Ma was a Director of the Company from February 2009 to February 2019. Mr. Ma served as vice president of the Company from November 2011 to February 2019. He served as party secretary and vice president of CEA Holding from November 2011 to December 2016. He served as vice chairman, president and vice party secretary of CEA Holding from December 2016 to February 2019. Mr. Ma is also currently the deputy president of China Association for public companies. Mr. Ma graduated from Shanxi University of Finance and Economics and Huazhong University of Science and Technology. Mr. Ma holds a master's degree and is a PRC Certified Public Accountant (CPA).

Mr. Li Ruoshan, was an independent non-executive Director of the Company during the Reporting Period. Mr. Li is currently a professor and PhD supervisor of the Accounting Department of the School of Management of Fudan University. In 2001, Mr. Li was awarded the "The Best 10 Independent Directors in China" by the Shanghai Stock Exchange. Mr. Li graduated from Xiamen University, majoring in accounting and obtained the first doctoral degree in auditing in the PRC. He has studied abroad in the Katholieke Universiteit Leuven in Belgium and the Massachusetts Institute of Technology in the United States and other famous universities. Mr. Li was a deputy director of the Accounting Department of the School of Economics and a deputy dean of the School of Economics and of Xiamen University; and a deputy dean of the School of Management, director of the Accounting Department, director of the Financial Department of Fudan University, a member of the Consultant Professional Committee for Listed Companies of the Shanghai Stock Exchange and a consultant professional of the Committee for Accounting Standards of the Ministry of Finance. Mr. Li has been an independent non-executive Director of the Company from June 2013 to December 2019. He is also the independent director of companies such as SAIC Motor Corporation Limited, Shenzhen Yantian Port Chukong Logistics Co., Ltd. and Shanghai Zhangjiang Hi-tech Park Development Co., Ltd. and Shanghai No.1 Pharmacy Co.,Ltd. and supervisor of Industrial Bank Co., Ltd..

Mr. Ma Weihua, is currently an independent non-executive Director of the Company. Mr. Ma is currently the director-general of Council of National Fund for Technology Transfer and Commercialization and One Foundation. Mr. Ma served as an executive director, president and chief executive officer of China Merchants Bank Co., Limited, the chairman of Wing Lung Bank Limited in Hong Kong,

the chairman of CIGNA & CMC Life Insurance Company Limited and the chairman of China Merchants Fund Management Co., Limited. Mr. Ma obtained a doctorate degree in economics and is an adjunct professor at several higher educational institutions including Peking University and Tsinghua University. Mr. Ma was the independent non-executive Director of the Company from October 2013 to December 2019. Mr. Ma is currently an independent director of China World Trade Center Co., Limited, Postal Savings Bank of China Co., Limited, independent non-executive director of Legend Holdings Corporation, a supervisor of Taikang Life Insurance Co., Limited and chairman of Bison Finance Group Limited.

Mr. Li Jinde, was a Supervisor of the Company and the director of strategic development department of CEA Holding during the Reporting Period. Mr. Li joined the civil aviation industry in 1989 and worked successively in the Northwest Regional Administration of Civil Aviation Administration of China and investment companies under CEA Holding. He served as a deputy manager of living services centre of Northwest Regional Administration of Civil Aviation Administration and the president of Development Company from March 1992 to April 1999, and the president of Shanghai Eastern Airline Real Estate Operation Company and the chairman and president of Shanghai Eastern Airline Real Estate Investment Co., Ltd. from April 1999 to May 2006. He successively served as the president, vice party secretary, chairman and party secretary of Shanghai Eastern Airline Industry Investment Co., Limited from May 2006 to December 2017. He has served as the director of strategic development department of CEA Holding from December 2017 to April 2019 and a Supervisor of the Company from August 2018 to December 2019. He has served as the Chairman for CES International Financial Leasing Corporation Limited since April 2019. Mr. Li graduated from the Faculty of Horticulture of Gansu Agricultural University and obtained a master's degree in business administration from Macau University of Science and Technology. He obtained the title of intermediate economist.

Mr. Tian Liuwen, is currently a vice president of the Company and vice president and a party member of CEA Holding. Mr. Tian joined the civil aviation industry in 1985. Mr. Tian served as manager of the Beijing Sales Department under the Marketing and Sales Division of China General Aviation Corporation. He was also the head of the general manager office and chairman of the labour union and deputy general manager of the Shanxi Branch of the Company. From June 2002 to January 2008, he was the vice president and subsequently president of the Hebei Branch of the Company. From April 2005 to May 2007, he was the president of the Beijing Base of the Company. He served as general manager of China Eastern Airlines Jiangsu Co., Limited, from January 2008 to December 2011. From December 2011 to November 2019, he has been the vice president of the Company. From December 2011 to June 2013, he was the president of Shanghai Airlines. From June 2014 to November 2019, he has been a party member of CEA Holding. From June 2015 to August 2018, he served as a Director of the Company. From December 2016 to November 2019, he served as the vice president of CEA Holding. Mr. Tian obtained an Executive Master of Business Administration degree from Nanjing University and is qualified as senior economist.

Mr. Feng Liang, is currently a vice president of the Company. Mr. Feng joined the civil aviation industry in 1986 and worked in the aircraft maintenance base routes department of the Company. From 1999 to 2006, he used to serve as the head of the aircraft maintenance base engineering technology department, chief engineer of the base and general manager of the base. He also served as the general manager of China Eastern Air Engineering & Technique from September 2006 to November 2018. He served as the chief engineer of the Company from August 2010 to March 2018, the chief security officer of the Company from December 2012 to December 2014 and the vice president of the Company from August 2013 to November 2019. Mr. Feng graduated from Civil Aviation University of China, majoring in aircraft electrical equipment maintenance and obtained an MBA degree from Shanghai Jiao Tong University.

Mr. Guo Junxiu, was the chief legal advisor of the Company during the Reporting Period. Mr. Guo joined the civil aviation industry in 2007 and successively worked in Shanxi University of Finance and Economics and Xiamen University. Since April 2007, he has served as the chief legal advisor of CEA Holding. Since May 2018, he has served as the data protection officer of the Company. He served as the chief legal advisor of the Company from August 2018 to February 2019, and has served as the chief legal officer of the Company since February 2019. Mr. Guo graduated from Xiamen University with a degree in international law and obtained a doctorate degree in law. He obtained the title of associate professor and the qualification of lawyer.

Changes in the Members of the Board and Management Personnel

Appointment

Name	Date of appointment	Reason for Change	Position
Li Yangmin	15 March 2019	Appointed by the Board	President
	22 May 2019	Elected at the general meeting	Director
	22 May 2019	Appointed by the Board	Vice chairman
	22 May 2019	Appointed by the Board	Chairman and member of the Aviation Safety and Environment Committee of the Board
Tang Bing	22 May 2019	Elected at the general meeting	Director
	22 May 2019	Appointed by the Board	Chairman and member of the Planning and Development Committee of the Board
Wang Junjin	31 December 2019	Elected at the general meeting	Director
	31 December 2019	Appointed by the Board	Member of the Planning and Development Committee of the Board
	31 December 2019	Appointed by the Board	Member of the Nominations and Remuneration Committee of the Board
Lin Wanli	31 December 2019	Appointed by the Board	Member of the Audit and Risk Management Committee of the Board
	31 December 2019	Appointed by the Board	Member of the Nominations and Remuneration Committee of the Board
Dong Xuebo	31 December 2019	Elected at the general meeting	Independent non-executive Director
	31 December 2019	Appointed by the Board	Member of the Planning and Development Committee of the Board
	31 December 2019	Appointed by the Board	Member of the Nominations and Remuneration Committee of the Board
Shao Ruiqing	31 December 2019	Appointed by the Board	Member of the Aviation Safety and Environment Committee of the Board
	31 December 2019	Appointed by the Board	Chairman of the Audit and Risk Management Committee of the Board
Fang Zhaoya	31 December 2019	Elected at the general meeting	Supervisor
Yuan Jun	31 December 2019	Appointed by the Board	Member of the Aviation Safety and Environment Committee of the Board
Cheng Guowei	15 January 2020	Appointed by the Board	Vice president

Cessation

Name	Date of cessation	Reason for Change	Position
Ma Xulun	1 February 2019	Work relocation	Director, Vice chairman, President Chairman and member of the Planning and Development Committee of the Board Chairman and member of the Aviation Safety and Environment Committee of the Board
Guo Junxiu	15 February 2019	Work arrangement	Chief legal adviser
Tang Bing	15 March 2019	Change in work responsibilities	Vice president
Li Ruoshan	31 December 2019	Expiration of the term of office	Independent non-executive director Chairman and Member of the Audit and Risk Management Committee of the Board Member of the Aviation Safety and Environment Committee of the Board
Ma Weihua	31 December 2019	Expiration of the term of office	Independent non-executive director Member of the Nominations and Remuneration Committee of the Board
Li Jinde	31 December 2019	Expiration of the term of office	Supervisor
Tian Liuwen	2 December 2019	Statutory retirement	Vice president
Feng Liang	20 November 2019	Work commitments	Vice president
Shao Ruiqing	31 December 2019	Work arrangement	Member of the Planning and Development Committee of the Board
Lin Wanli	31 December 2019	Work arrangement	Member of the Aviation Safety and Environment Committee of the Board
Yuan Jun	31 December 2019	Expiration of the term of office	Member of the Planning and Development Committee of the Board

For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 1 February, 15 February, 15 March, 22 May, 20 November, 2 December and 31 December 2019, and 15 January 2020.

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

Name	Name of Shareholders or other entities	Position(s) held	Date of appointment	Date of cessation
Li Yangmin	CEA Holding	Vice president	August 2016	February 2019
	Central Enterprises Poor Regions Industry Investment Fund Co., Ltd. (中央企業貧困地區產業投資基金股份有限公司)	Director, president Supervisor	February 2019 April 2019	August 2019
	Juneyao Airlines Co., Ltd.	Director	November 2019	
Tang Bing	CEA Holding	Vice president Director Deputy secretary of party committee	December 2016 February 2019 March 2019	February 2019
	Sichuan Airlines Corporation Limited	Vice chairman	August 2010	August 2019
	TravelSky Technology Limited	Non-executive director	August 2018	September 2019
	Eastern (Shantou) Economic Development Co., Ltd.	Chairman	February 2012	August 2019
	China United Airlines Co., Ltd.	Executive director	March 2014	August 2019
	Shanghai Eastern Airlines Investment Co., Limited	Chairman	January 2018	July 2019
Wang Junjin	Air France-KLM	Director	October 2017	July 2019
	Shanghai Junrui Enterprise Management Co., Ltd. (上海均藝企業管理有限公司)	Executive director	April 2019	
Shao Ruiqing	Shanghai International Port (Group) Co., Ltd	Independent director	May 2019	
	China Everbright Bank Company Limited	Independent director	August 2019	
Cai Hongping	China Oceanwide Holdings Limited	Independent non-executive director	November 2014	October 2019
	China Minmetals Corporation	External director	December 2015	July 2019
	China National Machinery Industry Corporation	External director	December 2019	
	Shanghai Pudong Development Bank Co., Ltd.	Independent director	December 2019	
Dong Xuebo	China National Machinery Industry Corporation	External director	December 2019	

Name	Name of Shareholders or other entities	Position(s) held	Dare of appointment	Date of cessation
Yuan Jun	Eastern Airlines Industry Investment Company Limited	Director	November 2016	January 2019
Fang Zhaoya	CEA Holding	Director of strategic development department	April 2019	
Xi Sheng	China Eastern Air Catering Investment Co., Limited	Chairman of the supervisory committee	March 2010	August 2019
	China Eastern Air Catering Investment Co., Limited	Chairman	November 2019	
	TravelSky Technology Limited	Non-executive director	September 2019	
	Eastern Aviation Import & Export Co., Ltd.	Chairman of the supervisory committee	March 2010	June 2019
	Shanghai Eastern Airlines Investment Co., Limited	Supervisor	March 2010	July 2019
	CES Finance Holding Co., Limited	Supervisor	April 2010	June 2019
	Eastern Airlines Industry Investment Company Limited	Chairman	November 2016	February 2019
	Eastern Airlines Industry Investment (Hong Kong) Company Limited	Chairman	August 2017	April 2019
	China Air Express Co., Ltd.	Vice chairman	March 2018	July 2019
	Shanghai Shine-link International Logistics Co., Ltd.	Director	March 2018	July 2019
Gao Feng	China Eastern Airlines Jiangsu Co., Limited	Chairman	January 2020	
	CEA Holding	Vice chairman of labour union Member of party committee and deputy chief commander of the construction and operation command department of Beijing Daxing International Airport	April 2018 November 2019	December 2019
	Shanghai Airlines Co., Limited	Supervisor	January 2019	
Fang Zhaoya	China Eastern Air Catering Investment Co., Limited	Director	July 2019	
	Eastern Aviation Import & Export Co., Ltd.	Director	June 2019	
	Shanghai Eastern Airlines Investment Co., Limited	Director	July 2019	
	CES Finance Holding Co., Limited	Director	May 2019	
	CEA Development Co., Limited	Director	June 2019	
	Eastern Airlines Industry Investment Company Limited	Director	June 2019	

Report of the Directors

Name	Name of Shareholders or other entities	Position(s) held	Dare of appointment	Date of cessation
Wu Yongliang	China Eastern Air Catering Investment Co., Limited	Vice chairman	February 2012	December 2019
	Shanghai Airlines Tours International (Group) Co., Ltd.	Executive director	January 2013	May 2019
	Sichuan Airlines Corporation Limited	Vice chairman	August 2019	
Feng Dehua	CEA Holding	Deputy head of disciplinary inspection group	September 2014	January 2019
		Vice president, member of party committee	December 2019	
	China Eastern Airlines Wuhan Limited	Chairman	April 2018	May 2019
	Eastern Airline Logistics Co., Limited	Chairman	February 2020	
Cheng Guowei	China United Airlines Co., Ltd.	Executive director	August 2019	February 2020
	CEA Holding	Vice president, member of party committee	December 2019	
		Director of safety	February 2020	
	China Eastern Airlines Technology Co., Limited	General manager	November 2018	November 2019
		Executive director, secretary of party committee	March 2020	
	Shanghai Eastern Aircraft Maintenance Co., Ltd.	Chairman	October 2019	
	Shanghai Technologies Aerospace Co., Ltd.	Chairman	January 2020	
	Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd.	Chairman	April 2020	
Jiang Jiang	China Eastern Airlines Wuhan Limited	Chairman	May 2019	
Wang Jian	Eastern Airlines Industry Investment Company Limited	Director, general manager	November 2016	February 2019
		Chairman	February 2019	
	Eastern Airlines Industry Investment (Hong Kong) Company Limited	Director, general manager	July 2017	April 2019
	Eastern Airlines Industry Investment (Hong Kong) Company Limited	Chairman	April 2019	
	Air France-KLM	Director	July 2019	
Li Ruoshan	Jiangsu Zhongnan Construction Group Co., Ltd.	Director	May 2015	May 2019
	Shanghai No. 1 Pharmacy Co., Ltd.	Independent director	June 2019	
Ma Xulun	CEA Holding	Director, president, deputy secretary of party committee	December 2016	February 2019

Name	Name of Shareholders or other entities	Position(s) held	Dare of appointment	Date of cessation
Tian Liuwen	CEA Holding	Member of party committee	June 2014	November 2019
		Vice president	December 2016	November 2019
	Eastern Airline Logistics Co., Limited	Chairman	December 2018	February 2020
	China Eastern Airlines Jiangsu Co., Limited	Chairman	January 2018	January 2020
Li Jinde	CEA Holding	Director of strategic development department	December 2017	April 2019
	China Eastern Air Catering Investment Co., Limited	Director	August 2018	July 2019
	CES International Financial Leasing Corporation Limited	Chairman	April 2019	
	CES Finance Holding Co., Limited	Director	January 2018	May 2019
	CEA Development Co., Limited	Director	January 2018	May 2019
	Eastern Airlines Industry Investment Company Limited	Director	January 2018	May 2019
	Shanghai Eastern Airlines Investment Co., Limited	Director	January 2018	May 2019
Feng Liang	Eastern Aviation Import & Export Co., Ltd.	Vice chairman	May 2010	December 2019
	Shanghai Eastern Union Aviation Wheels & Brakes Maintenance Services Overhaul Engineering Co., Ltd.	Chairman	January 2012	October 2019
	Shanghai Eastern Aircraft Maintenance Co., Ltd.	Chairman	January 2012	October 2019
	Shanghai Collins Aviation Maintenance Service Co., Ltd.	Chairman	January 2012	October 2019
	Shanghai Technologies Aerospace Co., Ltd.	Chairman	January 2012	January 2020
	Shanghai Hute Aviation Technology Co., Ltd.	Chairman	February 2012	October 2019
	Shanghai Boeing Aviation Refit Maintenance Engineering Co., Ltd.	Vice chairman	January 2012	October 2019
	Xi'an CEA SAFRAN Landing Systems Services Co., Ltd.	Chairman	July 2017	December 2019
	China Aircraft Services Limited	Director	March 2018	February 2020
	Eastern (Shantou) Economic Development Co., Ltd	Chairman	August 2019	
	China Eastern Airlines Technology Co., Ltd.	Executive director	December 2014	March 2020
	Shanghai Pratt & Whitney Aircraft Engine Maintenance Co., Ltd.	Chairman	January 2012	April 2020
Gao Feng	CEA Holding	Vice chairman of labour union	April 2018	December 2019
	CEA Holding	Member of party committee and deputy chief commander of the construction and operation command department of Beijing Daxing International Airport	November 2019	

Shareholdings of Directors, Chief Executive, Supervisors and Senior Management

Save as disclosed above, as at 31 December 2019, none of the Directors, chief executive, Supervisors or members of senior management of the Company and their respective associates had any other interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO (including any interest or short position which any of such Directors, chief executive, Supervisors or members of senior management of the Company and their respective associates were taken or deemed to have under such provisions of the SFO), or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (which shall be deemed to apply to the Supervisors to the same extent as it applied to the Directors).

In 2019 and as at 31 December 2019, none of the Directors, chief executive, Supervisors, members of senior management of the Company and/or any of their spouses or children under the age of eighteen were granted any right, and the Company had not made any arrangement enabling any of them, to subscribe for equity securities or debt securities of the Company.

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

Service Contracts of Directors and Supervisors

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

Interests of Directors and Supervisors in Contracts

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

Management Contracts

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

Competing Interests

During the Reporting Period, none of the Directors or the controlling Shareholders or each of their associates (as defined under the Hong Kong Listing Rules) had an interest in a business that competed with the Group or might compete with the business of the Group.

Remuneration of Directors and Supervisors

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

Major Suppliers and Customers

In 2019, purchases by the Company from the largest and five largest suppliers accounted for 9.87% and 20.53%, respectively, of the operating expenditure of the Company. Total income from sales to the Company's five largest customers amounted to approximately RMB23,049 million, accounting for 19.07% of the Company's total revenue. Among which, revenue from sales to the largest customer accounted for 6.46% of revenue from sales of goods or rendering of services. None of the Directors, Supervisors or any of their respective associates nor any Shareholders who, to the knowledge of the Directors, hold 5% or more of the Company's share capital has any interest in any of the above mentioned suppliers and customers.

Medical Insurance

The majority of the Group's PRC employees participate in the medical insurance schemes organised by the municipal governments. For those employees who participate in these schemes, the Group has no other obligation for the payment of medical expense beyond such contributions. For the year ended 31 December 2019, the Group's medical insurance contributions charged to profit or loss amounted to RMB789 million (2018: RMB706 million).

Employees' Retirement Scheme

Details of the Company's employee retirement scheme and post-retirement benefits are set out in note 40 to the financial statements prepared in accordance with IFRSs.

Staff Housing Benefits

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

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at 31 December 2019 are set out in note 38 to the financial statements prepared in accordance with IFRSs.

Interest Capitalized

Interest capitalized by the Group as calculated in accordance with IFRSs for the year ended 31 December 2019 was RMB646 million.

Property, Plant and Equipment

Movements in property, plant and equipment of the Company and the Group for the year are set out in note 17 to the financial statements prepared in accordance with IFRSs.

Reserves

Details of movements in reserves of the Company and the Group for the year ended 31 December 2019 and profit distribution by the Company are set out in note 43 to the financial statements prepared in accordance with IFRSs.

Donations

During the year ended 31 December 2019, the Group made donations for charitable purposes amounting to approximately RMB2.38 million.

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

During the year ended 31 December 2019, the Board was not aware of any significant matters which may cause impact on the Group or any non-compliance with the laws and regulations which may have a significant impact on the Group.

Permitted Indemnity Provision

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

Contract of Significance

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

Material Litigation

As at 31 December 2019, the Group was not involved in any material litigation, arbitration or claim.

Future Plans for Material Investments and Capital Assets

As at 31 December 2019, the Group did not have any future material investments or acquisition of capital assets approved by the Board.

Significant Events

The Group wishes to highlight the following information:

1. On 18 January 2019, the Board considered and approved that the Company shall provide, within the period from the effective date of the resolution of the Board to 31 December 2019, guarantee in the total amount of up to RMB1 billion to four wholly-owned subsidiaries namely China United Airlines, Shanghai Flight Training, Business Airlines and Eastern Technology, or their respective wholly-owned subsidiaries; and agreed that Shanghai Airlines Tours shall provide guarantee in a total amount of RMB10 million to Shanghai Dongmei Air Travel Co., Ltd., its wholly-owned subsidiary, the period of which shall be the same as the period of the subject obligations of the respective guaranteed parties and shall not exceed 10 years. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 18 January 2019.
2. On 14 June 2019, the CSRC approved the Company's application for the non-public issuance of A Shares. On 1 August 2019, the CSRC approved the Company's application for the non-public issuance of H Shares. On 29 August 2019, the Company completed the non-public issuance of H Shares. On 3 September 2019, the Company completed the non-public issuance of 1,394,245,744 A Shares to Juneyao Airlines and Juneyao Group, its controlling shareholder and China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) and introduced Juneyao Airlines and Juneyao Group, its controlling shareholder as strategic investors. Eastern Airlines Industry Investment, a wholly-owned subsidiary of CEA Holding, the controlling shareholder of the Company, has also completed the work of the subscription of the non-public issuance of A shares of Juneyao Airlines. For details, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange on 14 June, 1 August, 29 August and 3 September 2019.

3. On 20 August 2019, the Company completed the public-issued corporate bonds with an aggregate amount of RMB3 billion, coupon rate of 3.60% and bond term of five years to qualified investors. The proceeds from the issue of corporate bonds, after deducting issue expenses, are proposed to be used for the repayment of the Company's debts and replenishment of working capital. Such public-issued corporate bonds were listed on the Shanghai Stock Exchange on 28 August 2019. The Company is of the view that the issuance will be beneficial to a sustainable development of the Company. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 15 August, 19 August, 21 August and 27 August 2019.
4. On 30 August 2019, the Board considered and approved the "resolution for the amendment of certain provisions of rules and regulations of the Company such as the articles of association" to amend the Articles, rules for procedures for general meetings, detailed working rules for the Audit and Risk Management Committee, detailed working rules for the Nominations and Remuneration Committee, detailed working rules for the Planning and Development Committee and detailed working rules for the Aviation Safety and Environment Committee. On the same date, the supervisory committee of the Company considered and approved the resolution for the amendment of the rules for meetings of the supervisory committee to amend the rules for meetings of the supervisory committee of the Company. The resolutions regarding amendments to the certain provisions of the Articles, rules for procedures for general meetings and rules for meetings of the supervisory committee were considered and approved at the first 2019 extraordinary meeting of the Company held on 31 December 2019. For details, please refer to the announcement of the Company published on the website of the Hong Kong Stock Exchange on 30 August and 31 December 2019.
5. On 30 August 2019, the Board considered and approved the "resolution in relation to the daily connected transactions for 2020–2022" to approve the continuing connected transactions, including financial services, import and export services, catering supply and related services, flight complementary services, property leasing and construction and management agency services, advertising agency services, aircraft finance lease services, aircraft and engines operating lease services, freight logistics support services, Air France-KLM aviation transportation cooperation and support services, and aviation information technology services, and the caps for the abovementioned transactions for 2020–2022 and the caps for bellyhold space contractual operation service for 2020–2022, between the Company and its connected parties. The aforementioned daily connected transactions were considered and approved at the 2019 first extraordinary general meeting of the Company held on 31 December 2019. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 30 August and 31 December 2019.
6. On 12 December 2019, the Board considered and approved the "resolution regarding the nomination of candidates for directors of the ninth session of the Board" and the "resolution regarding the nomination of candidates for independent non-executive Directors of the ninth session of the Board" item by item, and the supervisory committee considered and approved the "resolution regarding the nomination of candidates for supervisors of the ninth session of the supervisory committee of the Company" item by item. The aforementioned resolutions were considered and approved at the 2019 first extraordinary general meeting of the Company held on 31 December 2019. On 31 December 2019, the "resolution regarding the election of Mr. Yuan Jun as the employee representative director of the ninth session of the Board" and the "resolution regarding the election of Mr. Gao Feng as the employee representative supervisor of the ninth session of the supervisory committee of the Company" were considered and approved at the sixth general meeting of the sixth session of the employee representatives of the Company. For details, please refer to the announcements of the Company published on the website of the Hong Kong Stock Exchange on 12 December and 31 December 2019.

Report of the Directors

7. On 31 December 2019, the first ordinary meeting of the ninth session of the Board considered and approved that the Company shall provide, within the period from the effective date of the resolution to 31 December 2020, guarantee in the total amount of up to RMB1 billion to its three wholly-owned subsidiaries, namely China United Airlines, Shanghai Flight Training and Eastern Technology or their respective wholly-owned subsidiaries. The period of guarantee shall be the same as the period of subject obligations of the respective guaranteed parties and shall not exceed 10 years. For details, please refer to the announcement of the Company published on the website of Hong Kong Stock Exchange on 31 December 2019.

Continuing Connected Transactions

The daily connected transactions of the Company were connected transactions taken place with CEA Holding, a holding subsidiary of CEA Holding and other related parties during the airline transportation operations of the Company. The connected transactions were conducted based on normal commercial terms and in the interests of the Company and shareholders as a whole and were fair and reasonable to the shareholders of the Company.

The daily connected transactions of the Company in 2019 are as follows:

Transaction item	Actual amount incurred in 2019	<i>Unit: RMB thousand</i> Annual caps for connected transactions in 2019
Financial services (closing balance)		
— balance of deposit	1,121,968	13,000,000
— balance of loans	—	13,000,000
Catering supply services	1,471,415	1,900,000
Flight complementary services	471,145	810,000
Import and export agency services	141,580	570,000
Property leasing services	40,315	90,000
Advertising agency by mandate services	29,036	85,000
Aviation information technology services (pursuant to the Shanghai Listing Rules)	752,822	1,155,000
Aircraft finance lease services ^{Note 1}	14,155,545	USD2,616 million or equivalent RMB
Aircraft operating lease services ^{Note 2}	346,874	1,400,000
Aircraft operating lease services ^{Note 3}	1,781,138	8,000,000
Freight logistics support services (the Company provides services to Eastern Logistics)	134,513	470,000
Cargo terminal business support services (Eastern Logistics provides services to the Company)	481,461	750,000
Bellyhold space contractual operation services		
— contractual fee received	3,825,804	4,000,000
— operation cost paid	310,273	353,000
Air France-KLM aviation transportation cooperation and support services (pursuant to the Shanghai Listing Rules)		
— amount received	593,041	1,230,000
— amount paid	537,173	1,200,000
Aviation supplies maintenance services (pursuant to the Shanghai Listing Rules)	142,814	530,000

Note 1: The actual amount incurred by aircraft finance lease services in 2019 represents the total lease amount (principal and interest) plus service charge for the aircraft under new finance lease in 2019.

Note 2: The actual amount incurred by aircraft operating lease services in 2019 represents the lease amount paid during the year for the aircraft and engines under new operating lease in 2019.

Note 3: The actual amount incurred by aircraft operating lease services in 2019 represents the total lease amount of all lease terms for the aircraft and engines under new operating lease in 2019.

Notes:

1. On 28 April 2016, in order to save financial costs, the Company entered into the "2017-2019 Aircraft Finance Lease Framework Agreement" with CES Leasing. The Company leased the aircraft, which comprised part of the aircraft in the Company's aircraft introduction plan for the years 2017 to 2019, for the wholly-owned subsidiary proposed to be incorporated for the proposed transactions from CES Leasing by means of financial leasing. The aggregate principal amount of the finance leases shall be not more than 100% of the consideration for the purchase of the leased aircraft. CES Leasing is a non-wholly owned subsidiary of CEA Holding, which in turn is the controlling shareholder of the Company. Each of CES Leasing and the lessor(s), which are wholly-owned subsidiaries of CES Leasing, is thus a connected person of the Company. Therefore, the proposed transactions constitute connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcement published by the Company on the website of Hong Kong Stock Exchange on 28 April 2016.
2. On 30 August 2016, in order to manage the continuing connected transactions in a better way and regulate the continuing business relationship between the Group and CEA Holding, the Company signed a framework agreement (including Property Leasing Renewal Agreement, Financial Services Renewal Agreement, Import and Export Services Renewal Agreement, Catering Services Renewal Agreement, Complementary Services Renewal Agreement and Advertising Services Renewal Agreement) for the continuing connected transactions with its connected person, CEA Holding and its controlled subsidiaries, which is the controlling Shareholder of the Company, for a term of three years (from 1 January 2017 to 31 December 2019) in respect of the continuing connected transactions, and renewed the annual caps of the continuing connected transactions for the years from 2017 to 2019, among which the Financial Services Renewal Agreement and the Catering Services Renewal Agreement were approved at the 2016 first extraordinary general meeting of the Company. Meanwhile, the Company renewed the annual caps of the continuing connected transactions in respect of aviation information technology services for the years from 2017 to 2019 with its connected person, TravelSky as required by the Shanghai Listing Rules. For details, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange on 30 August and 27 October 2016.
3. On 27 October 2016, the Board considered and approved the 2017-2019 continuing connected transactions between the Company and its connected person, China Aviation Supplies Holding Company as required by the Shanghai Listing Rules. For details, please refer to the announcement of the Company published on the website of Hong Kong Stock Exchange on 27 October 2016.
4. On 29 November 2016, members of the Eastern Logistics Group became subsidiaries of CEA Holding, which is the controlling shareholder of the Company, since the Company transferred its entire equity interest in Eastern Logistics to Eastern Airlines Industry Investment. Therefore, members of the Eastern Logistics Group became a connected person of the Company as defined under the Hong Kong Listing Rules. The Company entered into the Freight Logistics Daily Connected Transactions Framework Agreement with Eastern Logistics, pursuant to which, the Group provided Freight Logistics Business Support Services to the Eastern Logistics Group (the proposed annual cap for 2019 was RMB470 million), and the Eastern Logistics Group provided Cargo Terminal Business Support Services to the Group (the proposed annual cap for 2019 was RMB750 million). The Freight Logistics Daily Connected Transactions Framework Agreement was for a term of three years, commencing from the date on which the entire equity interest in Eastern Logistics is transferred from the Company to Eastern Airlines Industry Investment, and ending on 31 December 2019.

The Company believes that the provision of Freight Logistics Business Support Services will bring steady and reliable revenue to the Group as a whole, while the provision of the Cargo Terminals Business Support Services by the Eastern Logistics Group to the Group will also satisfy the Group's increasing need of freight and mail business and is beneficial to the natural expansion of production and operation of the Group.

5. On 3 October 2017, the trading of the fixed issuance of additional 10% shares to CEA Holding, the controlling shareholder of the Company, by AFK was completed in the Euronext. CEA Holding appointed Tang Bing, Director and the then vice president of the Company as the director of AFK. According to the relevant requirements of the Shanghai Stock Exchange, the daily businesses such as joint operation and service security between the Company and AFK and its controlled subsidiaries constituted a continuing connected transaction of the Company under the Shanghai Listing Rules. For details, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange on 9 October and 22 December 2017.

6. On 22 December 2017, the Company entered into the 2018–2019 aircraft and aircraft engines operating lease framework agreement with CES Leasing, pursuant to which, CES Leasing Group (as lessor(s)) agreed to provide operating lease to the Group (as lessee(s)) in relation to the aircraft and aircraft engines which comprises of (i) B737 series and B787 series new Boeing aircraft; (ii) A320 series, A330 series and A350 series new Airbus aircraft; and (iii) part of the old aircraft and part of the aircraft engines. Upon successful bidding of the tender of the aircraft and/or aircraft engines during the period between 1 January 2018 and 31 December 2019 by CES Leasing Group, the term of each of the lease agreement shall be not more than 144 months for each leasing of the aircraft and aircraft engines by CES Leasing Group to the Group. In 2018 and 2019, the total annual rental payable by the Group to CES Leasing Group for all of the aircraft and aircraft engines under the lease agreement(s) shall be not more than RMB8 billion for each year. The 2018 annual rental payable for the aircraft engines and the aircraft shall be not more than RMB75 million and RMB0.625 billion, respectively. The 2019 annual rental payable for the aircraft engines and the aircraft shall be not more than RMB60 million and RMB1.34 billion, respectively. The rental is payable by the Group on a monthly basis. The proposed annual cap for the year ended 31 December 2018 and for the year ended 31 December 2019 are RMB700 million and RMB1,400 million, respectively. For details, please refer to the announcement of the Company published on the website of Hong Kong Stock Exchange on 22 December 2017.

The Company has entered into aircraft lease agreement with CES Leasing Group on 4 May 2018, 21 February 2019 and 12 April 2019, respectively for leasing of a total of five A330-300 aircraft and five B737-800 aircraft from CES Leasing Group by way of transfer of purchase rights and operating lease. For details, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange on 4 May 2018, 21 February 2019 and 12 April 2019.

7. On 1 March 2018, the Company entered into contractual operation agreement and operation cost agreement with China Cargo Airlines, pursuant to which, China Cargo Airlines (as contractor) shall operate the bellyhold space business, and the Company shall reimburse the operation cost of the bellyhold space business to China Cargo Airlines. Under the contractual operation agreement, the contractual operation terms shall commence from 1 April 2018 to 31 December 2032. The contractual fee for each year shall be the sum of the bench mark price (without tax) and the adjustment amount. In the fourth quarter of each financial year, the Company shall engage an asset evaluation agency which has the qualification of asset evaluation to evaluate the bench mark price (without tax) for the annual revenue of the bellyhold space business for the next financial year and file such evaluation results with the relevant supervision authority of the state-owned assets. The filed evaluation results will serve as the bench mark price for the contractual fee payable by China Cargo Airlines for the next financial year. The proposed annual caps for the year ended 31 December 2018 and for the year ended 31 December 2019 for the contractual fee payable by China Cargo Airlines to the Company are RMB3,000 million and RMB4,000 million, respectively.

Under the operation cost agreement, the contractual operation terms shall commence from the effective date to 31 December 2032. The operation cost payable by the Company for each financial year shall be calculated based on the following formula: $\text{Operation Cost} = \text{Settlement Price} \times \text{Cost Rate}$. The operation cost is payable on a monthly basis. The proposed annual caps for the year ended 31 December 2018 and for the year ended 31 December 2019 for the operation cost payable by the Company to China Cargo Airlines are RMB265 million and RMB353 million, respectively.

China Cargo Airlines is a non-wholly owned subsidiary of Eastern Logistics, which in turn is a non-wholly owned subsidiary of CEA Holding and thus China Cargo Airlines is a connected person of the Company (as defined under the Hong Kong Listing Rules). The transactions under the bellyhold space agreements constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the announcements and circular of the Company published on the website of Hong Kong Stock Exchange on 1 March, 12 March and 29 March 2018, respectively.

8. On 30 August 2019, the Company signed a daily connected transactions framework agreement in respect of the daily connected transaction of financial services, import and export services, catering services and related services, flight complementary services, property leasing and construction and management agency, advertising agency by mandate services, aircraft finance lease services, aircraft and aircraft engines operating lease services, freight logistics business support services with its connected person, CEA Holding and its subsidiaries, for a term of three years commencing from 1 January 2020 to 31 December 2022, renewed the caps for transactions for 2020 to 2022, and renewed the caps for the transactions under bellyhold space contractual operation services for 2020 to 2022. The following sets out the connected person relationship and the relevant annual caps for each of the renewed continuing connected transactions:

Agreements	Counterparties and connected person relationship	The annual caps for the financial year ending the following dates (RMB, other than USD)		
		31 December 2020	31 December 2021	31 December 2022
<i>Renewal of existing agreements</i>				
Financial Services Agreement	Eastern Air Group Finance Co., Ltd., which is directly interested as to 53.75% by CEA Holding, and is thus an associate of CEA Holding.	12,000,000,000	13,000,000,000	14,000,000,000
– Balance of deposit				
Aircraft Finance Lease Framework Agreement (2020–2022)	CES Leasing is directly held as to 50% by CEA Holding, and thus CES Leasing and the lessor, which is a wholly-owned subsidiary of CES Leasing, are associates of CEA Holding.	USD3,486,000,000	USD5,231,000,000	USD5,286,000,000
– Rental in total (including principal and interest) and arrangement fee				
– Total right-of-use assets value		13,802,000,000	20,712,000,000	20,928,000,000
Aircraft and Aircraft Engines Operating Lease Framework Agreement (2020–2022)	CES Leasing, the connected relationship of which is the same as above.			
– Annual rental		581,000,000	963,000,000	1,355,000,000
– Total annual rental		2,450,000,000	4,586,000,000	4,705,000,000
– Total right-of-use assets value		2,187,000,000	4,016,000,000	3,548,000,000
Import and Export Services Agreement	Eastern Aviation Import & Export Co., Ltd., which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	730,000,000	840,000,000	950,000,000
Flight Complementary Services Agreement	CEA Development Co., Ltd., which is a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.			
– Total amounts payable		1,380,000,000	1,640,000,000	1,860,000,000
– Total right-of-use assets value for lease of exclusive vehicles and equipment		1,927,000,000	1,996,000,000	1,900,000,000
Catering Services and Related Services Agreement	China Eastern Air Catering Investment Co., Ltd., which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.			
– Service fee paid for catering services		2,000,000,000	2,300,000,000	2,600,000,000
– Amount received for property leasing		80,000,000	90,000,000	100,000,000
Property Leasing and Construction and Management Agency Agreement	CEA Holding, which is directly or indirectly interested in 49.79% of the issued capital of the Company, and thus is a controlling Shareholder of the Company.	280,000,000	280,000,000	280,000,000
– Amounts of rental and fee payable				
– Total right-of-use assets value	Shanghai Eastern Airlines Investment Co., Limited, which is a wholly-owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.	541,000,000	432,000,000	324,000,000
Advertising Services Agreement	China Eastern Airlines Media Co., Ltd., which is directly interested as to 55% by CEA Holding, and is thus an associate of CEA Holding.	70,000,000	73,000,000	75,000,000
Freight Logistics Daily Connected Transactions Framework Agreement	Eastern Logistics, which is directly interested as to 45% by Eastern Airlines Industry Investment, a wholly-owned subsidiary of CEA Holding, and thus is an associate of CEA Holding.			
– Amount received for freight logistics business support services		300,000,000	330,000,000	350,000,000
– Amount paid for cargo terminal business support services		550,000,000	590,000,000	630,000,000
<i>Annual caps set for the three years ending 31 December 2020, 2021 and 2022</i>				
Bellyhold Space Agreement	China Cargo Airlines, which is directly interested as to approximately 83% by Eastern Logistics and in turn a non-wholly owned subsidiary of CEA Holding, and is thus an associate of CEA Holding.			
– Contractual fee received under the contractual operation agreement		4,500,000,000	5,000,000,000	5,500,000,000
– Operation cost paid under the operation cost agreement		400,000,000	450,000,000	500,000,000

Report of the Directors

Meanwhile, the Company renewed the aviation information technology service transaction and its annual caps of the transactions for the years from 2020 to 2022 with its connected person, TravelSky Technology Limited as required by the Shanghai Listing Rules, and renewed the aviation transportation cooperation and support service transactions and its annual caps of the transactions for the years from 2020 to 2022 with its connected person, AFK as required by the Shanghai Listing Rules.

For details of the abovementioned transactions, please refer to the announcement published by the Company on the website of Hong Kong Stock Exchange on 30 August 2019.

The independent non-executive Directors have reviewed the continuing connected transactions in 2019, and confirmed that:

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

For the purpose of Rule 14A.56 of the Hong Kong Listing Rules, Ernst & Young, the auditors of the Company have carried out procedures on the above connected transactions disclosed herein for the year ended 31 December 2019 in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagement Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditors’ letter has been provided by the Company to the Hong Kong Stock Exchange.

In respect of each related party transaction disclosed in note 48 to the financial statements prepared in accordance with IFRSs, the Company confirms that it has complied with the relevant requirements under the Hong Kong Listing Rules (if applicable). Save as disclosed above, the related party transactions set out in note 48 to the financial statements prepared in accordance with IFRSs do not constitute connected transactions under the Hong Kong Listing Rules.

Independent Non-Executive Directors' Opinion

Independent non-executive Directors have performed reviewing work and issued an independent opinion on the external guarantees the Company has provided, as required by the relevant requirements of the CSRC. The Company has strictly observed the relevant laws and regulations as well as its Articles while it has also imposed strict control on the external guarantees provided. As at 31 December 2019, none of the Company and its subsidiaries included in the consolidated financial statements has provided any guarantee to the Company's controlling shareholder and other related parties, other non-corporate bodies and individuals.

Auditors

These financial statements have been audited by Ernst & Young, who will retire at the forthcoming annual general meeting at which a resolution for reappointment as the auditor of the Company will be proposed.

The Company did not change its auditor in the last three years.

On behalf of the Board

Liu Shaoyong

Chairman

Shanghai, the PRC

31 March 2020

Corporate Governance

Corporate Governance Practices

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

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

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

The Articles, Rules of Procedures for General Meetings, rules of meeting of the Board, rules of meeting of the Supervisory Committee, working regulations of independent directors, management regulations of connected transactions and detailed working rules of the audit and risk management committee, detailed working rules of the planning and development committee, detailed working rules of the nominations and remuneration committee, detailed working rules of the aviation safety and environment committee, working regulations of presidents, regulations for the management of investor relationship, detailed implementation rules for management of investor relations, regulations for the connected transactions, detailed implementation rules for the management of connected transactions, regulations for external guarantee and provisional regulations for management of hedging business.

The terms of the eighth session of the Board and the eighth session of the Supervisory Committee the Company expired on 30 June 2019. Given that the nomination of candidates for the directors of the ninth session of the Board and supervisors of the ninth session of the Supervisory Committee of the Company were not completed at that time, the re-election of the Board and the Supervisory Committee of the Company was postponed accordingly. The 2019 first extraordinary general meeting held on 31 December 2019 considered and approved the appointment of directors for the ninth session of the Board and supervisors for the ninth session of the Supervisory Committee of the Company. For details on the postponing of the re-election of the eighth session of the Board and the eighth session of the Supervisory Committee of the Company, and the directors of the ninth session of the Board and the supervisors of the ninth session of the Supervisory Committee of the Company, please refer to the announcements of the Company published on the website of Hong Kong Stock Exchange on 1 July and 31 December 2019 respectively.

As at 31 December 2019 and as at the date of publication of this report, the Board has reviewed the relevant provisions under the codes of corporate governance and corporate governance practices adopted by the Group, and took the view that, save as disclosed above, the Group's corporate governance practices for the year ended 31 December 2019 met the requirements under the code provisions in the Code. In certain aspects, the code of corporate governance adopted by the Company is more stringent than the provisions set out in the Code. The following sets out the major aspects which are more stringent than the Code.

Major aspects which are more stringent than provisions set out in the Code:

- 14 meetings of the Board were held for the 2019 financial year. The Company is governed by the Board. The Board is responsible for the leading and control of the Company. The Directors are jointly responsible for the affairs of the Company by directing and supervising the affairs of the Company.

Directors

As at 31 December 2019, the Board consisted of nine Directors, including Mr. Liu Shaoyong (Chairman), Mr Li Yangmin (Vice chairman), Wang Junjin (Director) and Mr. Yuan Jun (Employee Representative Director) as Directors, and four independent non-executive Directors, namely Mr. Lin Wanli, Mr. Shao Ruiqing, Mr. Cai Hongping and Mr. Dong Xuebo.

Independent non-executive Directors of the Company shall possess specialized knowledge and experience. They shall be able to play their roles of supervising and balancing to the fullest extent to protect the interests of Shareholders and the Company as a whole. The Board considers that they shall be able to exercise independent judgment effectively, which complies with guidelines on assessment of independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. Pursuant to Rule 3.13 of the Hong Kong Listing Rules, the Company has received the annual confirmation letters from each of the independent non-executive Directors on their independence. All Directors (including independent non-executive Directors) are appointed for a term of 3 years. The formal appointment letters and the Articles have set out the terms and conditions of their appointment. Other than working relationships, Directors, Supervisors and members of senior management of the Company do not have any financial, business or family connection with one another.

Power of the Board

On a periodic basis, the Board reviews the relevant performance against proposed budgets and business objectives of each operating unit. It also exercises certain power retained by the Board, including the following:

- responsibility for convening general meetings and reporting to Shareholders on its work in such meeting;
- implementing resolutions passed in general meetings;
- deciding on the operating plan and investment proposals of the Company;
- formulating the annual preliminary and final budget proposals;
- formulating the Company's profit distribution proposal and the proposal to offset losses;
- formulating the Company's proposals to increase or reduce the registered capital and proposals to issue debt securities;
- drawing up proposals for the Company's merger, demerger and dissolution;
- deciding on the Company's internal management structure;
- employing or dismissing the Company's president and board secretary; appointment, recruitment and dismissal of the vice president and chief financial officer of the Company on the nomination of the president, and the determination of their remuneration;
- formulating the basic management systems of the Company;
- formulating proposals to amend the Articles; and
- discharging any other powers and functions granted in general meeting.

Corporate Governance

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

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

In 2019, the Company revised and improved the Articles, Rules of Procedure for General Meetings, Rules of Procedures for Supervisory Committee and detailed working rules for each specialized committee of the Board based on the regulatory requirements and work requirements. Meanwhile, the Company attached great importance to insider information management and system construction, strictly implemented relevant inside information management systems including the Information Disclosure Management System, Inside Information Management and Confidentiality Measures, Regulations on Information Management for External Reporting, Responsibility Mechanism for Major Errors in Information Disclosure in Annual Reports and Inside Information Insider Registration and Management System.

General Meetings

The procedures for Shareholders to convene an extraordinary general meeting and to send enquires to the Board, and the procedures for proposing resolutions at general meetings are as follows:

According to the relevant requirements of the Articles and Rules of Procedures for General Meetings of the Company, Shareholders may convene a general meeting on their own, the major rules of which are as follows:

- Shareholder(s) either individually or jointly holding over 10% of the Company's shares may request the Board to convene an extraordinary general meeting. Such request shall be made to the Board in writing. The Board shall, in accordance with the requirement of laws, administrative regulations and the Articles, make a response in writing on whether or not it agrees to convene an extraordinary general meeting within 10 days upon receipt of such request.
- If the Board refuses to convene the extraordinary general meeting, or fails to make a response within 10 days upon receipt of such request, Shareholder(s) either individually or jointly holding over 10% of the Company's shares may propose to convene an extraordinary general meeting to the Supervisory Committee. Such proposal shall be made to the Supervisory Committee in writing.
- If the Supervisory Committee agrees to convene the extraordinary general meeting, a notice convening the general meeting shall be issued within 5 days upon receipt of such request. Should there be any amendments to the original proposal in the notice, the consent of the relevant Shareholders shall be obtained.

- If the Supervisory Committee fails to give the notice of the general meeting within the specified time limit, it shall be deemed to have failed to convene or preside over the general meeting, in which case, Shareholder(s) either individually or jointly holding over 10% of the Company's shares for more than 90 consecutive days shall have the right to convene and preside over the meeting by themselves.

Pursuant to the relevant requirements of the Articles, Shareholders have the right to inspect or make copies of the Articles, minutes of general meetings and accountant's reports.

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

- Shareholder(s) either individually or jointly holding over 3% of the issued shares of the Company carrying the right to vote may propose extraordinary resolutions and submit the same in writing to the convener prior to the holding of the general meeting. However, subject to the requirement of the Hong Kong Listing Rules, the Company shall issue supplemental circular of the new extraordinary resolutions and the relevant materials to the Shareholders at least 14 business days before the date of holding the general meeting, therefore, the time for the proposing Shareholders to propose new extraordinary resolutions shall not be later than such time limit for issuing the supplemental circular to the Shareholders and shall consider and provide the Company reasonable time to prepare and despatch the supplemental circular.
- The aforesaid proposed resolutions shall be reviewed by the Board and shall be included in the agenda of such meeting if the matters fall within the scope of terms of reference of the general meeting. The convener shall announce the content of the extraordinary resolutions by issuing a supplemental notice of the general meeting upon receipt of the proposed resolutions as soon as possible. If the Board considers that the content of the proposed resolutions do not fall within the scope of terms of reference of the general meeting, explanation and description shall be given at such general meeting, which, together with the content of such proposed resolutions and explanation of the Board, shall be published along with the resolutions of the general meeting in announcement after the conclusion of the meeting.
- the Board shall review the proposed resolutions in accordance with the following principles:
 - (1) Relevance. The Board shall review the resolutions proposed by the Shareholders. Matters in resolutions proposed by the Shareholders which have direct impact on the Company and are not outside the terms of reference of the general meeting as stipulated in the laws, regulations and the Articles shall be submitted to the general meeting for discussion. For matters which fail to meet the above requirements, it is recommended not to submit the proposed resolutions for discussion at the general meeting. In the event that the Board determines not to take any resolutions proposed by shareholders to the general meeting for voting, the Board shall explain and state the reasons therefor at such meeting, and announce the contents of the proposed resolutions and the explanation of the Board together with the resolutions of the general meeting after the conclusion of the general meeting.

Corporate Governance

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

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

In 2019, the Company convened two general meetings in total. The main information is as follows:

On 22 May 2019, the Company convened the 2018 annual general meeting at The QUBE Hotel, No. 200, Lane 1588, Zhuguang Road, Xujing Town, Qingpu District, Shanghai, the PRC. For details, please refer to the announcement of the Company dated 22 May 2019.

On 31 December 2019, the Company convened the 2019 first extraordinary general meeting at The QUBE Hotel, No. 200, Lane 1588, Zhuguang Road, Xujing Town, Qingpu District, Shanghai, the PRC. For details, please refer to the announcement of the Company dated 31 December 2019.

Attendance rate of Directors at general meetings of the Company were as follows:

Directors	Attendance/ Eligibility of Meetings	Attendance rate
Liu Shaoyong	2/2	100%
Li Yangmin	2/2	100%
Tang Bing	2/2	100%
Wang Junjin	1/1	100%
Lin Wanli	2/2	100%
Li Ruoshan	2/2	100%
Ma Weihua	2/2	100%
Shao Ruiqing	2/2	100%
Cai Hongping	2/2	100%
Dong Xuebo	1/1	100%
Yuan Jun	2/2	100%

Meeting of the Board

The chairman leads the Board to ensure that the Board performs its various duties effectively and he is responsible for drawing up the agenda of the meeting of the Board and considering other matters that the other Directors propose to be included in the agenda. The agenda together with documents of the Board should be, as far as practicable, circulated at least 3 days prior to the meeting of the Board or its specialized committees. The Chairman is also obliged to ensure that all the Directors are suitably briefed on matters to be raised in the meeting of the Board. The Chairman ensures that the Directors receive information that is accurate, timely and clear. Through on-the-job training of Directors, continuous participation in meetings of the Board and of specialized committees of the Board and meetings with key persons in headquarters and other departments, the Directors are encouraged to update their skills, knowledge and their understanding of the Group.

The Company has established a specialized organization, i.e. the office of the Board, to work for the Board. All the Directors have access to the service of the company secretary. The company secretary periodically updates the Board of the latest information on governance and regulatory matters. The Directors may seek independent professional advice through the Chairman for the purpose of performing their duties, with the cost borne by the Company. Specialized committees may also seek professional advice. The Company Secretary is responsible for the records of the Board meetings. These minutes of meetings together with other related documents for the Board meetings shall be made available to all members of the Board. Board meetings are meant to enable the Directors to have open and frank discussions.

In order to ensure sound corporate governance, as at the date of the publication of this report, the Board had four special committees in place: Audit and Risk Management Committee, Nominations and Remuneration Committee, Planning and Development Committee and Aviation Safety and Environment Committee with their terms of reference drawn up in accordance with the principles set out in the Code. The Company Secretary was responsible for drafting minutes of meetings for the committees, and the committees report to the Board.

The Board held 14 meetings in 2019. Details of attendance of each Director at the Board meetings during the Reporting Period were as follows:

Directors	Attendance/ Eligibility of Meetings	Attendance rate
Liu Shaoyong	14/14	100%
Li Yangmin	8/8	100%
Tang Bing	8/8	100%
Wang Junjin	1/1	100%
Lin Wanli	14/14	100%
Shao Ruiqing	14/14	100%
Cai Hongping	14/14	100%
Dong Xuebo	1/1	100%
Yuan Jun	14/14	100%
Li Ruoshan	13/13	100%
Ma Weihua	13/13	100%
Ma Xulun	1/1	100%

Note: Each Director attended the respective Board meetings in person.

Directors' Interests

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

Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules as the securities transactions code for the Directors. Each of the Directors and the Supervisors has been provided with a copy of the Model Code upon his appointment. Having made specific enquiry of all Directors, the Company is not aware of any non-compliance of all the Directors and the Supervisors with the required standard set out in the Model Code in 2019.

The Company has also adopted the related provisions set out in Appendix 14 to the Hong Kong Listing Rules, and has established its Code of Conduct for Securities Transactions by Employees of the Company according to its own situation and with reference to the Model Code. The aforesaid code of conduct shall apply to the conduct of dealings in the securities of the Company by the Supervisors and members of senior management of the Company.

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

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

Directors' Responsibilities in Respect of Financial Statements

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

The Auditor's Report of the Company's auditors in respect of the financial statements is set out on pages 117 to 121 of this report.

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

Training of Directors

Content of development of skills and training	Directors participated
The fourth session of 2019 training workshop for Chairman and General Manager (listed company regulatory department of CSRC and China Association for Public Companies)	Liu Shaoyong
The ninth session of 2019 training workshop for Chairman and General Manager (listed company regulatory department of CSRC and China Association for Public Companies)	Li Yangmin
The training course for directors, supervisors and senior management in December 2019 (Beijing Commerce & Finance Law Office)	All Directors
The follow-up training course for independent Directors in March 2019 (Shanghai Stock Exchange)	Lin Wanli, Cai Hongping

The Board office of the Company is responsible for organization, arrangement and checking the training and continuing professional development of directors and senior management.

Training of Company Secretary

In 2019, our company secretary took no less than 15 hours of relevant professional training. The Board office of the Company is responsible for arranging and reviewing the training and continuous professional development of the Directors and the members of the senior management of the Company.

Audit and Risk Management Committee

As at 31 December 2019, the Audit and Risk Management Committee of the Company comprised Mr. Shao Ruiqing, Mr. Cai Hongping and Mr. Lin Wanli, all of whom are independent non-executive Directors of the Company. Mr. Shao Ruiqing is the chairman of the Committee and possesses professional qualifications in accounting.

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

(1) Internal Audit

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

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

(2) Risk Management

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

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

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

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

Performance of Audit and Risk Management Committee

The Audit and Risk Management Committee held 12 meetings in 2019. The Company's senior management and external and internal auditors were invited to attend the meeting. Based on the reports of the external and internal auditors, and with reference to the accounting principles and practices, and internal controls adopted by the Company, the Audit and Risk Management Committee conducted reviews of audits, internal control, risk management and financial statements with a view to assessing whether the requirements of the Hong Kong Listing Rules are complied with. The Company's first quarterly results, interim results and third quarterly results for 2019 and the final results for 2018 had been discussed in the Audit and Risk Management Committee's meetings before they were submitted to the Board for approval. The Board had no disagreement on the selection, appointment, resignation or dismissal of the external auditors.

Please refer to the "2019 Performance Report of the Audit and Risk Management Committee" disclosed on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange by the Company on 31 March 2020 for the performance of the Audit and Risk Management Committee.

Attendance rate of members of the Audit and Risk Management Committee meetings were as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Li Ruoshan (resigned)	11/11	100%
Shao Ruiqing	12/12	100%
Cai Hongping	12/12	100%
Lin Wanli	1/1	100%

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

In addition, the Audit and Risk Management Committee also conducted other compliance work to comply with PRC and USA reporting requirements in 2019, including guiding and overseeing the development of internal controls, listening and reviewing the overall plan for risk management, implementing risk management work in accordance with the requirements of the relevant regulatory authorities in full scale, reviewing the Company's compliance with the Sarbanes-Oxley Act and considering the work undertaken by the management, including management assessment, to ensure the Company's compliance with internal control regulations under Section 404 of the Sarbanes-Oxley Act.

In 2019, the Board has reviewed the internal control system in relation to risk management and considered that the Company had discharged their duties of risk management and internal control of listed companies as required by the Hong Kong Listing Rules, and the Group's risk management and internal control systems were effective and adequate during the year 2019.

The Detailed Working Rules of the Audit and Risk Management Committee are posted on the website of the Company www.ceair.com.

External Auditors

For the Reporting Period, the annual audit and audit-related fees payable to Ernst & Young are estimated to be RMB18 million primarily for the regular annual audit of the Group's 2019 financial statements prepared under IFRSs and PRC Accounting Standards and the other relevant documents applicable for the purpose of Annual Report in Form 20-F. For the Reporting Period, the tax related fees payable to Ernst & Young are estimated to be RMB0.23 million.

The auditors' remuneration shall be approved by the Audit and Risk Management Committee or the Board.

The Audit and Risk Management Committee obtained a brief understanding of the scope of the non-audit services and related fees and was satisfied that the non-audit services (in respect of the nature of service and the total cost of non-regular audit services compared to regular audit service fee) had not affected the independence of the accounting firm.

Planning and Development Committee

As of 31 December 2019, the Planning and Development Committee of the Company comprised Mr. Tang Bing, Mr. Wang Junjin and Mr. Dong Xuebo. Mr. Tang Bing is the chairman of the Committee.

The main duties of the Planning and Development Committee are:

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

Attendance of members of the Planning and Development Committee meetings were as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Tang Bing	4/4	100%
Shao Ruiqing (resigned)	4/4	100%
Yuan Jun (resigned)	4/4	100%
Wang Junjin	0/0	/
Dong Xuebo	0/0	/

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

Performance of the Planning and Development Committee

The Planning and Development Committee is responsible for studying, considering and making plans or recommendation in regard to the long term development plans and material investment decisions of the Company and overseeing their implementation. The work done by the Planning and Development Committee in 2019 were as follows:

- (1) Convening the meetings in compliance with regulations. In 2019, four committee meetings were convened to discuss and pass seven resolutions, including the 2019 Investment Plan of the Company, the introduction of 35 ARJ aircrafts and material matters involved disposal of equity investment, significant investment of fixed assets, to provide support for the Board's decisions.
- (2) Strictly reviewing Investment plans and rationally controlling the investment scale. In 2019, The Committee strictly reviewed investment plans of fixed assets, rationally controlled the investment scale of infrastructure projects and paid attention to the implementation progress of material investment projects. The Committee considered the annual investment plan of the Company to ensure that the construction of Beijing Daxing International Airport was completed with high quality and the smooth commencement of its operation, while ensuring the smooth relocation of the systems and mechanisms of the China United Airlines from Beijing Nanyuan Airport to Beijing Daxing International Airport and facilitating the transformation of Business Airlines to "One Two Three" Airlines as well as providing feasible advice and recommendations.
- (3) Optimizing aircraft and asset management of the Company and facilitating the introduction work of aircraft of the Company. In accordance with the introduction plan of aircraft of the Company, the Committee discussed and reviewed the projects of introducing 35 ARJ aircrafts of the Company and disposal of 16 retired aircrafts.
- (4) Continuing to optimize the structure of property rights and strengthen the level of supervision and control. With facilitating the construction of "Internet on CEA", the Committee reviewed and discussed the issue of a value-added telecommunication business conducted by China Eastern Airlines E-Commerce Co., Ltd. to provide support for the decision of the telecommunication company to expand its business to aircraft WIFI; steadily facilitated the merger and restructure work of China United Airlines, the pilot enterprises of the reform of state-owned enterprises, "Double Hundred Action".

The Detailed Working Rules of the Planning and Development Committee are posted on the website of the Company www.ceair.com.

Nominations and Remuneration Committee

As at 31 December 2019, the Nominations and Remuneration committee of the Company comprised Mr. Liu Shaoyong, Mr. Lin Wanli, Mr. Wang Junjin, Mr. Cai Hongping and Mr. Dong Xuebo. When considering and approving nomination related matters, it shall be chaired by Mr. Liu Shaoyong; when considering and approving remuneration related matters, it shall be chaired by Mr. Lin Wanli.

Corporate Governance

The main duties of the Nominations and Remuneration Committee of the Board are:

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

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

- (1) the Nominations and Remuneration Committee shall actively liaise with the relevant departments of the Company to study the requirement for Directors and senior management, and produce a written document thereon;
- (2) the Nominations and Remuneration Committee may conduct a wide-ranging search for candidates for the positions of Director and senior management within the Company, within enterprises controlled by the Company or within enterprises in which the Company holds equity, and on the human resources market;
- (3) the profession, academic qualifications, professional titles, detailed work experience and all concurrently held positions of the initial candidates shall be compiled as a written document;
- (4) the Nominations and Remuneration Committee shall listen fully to the opinion of the nominee regarding his/her nomination;
- (5) a meeting of the Nominations and Remuneration Committee shall be convened, and the qualifications of the initial candidates shall be examined on the basis of the conditions for appointment of Directors and senior management;

- (6) before the selection of a new Director and the engagement of a new member of the senior management, the recommendations of and relevant information on the relevant candidate(s) shall be submitted to the Board; and
- (7) the Nominations and Remuneration Committee shall carry out other follow-up tasks based on the decisions of and feedback from the Board.

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

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

Attendance of members of the Nominations and Remuneration Committee meetings were as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Liu Shaoyong	7/7	100%
Ma Weihua (resigned)	7/7	100%
Cai Hongping	7/7	100%
Lin Wanli	0/0	/
Wang Junjin	0/0	/
Dong Xuebo	0/0	/

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

Performance of the Nominations and Remuneration Committee

Under the leadership of the Board, the Nominations and Remuneration Committee performed their duties diligently to standardize the election of Directors and members of senior management of the Company, establish and refine the incentive and assessment mechanism of Directors and members of senior management of the Company and realize the long-term goals of the Company. In considering the remuneration matters, the Nominations and Remuneration Committee determines the remuneration packages of directors and senior management of the Company as approved by the Board. In 2019, major tasks completed by the Nominations and Remuneration Committee were as follows:

In 2019, the Nominations and Remuneration Committee convened seven meetings of the Committee in compliance of regulations.

On 8 January 2019, “work of 2018 and operating plans for 2019 of the Nominations and Remuneration committee of the eighth session of the Board” was passed after review and discussion in the ninth meeting of the Committee.

On 28 March 2019, “the 2018 annual remuneration of Directors, Supervisors and senior management in 2018” was passed after review and discussion in the eleventh meeting of the Committee and the Company was asked to procure the disclosure in the 2018 Annual Report of the Company in accordance with the relevant rules.

On 15 March 2019, matters related to resignation, engagement of directors and senior management of the eighth session of the Board were reviewed and discussed in the tenth meeting of the Committee. Under the related work arrangement and the recommendation of the controlling shareholder of the Company, China Eastern Air Holding Company Limited, the Committee passed “Resolution regarding the nomination of candidates for the Directors”, “Resolution regarding the appointment of president of the Company”, “Resolution regarding the resignation of a vice president of the Company” to nominate Mr. Li Yangmin and Mr. Tang Bing as candidates for the Directors and to nominate Mr. Li Yangmin as candidate for the president of the Company and approved the resignation of Mr. Tang Bing as a vice president of the Company.

On 12 December 2019, the nomination of candidates for directors and independent non-executive directors of the ninth session of the Board was reviewed and discussed in the fourteenth meeting of the committee. The Committee nominated Mr. Liu Shaoyong, Mr. Li Yangmin, Mr. Tang Bing and Mr. Wang Junjin as a candidate for Directors of the ninth session of the Board of the Company and nominated Mr. Lin Wanli, Mr. Shao Ruiqing, Mr. Cai Hongping and Mr. Dong Xuebo as independent non-executive directors of the ninth session of the Board and submitted the nomination to the Board and Annual General Meeting for review and discussion.

On 31 December 2019, to ensure that the operation of the Board, each of the Special Committees and the senior management of the Company was in compliance with regulations, pursuant to the related rules of listing companies, the Nominations and Remuneration Committee reviewed and approved the resolutions regarding the re-election of the ninth session of the Board and the adjustment to the members of the Special Committees in the fifteenth meeting, which can facilitate the re-election work of the Board.

The Detailed Working Rules of the Nominations and Remuneration Committee are set out on the Company’s website at www.ceair.com.

Remuneration Policy of Directors

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

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

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

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

Basic Salary

The Directors review the basic salary of each Director on an annual basis pursuant to the remuneration policy of the Company. In 2019, pursuant to the service contracts entered into between the Company and each of the Directors, the Directors are entitled to receive a fixed basic salary.

Bonus

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

Remuneration Policy of Independent Non-executive Directors

Remuneration (before tax) received by the independent non-executive Directors in 2019 were as follows:

Name	Remuneration before tax (RMB ten thousand)
Lin Wanli	0
Shao Ruiqing	20
Cai Hongping	20
Dong Xuebo	0.5

Remuneration of Senior Management

The remunerations payable to the members of the senior management of the Company in 2019 as at 31 December 2019 were as follows:

Name	Position	Remuneration before tax (RMB ten thousand)
Li Yangmin	Director, President (appointed as the President with effect from 15 March 2019)	—
	Vice President	
Tian Liuwen	(resigned as a Vice President with effect from 30 November 2019)	—
Wu Yongliang	Vice President, Chief Financial Officer	—
Feng Liang	Vice President (ceased to be a Vice President with effect from 20 November 2019)	166.07
Feng Dehua	Vice President	172.09
Jiang Jiang	Vice President	244.06
Wang Jian	Board Secretary, Company Secretary	156.09
	Vice Chairman, President (resigned as the Vice Chairman and President with effect from 1 February 2019)	—
Ma Xulun		—
Total	/	738.31

Aviation Safety and Environment Committee

As of 31 December 2019, the Aviation Safety and Environment Committee of the Company comprised Mr. Li Yangmin, Mr. Shao Ruiqing and Mr. Yuan Jun. Mr. Li Yangmin served as the chairman of the Committee.

The Aviation Safety and Environment Committee of the Board is responsible for consistent implementation of the relevant laws and regulations of national aviation safety and environmental protection, examining and overseeing the aviation safety management of the Company, studying, considering and making recommendation on aviation safety plans and major issues of the related safety duties and overseeing their implementation, studying, considering and making recommendation on major environmental protection issues in relation to aviation carbon emission on domestic and international levels and overseeing their Implementation.

Attendance of members of the Aviation Safety and Environment Committee meetings were as follows:

Members	Attendance/ Eligibility of Meetings	Attendance rate
Li Yangmin	2/2	100%
Lin Wanli (resigned)	2/2	100%
Li Ruoshan (resigned)	2/2	100%
Shao Ruiqing	0/0	/
Yuan Jun	0/0	/

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

Performance of Aviation Safety and Environment Committee

Under the leadership of the Board, the Aviation Safety and Environment Committee performed in accordance with the requirements under the working rules for the Aviation Safety and Environment Committee (the "Working Rules"), provided guidelines to the relevant operational departments of the Company to consistently implement the relevant laws and regulations of national aviation safety and environmental protection, to ensure the safe and green operation of the Company, which laid the foundation for the sustainable development of the Company. The Committee consistently implemented the relevant laws and regulations of national aviation safety and environmental protection in accordance with the requirements of the Working Rules to further enhance the aviation safety plans and guidelines of the Company. The Committee also studied the major environmental protection issues in relation to aviation carbon emission on domestic and international levels. Major tasks completed in 2019 were as follows:

In 2019, the Committee strengthened its guidance on major environmental protection issues related to the safety work and aviation carbon emissions of the Company, and organized and convened two meetings in accordance with laws and regulations.

- (1) providing guidelines of aviation safety control. In 2019, the Committee followed the important instructions of the civil aviation safety given by the General Secretary, Xi Jinping, insisted on the concept of safety production and operation, upheld the belief of Safety First, acted as a gatekeeper of safety, established the comprehensive safety standard and implemented safety responsibilities; actively explored the safety operation management of a large fleet, completed the central inspection and rectification, continuously improved and enhanced the level of safety management, promoted safety management of the whole process and focused on improving efficiency of safety production.

The Committee conducted researches on aviation safety and environmental protection in May 2019. The Committee member, Lin Wanli, paid a special visit to Europe to carry out research and work inspection of flight safety, aviation carbon emission, flight safety operation and protection, overseas operation, risk control, environmental protection compliance, service assurances and made practical suggestions.

Corporate Governance

- (2) Guidance on the Company's environmental protection work. The Committee provided detailed guidelines for the Company's work in the areas of energy conservation and emission reduction, environmental protection and sustainable development.
1. Proactively dealing with climate change and implementing the market-driven emission reduction mechanism. To continuously pay attention to the progress of global climate governance, the Company participated in the annual meeting of International Air Transport Association (IATA), conducted research on the draft resolution on the carbon reduction and offset mechanism of international aviation industry and expressed the demands of Chinese aviation companies and China's stance. At the same time, the Company actively promoted the carbon emission trading and submitted the report on carbon trading monitoring programme and carbon emission in Shanghai in 2018 on time, completed the preparation for the report on greenhouse gas emission monitoring programme and greenhouse gas emission of China in 2018, and cooperated with relevant government institutions in completing the audit for greenhouse gas emission report of China in 2018. The Company submitted the carbon emission report to relevant regulatory authorities of the European Union and completed its performance and settlement. Based on the requirements on corporate carbon emission data management, the Company developed the monitoring and testing system for carbon emission from aviation fuel, participated in the testing of registration system of carbon emission of Chinese civil aviation and began the audit on carbon dioxide emission of civil aviation in 2019 and continuously paid attention to the progress of the formulation of the relevant rules and regulations for global aviation carbon emission reduction.
 2. Carrying out a comprehensive campaign against pollution. In 2019, the Company proactively implemented the first round and second round of investigation and studies under the Blue Sky Protection Campaign for civil aviation; appointed regional environmental inspectors and undertook self-investigation; developed the functional platform of monitoring energy consumption; and organized promotional activities in energy conservation and environmental protection in all aspects.
 3. Enhancing energy conservation and emission reduction. Firstly, the fleet is optimized continuously with the introduction of aircraft that are more environmentally friendly and perform better in fuel conservation such as B787-9, A350-900 and A320neo, the fuel efficiency of the Company's fleet is improved in general. Secondly, the fuel conservation measures are implemented continuously, resulting in accumulated saving of around 195,500 tons of aviation fuel and reduction of around 610,000 tons of carbon dioxide emission in 2019. Thirdly, the Company organized and commenced work in relation to the supporting fund for energy conservation and emission reduction and the Company was granted approximately RMB2,120,000 through proactive involvement in declaration.
 4. Improving the Company's energy and environmental protection system construction. Firstly, the organizational structure is optimized and a working team and office for energy conservation and ecological environment protection of the Company is formulated. Secondly, the accountability for appraisal for energy conservation and environmental protection is enhanced to improve the appraisal for daily monitoring and management indicators. Thirdly, the foundation for energy conservation and environmental protection works are consolidated in order to initiate the assessment for system construction.

The Detailed Working Rules of the Aviation Safety and Environment Committee are published on the Company's website www.ceair.com.

Internal Control System

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

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

Main Features of the Internal Control System

(1) Organizational Structure

The Group established the internal control working team in 2019, which is responsible for the organization and implementation of internal control appraisal of the year. The working team is led by the leader of the Group's auditing work during the year, and key staff of each operation unit is designated as team members.

(2) Work Arrangement

According to the internal control evaluation work arrangement of 2019, all units of the Company are arranged to carry out self-inspection on internal control, organize centralized on-site testing and collect daily inspection data of safety operation. Firstly, the Company's 14 functional departments, 12 secondary units, 10 branches and 9 subsidiaries (a total of 45 units) conduct self-inspection on internal control in accordance with the internal control evaluation program and based on their own business characteristics. Secondly, the working team selected 35 key units to conduct on-site testing on their key business processes. Finally, the working team collected and compiled the data on daily inspections and audits of safe operation of each unit as a key component of internal control evaluation.

It was determined that the internal control evaluation for the year focused on the Company's overall control process and 36 business control processes. The evaluation work for the year included a total of 313 business cycles and more than 4,600 odd control points in the financial report part, and 360 business cycles and more than 5,200 odd control points in the non-financial report part.

(3) Evaluation Work Organization and Safeguard Measures

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

Procedures used for Reviewing Effectiveness of Risk Management and Internal Control Systems and Resolving Material Internal Control Defects

During the assessment of internal control of the Group, all entities should strictly follow the principle of “immediate rectification”, immediately rectify the internal control defects identified, while formulate rectification plan for those internal control defects which cannot be rectified immediately for pushing forward the progress of rectification. For further implementation of rectification in internal control defects and enhance the optimization of internal control, upon the completion of defect identification, the Company has published the “Notice regarding implementation of rectification of internal control defects for year 2019”, required the relevant entities to formulate rectification measures for those defects with incomplete rectification, clarified the responsibilities and time limits for rectification, and diligently assigned the rectification works.

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

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

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

Investor Relations

The Company places emphasis on the communication with investors. Based on the Investor Relations Management System and the Detailed Implementation Rules for Management of Investor Relations, the Company further fosters corporate integrity and self-discipline, realizes standardized operation and ensures that the interests of its investors are protected through ways such as on-site communication, phone, fax and the internet to facilitate its communication with investors.

The Company places emphasis on the communication with investors and undertakes that the disclosure it makes is fair and the reports it provides are comprehensive and transparent. The routine communication of the Board with Shareholders is conducted through the Board secretary, representative of the Company’s securities affairs and investor relations staff.

The Company has drawn up and implemented the Investor Relations Management System and the Detailed Implementation Rules for Management of Investor Relations to clarify the basic principles and structure of investor relations management, as well as the details and duties of investor relations to further promote the Company’s integrity and operation in compliance to achieve the ultimate goals of maximizing corporate value and Shareholders’ interests and protect investors’ benefit. The Company has also drawn up and implemented the Information Disclosure Management System and has further improved the Company’s information disclosure system in order to ensure the accuracy, completeness and timeliness of information disclosed to the public.

In 2019, the Board secretary and the Investor Relations Department served a total of 146 analysts, fund managers and relevant intermediaries visits in 20 batches, and were invited to participate in forums organized by local and overseas organizations for 25 times and interacted with 516 investors on a one-to-one or one-to-few basis. The Company organized two regular road shows, one press conference, and four telephone conferences with the analysts regarding regular financial results and communicated with a total of 525 investors and journalists.

On 22 May 2019, the Company held the 2018 annual general meeting in Shanghai. On 31 December 2019, the Company held the 2019 first extraordinary general meeting in Shanghai. At the general meetings, each matter was proposed as an individual resolution and voted by poll.

Investors and the public may access the Company's website (www.ceair.com) and download related documents from the online database. The website also sets out details of each of the Group's operations. Announcements or other documents issued by the Company may also be downloaded from the website of the Company.

For any enquiries for the Board, Shareholders may contact the company secretary of the Company by telephone (8621-22330929, 22330930); e-mail at ir@ceair.com; or they may put forward their questions at the annual general meeting or extraordinary general meetings directly. In respect of the procedures for Shareholders to convene annual general meeting or extraordinary general meetings and propose resolutions, they may enquire with the company secretary of the Company through the aforesaid channels.

Shareholders may enquire related information and propose extraordinary resolutions with the Board Secretary or Representative of the Company's Securities Affairs through the following channels:

Board Secretary, Company Secretary	Wang Jian
Address	Board office, China Eastern Airlines Corporation Limited, 36 Hongxiang 3rd Road, Minhang District, Shanghai
Telephone	021-22330929
Fax	021-62686116
Email	ir@ceair.com
Representative of the Company's securities affairs	Yang Hui
Address	Board office, China Eastern Airlines Corporation Limited, 36 Hongxiang 3rd Road, Minhang District, Shanghai
Telephone	021-22330920
Fax	021-62686116
Email	davidyang@ceair.com

Business License Related Information

The unified social credit code of business license of the Company is 913100007416029816.

Changes in Constitutional Documents

Please refer to the Section headed “Report of the Directors – Significant Events” in this report for the details of amendments to the Articles during 2019.

On behalf of the Board

Liu Shaoyong

Chairman

Shanghai, the PRC

31 March 2020

Report of the Supervisory Committee

Dear Shareholders,

With the attitude of being responsible to all the Shareholders, the Supervisory Committee of the Company proactively launched its work, truly performed its duties of supervision and protected the legal interests of the Company and all the Shareholders in 2019 based on the PRC Company Law and the Articles.

Work of Supervisory Committee in 2019

1. Earnestly performing the supervision function

In 2019, the Supervisory Committee held 10 meetings to consider and approve 47 resolutions, including the 2019 Budgeting Proposal of the Company, the 2018 Financial Report of the Company, the 2020-2022 Proposal for Daily Connected Transactions of the Company. The Supervisory Committee focused on the supervision of legal operations, finance and connected transactions. In addition, the Supervisors also attended the general meetings, all meetings of the Board and important meetings of senior management to listen to the consideration of major resolutions and supervise the convening, voting and disclosure procedures of relevant meetings.

2. Amending the Rules of Procedures of the Supervisory Committee to adjust the composition of the Supervisory Committee

At the 30th meeting of the eighth session of Supervisory Committee held on 12 December 2019, the Resolution Nomination of Candidates for Supervisor of the Ninth Session of Supervisory Committee was considered and approved. At the 1st meeting of the ninth session of Supervisory Committee held on 31 December 2019, the Resolution on the Election of Chairman of the Eighth Session of Supervisory Committee of the Company, the Resolution on the Guarantee provided for Certain Wholly-owned Subsidiaries and the Resolution on 2019 Domestic and International Auditor's Remuneration of the Company were considered and approved.

3. Enhancing information communication and improving regulatory effectiveness

The Supervisory Committee has maintained sound communication and contact with external regulatory authorities, China Association for Public Companies, the Board, external lawyers of the Company and internal auditors of the Company. The Supervisory Committee keeps abreast of the latest regulatory requirements, is ready to receive supervision and guidance from regulatory authorities and coordinates the implementation of regulatory advice to ensure that the work of the Supervisory Committee can better meet regulatory requirements.

4. Strengthening the coordination mechanism and improving the "Three as One" combination

The Supervisory Committee strengthened the internal supervision coordination mechanism, and focused on integrating the supervision, internal audit and risk internal control supervision resources of the Supervisory Committee. Taking advice from the Annual Internal Control Evaluation Report, the Supervisory Committee focused on key areas of supervision, and promoted the establishment of internal control system from system design to organizational management, business process to control and headquarters management model to grassroots project units. Taking advice from the special assessments on internal control establishment and information system of major investment projects and network resource security as well as reporting on special inspection of high-risk businesses, the Supervisory Committee strengthened the Company's major risk management and control.

Independent Opinion of the Supervisory Committee

1. Opinion on the Legality of the Operation of the Company

In 2019, the Supervisory Committee monitored the procedures of convening the general meetings and Board meetings and their resolutions, execution of the resolutions passed in the general meetings by the Board, and execution of the resolutions passed in the Board meetings by the management. It is of the view that the Company has strictly complied with the PRC Company Law, the PRC Securities Law, the Shanghai Listing Rules, the Hong Kong Listing Rules, the Articles and other regulations in drawing operational decision making, monitored its operations based on law, continuously optimized the internal control system and further enhanced its corporate governance standards. The Directors and the senior management of the Company were able to protect the interests of the Shareholders and the Company as a whole and carry out their duties with dedication. The Supervisory Committee did not discover any of their actions that in any way violated laws, regulations, or the Articles or were prejudicial to the interests of the Company.

2. Opinion on the Financial Position of the Company

The Supervisory Committee seriously reviewed the Company's 2018 financial report, 2018 profit distribution proposal, 2018 annual report and 2018 financial audit report issued by the PRC and international auditors expressing unqualified opinions. The Supervisory Committee considered that the Company's 2018 financial report truly reflects the financial position and operating results of the Company for the reporting period. The Supervisory Committee agreed to the Company's 2018 financial audit report issued by the auditors and the Company's 2018 profit distribution proposal.

3. Opinion on Connected Transactions of the Company

In 2019, the Supervisory Committee conducted examination on the resolution in respect of the connected transactions of the Company. After the review conducted on all connected transactions of the Company in 2019, the Supervisory Committee is of the view that all contracts, agreements and other relevant documents related to connection transactions of the Company complied with legal procedures, and the terms of the transactions were fair and reasonable to the Company and the Shareholders as a whole. The connected transactions were dealt with under stringent principles of "fairness, impartiality and transparency". The Supervisory Committee did not discover any acts of insider trading or breach of good faith by the Board in decision making, agreement signing and information disclosure.

4. Opinion on the Internal Control of the Company

The Supervisory Committee has duly reviewed the Assessment Report of the Company's Internal Control for the year 2018 and has no objection with the self-assessment report. The Supervisory Committee has also seriously reviewed the internal control audit report issued by the auditor. The Supervisory Committee considers that the Company has a developed internal control and regulation system in place and the implementation in actual circumstances is satisfactory.

On behalf of the Supervisory Committee

Xi Sheng

Chairman of the Supervisory Committee

Shanghai, the PRC

31 March 2020

Social Responsibilities

The Group insisted on the five development visions of “Innovation, Coordination, Green Development, Openness, Sharing”, integrating social responsibilities into the traditional core scopes of the Company’s management in terms of aviation safety, traveler’s services and staff development. The Group actively engaged in economic, social and environmental responsibilities, and continued to deal with environmental and social issues such as climate change, sustainable use of resources and targeted poverty alleviation.

Major Awards Obtained in 2019

During the Reporting Period, the performance of the Group’s social responsibilities management was satisfactory and received wide recognition from society. Major awards related to social responsibilities are as follows:

Name of the award	The awarding institutions
Global 500 (four consecutive years)	Brand Finance, a renowned British brand appraisal institution
BrandZ Top 50 Chinese Brands (eight consecutive years)	WPP, the biggest global brand communication group
Silver Award (Film and TV advertising)	The China International Advertising Festival
“New Era, New State-owned Enterprise” Image Contest — Award of the Best Organisation	SASAC
“New Era, New State-owned Enterprise” Image Contest — H5 Award (second tier)	SASAC
“New Era, New State-owned Enterprise” Image Contest — Award of short videos (third tier)	SASAC
Asia Microfilm Art Festival (Lincang) in 2018	China TV Artists’ Association
Civil Aviation Innovative Broadcasting Award in 2018	CAC
The Most Influential Douyin id of Centralised Enterprises in 2018	SASAC
The Best Administration Unit of Centralised Enterprises in 2018	SASAC
The Most Influential New Media Account Award of Centralised Enterprises in 2018	SASAC
Classical Branding Story of Centralised Enterprises in 2018	SASAC
“Structuring the Country, Striding over the New Era” — Outstanding Promotional Video of Centralised Enterprises (The Best Video of Stories)	SASAC

Social Responsibilities

Name of the award	The awarding institutions
“Structuring the Country, Striding over the New Era” — Outstanding Promotional Video of Centralised Enterprises (The Best Film Editing for Promotional Video)	SASAC
“Structuring the Country, Striding over the New Era” — Outstanding Promotional Video of Centralised Enterprises (The Best Vlog)	SASAC
The 6th “China Dream, Beauty of Works” Mini Film and TV Contest of National Workers — Golden Award	All-China Federation of Trade Unions
The 13th Observation and Exchange of Educational TV Films among Communist Party members — Second-tier Award	Department of Organisation in Shanghai
The 5th “Good News of State-owned Enterprises” Sanwei Production — Third-tier Award	SASAC
The 4th “Five Hundred” Best of Positive Power in Network: Award for Written Creation of Positive Power	Cyberspace Administration of China
China Brands of “Model 100”	China Brand’s Ceremony of the Great Nation in 2019

Poverty Alleviation:

Targeted Poverty Alleviation Plans

In 2019, the Company and CEA Holding, a controlling shareholder, closely focused on the targeted poverty alleviation through traffic, industry, education and health by synchronizing the industry characteristics and our own strengths. In particular, the poverty alleviation efforts were sustained in order to strengthen the results even after the designated poverty alleviation areas in Shuangjiang County and Cangyuan County of Yunnan Province has proclaimed its success in poverty elimination; meanwhile, the Group fully played to its comprehensive advantages as a large-scale state-owned enterprise by mobilizing, integrating and bringing together the resources of the Company, while synchronizing, organizing and driving the power of various kinds from society domestically and internationally, so as to proactively contribute to lead the region from poverty to wealth and develop the economy and society, thereby demonstrating the accountability as a centralized enterprise. In 2018, the Group obtained the highest recognition by the country for its poverty alleviation efforts.

Summary of Targeted Poverty Alleviation for the Year

The Company and CEA Holding, a controlling Shareholder, made the overall deployment and organised targeted poverty alleviation work. In 2019, CEA made immense efforts in improving infrastructure construction in poverty-stricken areas, promoting the development of characterized industries, improving the level of basic education, bringing job opportunities to the poor, strengthening medical poverty alleviation, disaster relief and charity, while making positive contributions to the poverty alleviation work in designated poverty alleviation areas in Shuangjiang County and Cangyuan County of Yunnan Province. In 2019, CEA directly invested RMB18,251,700 in poverty alleviation, with cumulative supplies and resources for poverty alleviation amounting to approximately RMB0.38 billion, while bringing capital of RMB0.2 billion from society. After continuous efforts, both Shuangjiang County and Cangyuan County of Yunnan Province under designated poverty alleviation by CEA, along with the 9 villages under designated poverty alleviation by subsidiaries of the Company have succeeded in poverty elimination. In 2019, the major poverty alleviation works of CEA were as follows:

The first work is poverty alleviation through aviation and network. Leveraging on the edges as an airline, CEA actively promoted local industry development. Leveraging on the advantages of CEA in relevant areas such as aviation food, advertising and media, ticketing and travelling, finance and hotels, the Group advertised and promoted local tourism industry. The Group integrated various resources such as consumer market, investors and technical support to encourage local characterized industrial development including fruit, forest, planting and breeding. CEA increased the capacity of routes for poverty alleviation, with flights from Kunming to Cangyuan increased to 14 flights from 10 per week, and launched the fixed daily Kunming-Lincang-Shenzhen route. As of 2019, CEA has had its flights land on airports in 68 impoverished areas, with extended coverage to 352 impoverished counties and 590,000 cumulative movements, which fueled the local economic developments by building up an effective air traffic way for the poverty areas.

The second work is poverty alleviation through industry. CEA cooperated with Li-Ning Sports Goods Co., Ltd. to provide hardware and technical support to Barao Ethnic Costume Company in Cangyuan County, an aided entrepreneurship base for the disabled, to help the development of clothing industry in Wa Township from Dashan. CEA created the poverty alleviation mechanism in designated counties, with which 8,746 tea farmers were benefited from the industry; CEA was listed on the Shanghai Stock Exchange, and it implemented the project of "future + insurance" for rubber in Cangyuan, which directly aided 4,613 rubber farmers from 1,155 families.

Social Responsibilities

The third work is poverty alleviation through medical services. In 2019, CEA coordinated with China Foundation For Poverty Alleviation and jointly put forward the “Ceiling-Beam-Pillar Plan” top-up in-patient and medical insurance for poverty population aged 18–60 who were registered in files in each of Cangyuan and Shuangjiang Counties, by which 47,421 poverty population registered in files were directly benefited; CEA proactively initiated quality medical resources and facilities, and commenced free diagnosis and mentoring activities in Cangyuan; CEA liaised with China Poverty-alleviation Promotion of Volunteer Service in order to introduce the “Bright Poverty Alleviation Work” to Cangyuan County, and provided free treatment for patients with cataract who were registered in files of Cangyuan County, while improving the living standard of local residents and their overall health condition; as far as safe water consumption is concerned, the original source of drinking water supply in Banhong Township was exhausted, and serious damages were found in pipelines of water supply, resulting in transportation distance of 5 kilometres is needed for household and school consumption of water. To this end, CEA invested RMB10,779,200 in total to commence the construction work for drinking water supply to village residents, which was scheduled to complete in May 2020, with 3,862 persons from 635 families directly benefited.

The fourth work is poverty alleviation through education. CEA centralised resources and power from various parties in society, and invited famous foreign commercial partners to leverage their own strengths and join hands to start poverty alleviation activities. The project of “Dashan Dream — Studies in the Netherlands” subsidized 10 students and 2 teachers in each of Cangyuan and Shuangjiang Counties to travel abroad to the Netherlands for research and learning, thus helping children to go abroad from mountainous area and the country, and broadening their horizons for internationalization. The funding of RMB200,000 from the project of “Love at CEA-Dream of Education Comes True With Financial Aid” was allocated to help poor students registered in files; the project of “Dashan Dream — CEA Shuangjiang Ambitious Class” injected RMB8,700,000 to finance the construction of campus building of Shuangjiang No. 1 Middle School, while introducing professional education institutions and education experts to carry out targeted poverty alleviation, where mutual exchange among students and teachers from two schools were organised so as to stimulate the inborn motivation for learning and enhance the education standard in Shuangjiang No. 1 Middle School; CEA commenced various charitable activities for education in two counties by aligning other powers in society; CEA organised training classes for poverty alleviation through rural industry in Zhejiang for 65 tier-three cadres in total from counties and townships and the wealthy leader of industries in Cangyuan and Shuangjiang, in order to explore potentials for development and gained positive effects.

The fifth work is poverty alleviation through talents and employment. CEA launched an poverty alleviation plan through employment together with Shuangjiang County and Cangyuan County, in which CEA Yunnan and Eastern Air Catering Company were demonstration points for poverty alleviation through employment. Based on the original targeted recruitment for pilots, flight attendants and ground service personnel, the Group opened up a new channel for local employment and poverty alleviation. The local government recruited, selected and trained workers from registered impoverished households and poor households who met the employment standards of CEA in an organised manner. CEA selected and assigned 71 outstanding cadres for poverty alleviation and introduced the advanced philosophies and working approaches to the frontier for poverty alleviation, thereby addressing the issues of poverty elimination and development in areas needing poverty alleviation. The staff of CEA made further steps into points of poverty alleviation, by which 3,000 copies of books were donated to Cangyuan Ethnic Primary School, and “Eastern Campus Bookstore Cloud” was set up. “One-on-one” matching was carried out among numerous staff members of CEA and poverty students.

Effects of Targeted Poverty Alleviation Work in 2019

Unit: RMB ten thousand

Indicators	Quantity and commencement situation
I. Overall situation	
1. Capital	1,825.17
2. Supplies converted in cash	
3. Number of registered impoverished people for poverty elimination (person)	11,343
II. Sub-item investment	
1. Poverty elimination through Industry Development	
1.1 Type of poverty alleviation through industry projects	Poverty alleviation through agricultural industry
1.2 Number of poverty alleviation through industry projects (unit)	3
1.4 Number of registered impoverished people for poverty elimination (person)	10,045
2. Poverty elimination through Occupation Shift	
2.2 Number of people under occupational skill training (person)	583
4. Poverty Alleviation through Education	
4.1 Amount invested to subsidize poor students	82
4.2 Number of subsidized poor students (person)	155
4.3 Amount invested to improve education resources in poverty areas	870
9. Other projects	
9.1 Number of projects (units)	1
9.2 Amount invested	877.92
9.3 Number of registered impoverished people for poverty elimination (person)	729
9.4 Other project description	Implementation of construction project for drinking water in Banhong Township, Cangyuan County, in order to address the safety issue of drinking water in villages
III. Awards received:	
The highest ranking of recognition in examination conducted for poverty alleviation works in designated areas by the centralised unit in 2018	

Subsequent Targeted Poverty Alleviation Plan

The year of 2020 is the year of finale for critical completion of building up a moderately wealthy society, winning in fighting for the targeted poverty alleviation and realisation of the “13th Five-Year Plan”. The year of finale for poverty elimination and hardship eradication coincides with the epidemics of novel coronavirus, and CEA has attached utmost importance to the issues of poverty recurrence and unemployment resulting from the epidemics in areas of designated poverty alleviation, so as to minimize the impacts on the effectiveness of the poverty elimination and hardship eradication efforts due to the epidemics.

CEA will continue to adhere to targeted poverty alleviation and targeted poverty elimination, while strengthening the philosophy of “high quality, high standard, sustainability” in order to develop the projects of poverty alleviation in an in-depth, delicate and practical manner. Combining poverty alleviation with courage motivation (扶志) and know-how cultivation (扶智), the Group will focus on poverty alleviation through aviation industry, education resources and healthcare, housing security for poor households and endogenous motivation for poverty elimination. Ongoing trainings for entry-level cadres and technicians will be carried out, aiming at reinstating the effectiveness of poverty elimination, fulfilling the mission of poverty elimination with high quality and realizing the poverty elimination in a sustainable and established manner. In doing so, an effective, unique, characterized and reproducible model for poverty alleviation by CEA is thus formed. Together with promotion and advertisement, the contributions to the poverty alleviation and hardship eradication in the country as well as the poverty minimization in the world can be assured.