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Stock code : 2610

The date of publication: MAR 28, 2022

CHINA AIRLINES

2021 ANNUAL REPORT



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(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Letter to Shareholders

1.1 Operating Performance in 2021

1.2 Business Plan for 2022

1.3 Development Strategies

1.4 The Effect of External Competition, Legal

Environment, and the Overall Business Environment

I. Letter to Shareholders

The pandemic has been impacting the global economy and industries since 2020. Despite declining demands for air travel and emerging COVID variants stalling business recovery, CAL remained committed to improving safety and reliability, becoming one of the few profiting airlines.

Employees are our greatest competitive edge, and they have worked together to continuously endeavor with improved efficiency in times of great challenges. Operations integrated passenger and cargo capacity by increasing cargo capacity and prioritizing deployment in niche routes with higher revenue. This allowed us to seize peak season opportunities, generating stellar performance during the pandemic.

Against the backdrop of special shipment in pandemic times, CAL is the first CEIV-certified Taiwanese airline. In addition to delivering Taiwan's purchase of COVID vaccines, we also secured entrepôt businesses and shipped over 75 million vaccines weighing over 350 tons to Southeast Asia and Oceania, epitomizing the fulfillment of social responsibility and the spirit of humanitarian relief.

Apart from COVID-related shipments, we also took up the responsibility to maintain economic momentum and deliver necessary goods from automotive components and semiconductor chips to vehicles and semiconductor equipment. We have kept up with market trends and swiftly managed workers and their schedules, increasing freight profits.

Due to the trend of high-performance oil-saving aircraft, Airbus A321neo has been gradually replacing Boeing 738 since 2021. The delivery of 777F cargo jets at the end of 2020 coincided with the peak of global air cargo traffic, and the freighters became a major profit earner.

CAL is the first airline in Taiwan and the second globally to be double certified in the environmental management system (ISO 14001) and energy system management (ISO 50001). We exceeded our carbon reduction targets with flying colors and passed the highest greenhouse gas verification standards in 2021, fully conforming to the benchmarks of sustainable development and governance for international enterprises. Now, we have set the goal of "net-zero carbon emissions" for operations by 2050. We look forward to working with the government, air traffic control authorities, oil companies, ground operators, and other aviation industry stakeholders on a sustainable and internationally competitive environment.

CAL promotes the sustainable development of the environment, society, and corporate governance. We were ranked Silver Class in aviation in the S&P Global Sustainability Yearbook in 2021 and included in the Dow Jones Sustainability Indices (DJSI) components for six consecutive years. We were selected as a component in the Dow Jones Sustainability Emerging Markets Index (DJSI) for six consecutive years and listed as an FTSE4Good Emerging Index component for six consecutive years. And lastly, we also received the Taiwan Corporate Sustainability Award (TCSA) for eight consecutive years and the Global Corporate Sustainability Award (GCSA) for three consecutive years.

Looking ahead to 2022, China Airlines will continue its excellent management flexibility and flexible operation capabilities to respond to the ever-changing market trends and strive to develop all aspects of ESG to become a leading enterprise for sustainable development.

1.1 Operating Performance in 2021

Operating revenue in NT dollars (and hereafter the same) was NT\$132.14 billion, a 24.28% increase over the past year, and the after-tax net profit was NT\$9.38 billion, which is an increase of 9.24 billion over the last year, for a basic after-tax net profit of NT\$1.67 per share.

1.1.1 Results of the business strategy

A. Fleet:

One 777F cargo aircraft was introduced in the first quarter and two A321neo passenger aircraft were introduced in the fourth quarter of 2021 to optimize the fleet structure. As of the end of December 2021, our fleet size was 92 vessels, including 68 passenger aircraft (and leased aircraft) and 24 cargo aircraft.

B. Passenger flights:

Revenue from passenger business was NT\$3.434 billion, an 83.26% decrease over the past year and accounted for 2.60% of total operating revenue. As of the end of 2021, the China Airlines Group flew to 23 countries and 72 passenger destinations, spanning Asia, Europe, the Americas, and Oceania. On average, there were 91 round-trip flights per week.

C. Cargo flights:

Revenue from the cargo business was NT\$124.249 billion, an 52.09% increase over the past year, accounting for 94.03% of total operating revenue. As of the end of 2021, the China Airlines Group flew 21 cargo planes in cargo operations to 17 countries and 39 destinations. The average number of flights per week was about 117 and the number of cargo flights using passenger planes per week was over 250.

D. Other operating income:

Other operating revenue included in-flight duty-free sales revenue, totaling NT\$4.457 billion, an 8.02% increase over the past year, and accounting for 3.37% of the total operating revenue.

E. Investments and earnings:

As of the end of 2021, the Company had investments in a total of 31 companies in various businesses, such as air business, ground services, logistics, aircraft maintenance, air cargo station business, etc., which contributed to NT\$3.585 billion in loss over the year.

1.1.2 Business cash-flow budget and profitability analysis

A. Cash flow:

Operating revenue was NT\$132.14 billion, an increase of 25.813 billion over last year.

Operating costs and expenses were NT\$112.82 billion, an increase of NT\$11.378 billion over last year.

Pre-tax net profit was NT\$11.974 billion, an increase of NT\$11.803 billion over the past year.

After-tax net profit was NT\$9.38 billion, an increase of NT\$9.24 billion over last year.

B. Budget execution:

The projected operating revenue was NT\$111.931 billion, and the actual operating revenue was NT\$132.14 billion, with a 118.05% attainment. Projected operating costs and fees were NT\$107.945 billion, and actual operating costs were NT\$112.82 billion, at a spending rate of 104.52%. Projected losses from non-operating activities totaled NT\$3.639 billion, with actual losses from non-operating activities at NT\$7.346 billion. The projected annual pre-tax net profit was NT\$0.347 billion, and the actual pre-tax net profit was NT\$11.974 billion.

C. Profitability:

Return on assets	4.18%
Return on equity	14.25%
After-tax profit margin	7.10%
After-tax earnings per share	NT\$1.67

1.1.3 Research and development

A. Cabin of the new A321neo fleet

The first A321neo was delivered in November 2021, featuring a 12-seat full flatbed business class and a spacious 168-seat economy class for a total of 180 seats. The A321neo is equipped with high-speed Internet access and the latest, industry-leading in-flight entertainment systems with 4K monitors and support for passengers' Bluetooth earphones.

The oriental-themed cabin was designed jointly with a renowned design studio incorporating humanistic aesthetics. Cabin equipment highlights our competitive advantage and strengthens brand differentiation to build a deeper emotional connection with passengers. Moreover, fleet renewal and network refinement foster operational advantages and profit opportunities.

B. 738 in-flight entertainment system upgrades on regional routes

Starting 2020, the Company has been working on optimizing the in-flight entertainment system of the 738 fleet with the Wireless Entertainment System, allowing in-flight entertainment on mobile devices. This will improve cabin service and reduce the variations in in-cabin entertainment. We have therefore gained competitiveness with improved cabin services and narrowed variations in in-flight entertainment. Passengers can safely enjoy their flights in the post-pandemic world as frequencies to touch equipment are lessened. The platform was completed at the end of 2021 and is expected to be officially launched in the first quarter of 2022.

C. Travel Information optimization

Air travel was continuously affected by COVID-19 in 2021. The CAL website focused on pandemic information and maintaining customer relations to better serve passengers. Pandemic information and services were integrated on a single platform, providing passengers with immigration information, PCR testing hospitals, quarantine hotels, quarantine taxis, and other information. As for customer relations, notifications were optimized for pre-departure information and incomplete ticket purchases. Regarding online payment, the website now uses 3D Secure 2.0 from 1.0 in compliance with EU regulations to comprehensively secure transactions between consumers and sellers.

D. Digitized and diversified customer service

Customer Relationship Management (CRM) project puts passengers' travel experience in mind and offers pleasurable digitized services. We

reviewed each step from tickets, preparation, and checking in to landing. Furthermore, we built comprehensive, digitized, and passenger-oriented services. The services include travel information on the mobile app, friendly airport and in-flight services, and swift support in the event of a flight change.

To protect membership rights during the pandemic, CAL continued extending the validity of Dynasty mileage, cabin upgrades, international flight tickets as well as domestic flight tickets. Additionally, to increase mileage value and applicability, our annual focus was to expand mileage redemption venues, including two-way redemption and collaboration with convenience stores and the hospitality industry, and to diversify the variety of low-mileage awards.

The Company also improved user experience in terms of membership. Now customers can sign up for membership in 1 minute on our website and on A321neos. We integrated cross-platform marketing messaging in 2021 to interact with members, corporate members, and non-members effectively while complying with privacy regulations.

E. The theme of information development in 2021 was to “prioritize foundations and complement them with innovation.” We fortified core systems and infrastructure, bolstered information security management and risk control, and developed innovative applications where appropriate, including “customer relationship management, business intelligence decision-making analysis, mobile/self-service, biometric, AI/immersive technology, robotic automation, and pandemic technology,” to increase revenue, reduce costs. All these allowed us to continuously improve operation and competitive advantages.

1.2 Business Plan for 2022

Strict border restriction policies by governments for halting the spread of the virus have made the recovery of air travel less than expected. The demand for air travel in 2021 was only 24.5% of that in 2019. In 2022, with high coverage of the vaccination, the pandemic is under control. Border restriction is expected to be gradually relaxed, and it is expected that the number of passengers from the sixth freedom routes to Southeast Asia and North America will increase compared to 2021. With the launch of the new A321 aircraft, we will compete for high-yielding passengers on the third and fourth freedom routes, optimize regional route products, and strengthen the network layout.

Global cargo volume is expected to maintain steady growth in 2022, with priority given to high-value charter flights and emergency projects to increase unit revenue and load factor. China Airlines will continue to optimize its network and capacity, develop potential markets, enhance belly cargo capacity, and improve the quality of its cargo services to increase our overall cargo revenue.

1.2.1 Passenger service

Other than the normal operations of important routes and flights, China Airlines will keep following border policies around the world and the development of travel bubbles in Asia-Pacific countries to resume more passenger flights and grasp more opportunities.

After the market recovers, China Airlines will enter deep into the major markets, reinforce the role of Taoyuan International Airport as a major hub in the Asia-Pacific region, and strengthen the transfer capacity in the aviation network. China Airlines will continue to work with other airline companies to boost overall performance. Meanwhile, China Airlines will keep track of the market trend and follow the diplomatic policies of the government to adjust the aviation structure. By evaluating the market potential and adding more flights, China Airlines will remain steadfast as a leading carrier.

A. Northeast Asian routes:

With the gradual recovery of the air travel market, China Airlines has gradually resumed its main routes between Taiwan and Japan, including Taoyuan - Narita, Nagoya, Osaka, Fukuoka and other passenger services. We are also planning to resume passenger service between Songshan and Haneda with the new A321neo aircraft from May to actively prepare for the post-pandemic travel market between Taiwan and Japan. In addition, the route of Taoyuan - Seoul between Taiwan and Korea will still remain. We will closely observe the market changes and adjust flight planning under the border control regulations of each country.

B. Southeast Asian routes:

Due to Taiwan's economic growth and the development of technology industries, the demand for labor immigrants continues to thrive this year, and all routes are planning to increase flights between Taiwan and countries in Southeast Asia. Meanwhile, depending on Taiwan's border control policy and the relaxation of restrictions on connecting flights to Taiwan, China Airlines will lay out the opportunities for the convergence of regional flight networks of Europe, the United States, and Southeast Asia. Besides, for the successful launch of the Travel

Bubble to Palau last year, the operation will be restarted and stabilized depending on the status of the pandemic.

C. Cross-strait routes:

As the policy of restricting the number of cross-strait destinations continues, passenger flights will only operate in Beijing, Shanghai, Xiamen and Chengdu, complying with the current policy of mainland China. Due to the pandemic prevention policy and the low demand for corporate travel, China Airlines will continue to gradually expand its frequency and capacity in accordance with the demand. The number of flights to Hong Kong will also be gradually increased to expand the market share.

D. Long-haul routes:

China Airlines will maintain the Los Angeles/Ontario, San Francisco, and Vancouver routes and plans to resume operations on the New York route in the mid-year to meet the demand of students and visitors.

E. European routes:

China Airlines will maintain passenger flights operations on its Frankfurt, Amsterdam, and London routes and continue to increase our market share in the Taiwan - Europe from the third and fourth freedom routes and strengthen our sales to Southeast Asia and Oceania at its European stations to boost our revenue performance and increase earnings. Furthermore, we expect to resume the operation of Vienna flights from April and to resume the operation of additional passenger flights in accordance with the border control and pandemic prevention policies.

F. Australia and New Zealand routes:

China Airlines will maintain its competitive edge by maintaining flights to Sydney, Melbourne, Brisbane, and Auckland. We will actively seek to strengthen our travel services in the bidirectional connections market among New Zealand and Europe as well as North America and Northeast Asia.

1.2.2 Cargo Service

China Airlines provides differentiation services by utilizing Boeing 747-400F cargo-only freighters to load large cargoes. Meanwhile, fuel-saving Boeing 777F freighters are deployed to improve revenue management. China Airlines attained many opportunities by holding the CEIV Pharma certification. It will continue to provide mid- and long-term chartered flight services and provide customized regular/irregular charter services.

A. Long-haul routes:

China Airlines plans 52 flights per week, continues to propose customized services to meet customer needs, and adjusts the aviation network for additional flights and charter flights to reach a target of 53-55 flights per week to improve overall revenue. Moreover, with the introduction of two new Boeing 777F in 2022, we will expand the scale of long-haul routes based on market demand and overall capacity.

B. European routes:

China Airlines plans 6 flights per week. However, in order to meet market demand and stabilize revenue, we will increase the number of flights to Frankfurt, Amsterdam, and London to make full use of passenger aircraft's belly hold cargo capacity for cargo-only services. Also, we will gradually resume freighter flights to Frankfurt and Amsterdam, depending on the pandemic's situation and the capacity of crew in Europe. Due to the newly acquired fifth freedom routes for cargo to Germany, we will be able to seize the opportunities to extend our businesses in Europe and adjust passenger and cargo capacity and aviation network according to the market demand as well as to make use of the stopover of Delhi and Mumbai in India to achieve two-stage revenue benefits.

C. Regional routes:

China Airlines plans to offer 70 flights per week. In response to the route layout and configurations for dual flights in Europe and the United States, we will make the most of the demand for urgent cargo and high-priced charter flights, growth in cargo sources for medical supplies, components, shipments generated from e-commerce, information and communication, and stay-at-home economy. We will therefore increase the cargo capacity in Bangkok, Singapore, Penang, Ho Chi Minh City, and Hanoi, making full use of passenger's belly hold cargo capacity and increasing the flights of cargo-only passenger to expand the scale of operations in Southeast Asia. In addition, for the cross-strait cargo aircraft route, we will continue to use the cross-strait traffic rights and capacity for cargo. For Hong Kong and Northeast Asia, in addition to maintaining 19 and 5 flights per week, we will strive to secure non-regular charter flight businesses and develop high-priced sources of goods.

1.3 Development Strategies

1.3.1 Optimize fleet scale and improve aircraft assets

China Airlines has been optimizing the fleet team by retiring Boeing 747-400 and introducing the next-gen passenger aircraft, Airbus A321neo, in 2021. For cargo aircraft, six Boeing 777F are planned to be delivered before 2024. The new aircraft feature low fuel consumption. They are more environmentally-friendly as less CO₂ is emitted. Their higher quality

lowers unit costs, improves airline performance, and strengthens overall competency.

1.3.2 Maintain inter-airline collaborations for promoting contactless services together

China Airlines is the first airline in Taiwan to join the global aviation alliance. Currently, we have cooperated with 23 airlines in code-sharing, ranking first among all Taiwanese airlines. In addition to self-owned routes, China Airlines actively penetrates the market through aviation alliances, providing more convenient and complete services. In response to the new services trend for the pandemic, we continue to work with SkyTeam to develop contactless services to optimize the airport check-in process and reduce human contact during the transfer process, creating a safer journey and enhancing passengers' confidence in air travel.

1.3.3 Flexible sales strategy for passenger and cargo flights to increase revenue

Depending on the overall economy, market demand, and the pandemic's condition, China Airlines can flexibly adjust the capacity of passenger and cargo aircraft to maximize operational efficiency. The regional routes will be operated by the new A321neo aircraft to improve the competitiveness of the product, and we will gradually restart or add new destinations or flights and any other adjustments, depending on the pace of lifting border control. As the cooperation with joint ventures has been deepened in long-haul routes, we continue to strengthen the network layout and maintain our leading position in the market.

Cargo flights are powered by fuel-efficient 777F and the world's largest fleet of 747F. We continue to improve cargo capacity and revenue management to increase cargo revenue and to flexibly adjust our capacity and pricing strategies, leveraging our advantage in Taiwan to seize trans-shipment opportunities.

1.3.4 Improve revenue management and charter flight business and promote high growth cargo sources

China Airlines will continue to improve revenue management. Regarding the different transportation needs of special cargo, such as time limit, volume, and special loading procedures, we will continue to enhance price differentiation and increase the added value of transportation services by utilizing the advantages of large cargo loading and professional services of our Boeing 747-400 all-cargo aircrafts. In addition, we will continue to promote the bidding mechanism for cargo space to increase unit revenue. With the Boeing 777 freighter's fuel-efficient and high-performance advantages, it will further enhance the cargo operations for creating more revenue.

1.3.5 Deepen collaborations with inter-airline express delivery companies

China Airlines has maintained its collaborations with UPS, DHL, FedEx, and other international express delivery companies to strengthen partnerships with Japanese and American airlines in the Asian region, deepening collaborations with inter-airline express delivery companies to expand our business scale.

1.3.6 Continue to promote cold chain cargo

Temperature-controlled containers play a critical role in the transportation of vaccines and various pharmaceuticals. In 2021, China Airlines carried more than 1,200 temperature-controlled cabinets, with a total weight of about 1,900 tons. Due to the impact of the pandemic, flights were drastically reduced and freight seats were relatively limited. However, after the Covid-19 vaccines were introduced, cold chain transportation became the target of airlines in various countries. In 2021, the number of China Airlines' temperature-controlled containers was up by 53% compared to the same period in the previous year. Not only did we undertake many donations from the United States and self-purchased vaccine delivery missions in Taiwan, but we also successfully completed many trans-shipments of COVID-19 vaccines to Southeast Asian countries (i.e., the Philippines and Malaysia). Excluding the number of vaccines donated by various countries, more than 80% of the COVID-19 vaccines purchased by Taiwan were carried by us.

1.3.7 Digitalization as the benchmark in the industry

China Airlines encourages customers to sign multilateral environmental agreements (MEAs) and continues to promote E-air Waybill, exchanging information with contractors through EDI (Electronic Data Interchange), which reduces operational costs for airlines and contractors and avoids delays caused by input errors and missing documents.

1.3.8 Continue to optimize the cargo delivery system

For the convenience of customers, several manufacturers have developed tracking devices attached to the cargo that can transmit messages, such as location and temperature/humidity in real time. In light of this trend, since 2016, China Airlines has actively assisted our suppliers to apply for equipment verification from the CAA. On March 31, 2021, the CAA agreed to add three devices, CalAmp SC1004, and Tive TT-7000/TT-7100. For high-priced, sensitive cargoes, the entire delivery process is effectively monitored and owners can receive real-time information of their goods, which is then tracked by the industry's IoT network to provide a full record of the entire process.

1.3.9 A new cargo operation and management system

China Airlines will replace the existing cargo management system and introduce the industry's latest digital solutions based on SaaS architecture and API communication. The introduction of the new-generation digital system will significantly improve the efficiency of decision making, real-time information exchange and mobility. This will enhance overall customer experience and deepen our global brand leadership in cargo transportation. We also hired a professional consultant from the International Air Transport Association (IATA) to assist us in selecting the most suitable future system vendor. The whole project is expected to confirm the system vendor and carry out system implementation in 2022, and the new system will be built and fully launched according to the schedule.

1.3.10 A new model with new generation cargo loading system

The introduction of A321neo passenger aircraft also further optimizes the competitiveness of inter-regional cargo. The A321neo passenger's belly hold is equipped with a flexible cargo loading system to load cargo in pallets, which effectively saves manpower, shortens transit time, protects cargo and passenger baggage, and facilitates the loading of heavy cargo; in addition, the belly hold can be configured for bulk cargo as well for greater flexibility depending on local airport requirements. The new A321neo is expected to increase cargo capacity by 10-20% compared to the 738, which will enhance our cargo operations.

1.4 The Effect of External Competition, Legal Environment, and the Overall Business Environment

In January 2022, IHS Markit announced a forecast for global economic growth of 5.6% in 2021. The ongoing changes in the global pandemic have triggered a multifaceted transformation process, including the pandemic becoming a common influenza, shifting to tighter fiscal and monetary policies, and energy transitions, which is expected to slow economic growth by 4.2% in 2022.

Rising inflationary pressures in developed economies and in some large developing countries pose additional risks to the economic recovery. Taiwan is facing the potential risk of being marginalized under regional economic and trade integration. The rising tensions between Russia and Ukraine, the Sino-Indian border confrontation, and the South China Sea dispute are also exacerbating global geopolitical tensions.

Since May 19, 2021, Taoyuan Airport has been suspended from transit passengers to meet pandemic-prevention regulations of the Central Epidemic Command Center, and since then, it has not been opened yet. The transfer business opportunities are under pressure to recover. In response to the rise of foreign and low-cost airlines and national airlines, we have been gradually expanding regional routes with the new A321neo high-efficiency and fuel-efficient aircraft and are actively evaluating new wide-body passenger aircraft to improve overall operations.

Global port congestion and container shortages still remain unresolved, and the increasing volume of cargo shifting from sea to air is causing a higher demand for air cargo business. As the world's fifth largest air cargo airlines, we continue to plan for the introduction of a fleet of 777F freighters in line with network development, market trends, and aircraft replacement schedules for enhancing cargo capacity.

In the face of economic volatility, carbon neutrality trends, and higher cost pressures from aviation quarantine rules for safety and health, China Airlines is dedicated to corporate sustainability, taking the initiative to assess risks and formulate response strategies. We garner proactive & sustainable governance with "rolling-wave" management that follows the market and international norms to grow in adversities.

Chairman: Hsieh, Su-Chien

President: Kao, Shing-Hwang

Finance Manager: Chen, I-Chieh

Company Profile

2.1 Date of Incorporation

2.2 Company History

II. Company Profile

2.1 Date of Incorporation

September 7, 1959

2.2 Company History

1959: China Airlines (CAL) was founded by 26 retired members of the Air Force with TWD 400,000 in capital. The Company flew charter flights using two rented PBY seaplanes.

1961: Provided military supply transport to Laos.

1962: Flew special cargo missions for the Vietnamese government and USARV. Inaugurated the first domestic route from Taipei to Hualien.

1966: Inaugurated the first international route from Taipei to Saigon (now Ho Chi Minh City), marking CAL's official start in international aviation.

1967: Inaugurated Northeast Asia routes.

1970: Developed trans-Pacific routes to explore the US market.

1976: Inaugurated Middle East and Saudi Arabia routes.

1978: Invested in Taoyuan International Airport Services Co., Ltd.

1980: Invested in Dynasty Holidays, Inc.

1983: Expanded European routes.

1986: Divided the Operations Division into Passenger and Cargo Divisions to expand operations.

1988: Twenty-seven shareholders gifted shares to establish the China Aviation Development Foundation, transferring the rights of supervision and management to the society.

1989: Invested in Hwa Hsia Co., Ltd. and Tai Kong Ju Investment Co., Ltd.

1990: Added Phuket and Bali destinations. Invested in Abacus Distribution Systems (Taiwan) Ltd.

1991: Established the Hua Mei Investment Company and Mandarin Airlines. The Ministry of Finance approved the public offering of China Airlines shares.

1992: Resumed flights to Ho Chi Minh City. The Taiwan Stock Exchange approved the listing of China Airlines shares. The Company gained 100% equity interest in Mandarin Airlines.

1993: First flight to Frankfurt, Germany. Established the German Branch Office. Officially listed on the Taiwan Stock Exchange.

1994: New engine repair plant became operational and Songshan Training Minquan Building opened. Set up China Pacific Catering Services as a joint venture with the Swire Group.

1995: First flights to Switzerland and Italy. Entered into a joint venture with Pratt & Whitney and SIA Engineering Company Limited to establish Asian Compressor Technology Services Co. in Taiwan. Invested in CAL-Asia Investments Inc. CAL launched its "plum blossom" logo.

1996: Inaugurated the Taoyuan-Penang cargo route.

1997: Inaugurated the Kaohsiung - Hong Kong - Jakarta route. Established the first cargo-only flights between Asia and Miami. Established code share flights with Continental Airlines and American Airlines. Invested in Huasheng Investment Company and China Pacific Laundry Services Ltd.

1998: Set up its Penang Branch Office and Hanoi Branch. Began using the Third Maintenance Hangar.

1999: Inaugurated cargo flight routes to Sydney, Delhi, and Colombo. Set up Kaohsiung Airport Catering Services as a joint venture with TransAsia Airlines and Far Eastern Air Transport. Established Chung Hwa Express Corp. as a joint venture with Chunghwa Post. Established TACT Logistics through investment transfer.

2000: Launched Canada, Australia, and New Zealand routes; Taoyuan - Guam, Taoyuan - Manila, Kaohsiung - Manila, Hakodate charter, and Taoyuan - Penang passenger flights; Frankfurt cargo flights. Established the Shanghai office in Mainland China and new branch offices in Canada, Australia, New Zealand, and Guam. Established YesTrip Travel Internet Technology Co.

2001: Inaugurated cargo flight routes to Seattle and Nashville. Made indirect investment in Xiamen International Airport Co., Ltd. Set up code-share flights with Delta Airlines. Introduced A340-300 passenger jets.

2002: Inaugurated passenger flight routes to Delhi and cargo routes to Manchester. Received approval to invest in China Cargo Airlines. Ordered 18 Airbus A330 passenger aircraft, 10 Boeing 747-400 cargo, and passenger aircraft. Rejoined the International Air Transport Association (IATA).

2003: Inaugurated the first cross-strait Spring Festival charter flight. Inaugurated charter flights to Seoul and passenger routes to Brisbane and Hanoi as well as non-stop flights to Hawaii. Inaugurated cargo flight routes to Ho Chi Minh City and Delhi. Created the Paragon Card, the highest Dynasty Flyer membership tier. Received the Outstanding Service Award from the President of R.O.C.

- 2004: Launched sea-air transport charter flights. Inaugurated Hiroshima passenger flights and cargo routes to Milan and Prague. Introduced three A330-300 passenger jets, two Boeing 747-400 passenger jets, and two Boeing 747-400 freighters.
- 2005: Flew the first direct charter flights to Beijing and Spring Festival charters to Guangzhou and Shanghai. Inaugurated Vienna passenger flight route and Nagoya and Vienna cargo flight routes. Invested in China Aircraft Services Limited.
- 2006: Inaugurated cargo flight routes to Osaka, Hanoi, Houston and Stockholm. Flew the first cargo charter flight to Shanghai. Invested in Yangtze River Express Airlines Company. Began construction on the Taoyuan International Airport Airline Business Operation Center.
- 2007: Signed a letter of intent to purchase Airbus planes. Announced a contract with AccorHotels for a new airport hotel. Inaugurated regularly scheduled passenger flights between Kaohsiung and Chiang Mai.
- 2008: Launched cross-strait humanitarian charter flights direct to Chengdu to deliver disaster relief supplies at no charge. Inaugurated cross-strait holiday charter flights, weekend charter flights to Shanghai, Beijing, Xiamen, and Guangzhou, and cross-strait direct cargo charter flights.
- 2009: Inaugurated the Taoyuan-Osaka-Los Angeles cargo flight route. Inaugurated scheduled cross-strait flights to Zhengzhou, Xiamen, Xi'an, Ningbo, Shenyang, and Changsha. Became an official member of IATA's e-Freight program. Inaugurated Taiwan's largest 120,000-pound power plant testing platform.
- 2010: New routes opened: Passenger routes between Taoyuan and Miyazaki, London, and Qingdao, Songshan Airport to Hongqiao and Haneda, and Kaohsiung to Xiamen and Narita, direct cargo flights to Xiamen, Nanjing and Fuzhou as well as special cargo charter flights directly to Xi'an. Established Company headquarters in China Airlines Park and won the National Building Golden Award and National First Award.
- 2011: New routes opened: Taoyuan - Brisbane - Auckland; Taoyuan - Osaka - New York; flights to and from Taoyuan and Wuhan, Sanya, Yancheng, Haikou, Nanchang, and Dalian; Taicheng to Chongqing and Nanchang; Kaohsiung to Changsha, Chongqing, Beijing, and Kuala Lumpur. Officially joined SkyTeam, becoming the first Taiwanese airline member of an international airline alliance.
- 2012: New routes opened: Songshan to Wenzhou and Gimpo Airport, Taoyuan to Kagoshima, Shizuoka and Toyama, added Auckland leg to the Taoyuan-Sydney route, and Taoyuan to Seoul and Yangon. Joined the SkyTeam Cargo, becoming the first Taiwanese airline to join an international air cargo alliance. Renovated the cabins of nine Boeing 747-400 passenger jets to install new cabin seats and video systems. Signed a Memorandum of Strategic Cooperation with Chunghwa Telecom. Signed an OnPoint Fuel & Carbon Solutions Agreement with GE Aviation. Was awarded *Business Next* magazine's Super Green Jury Award and obtained First Place in the Green Brand Awards 2012 Transportation Category, Gold Award in *Reader's Digest* Trusted Brands 2012, the Sports Activists Award from Sports Affairs Council, First Place in *Management* magazine's Consumer Brand Survey, and the 2012 Energy Conservation and Carbon Reduction Action Label Excellence Award. The China Airlines Maintenance Facility received ISO 14001 Environmental Management System Certification. Launched the world's first trans-Pacific climate observation aircraft. Became the world's first airline to display carbon footprint and calories for in-flight meals.
- 2013: Formed Greater China Connection Partnership with China Southern, China Eastern and Xiamen Airlines. Launched code-sharing services with Russia's Transaero Airlines and Hawaiian Airlines, and expanded code-sharing services with China Southern Airlines. Launched Taoyuan - Takamatsu route, Chiayi - Shizuoka charter flights, Taoyuan - Hawaii direct flights, Taoyuan - Urumqi and Lijiang routes. Launched Taoyuan-Ishigaki, Tainan - Hong Kong, and Taoyuan - Busan routes as well as Songshan - Matsuyama charter flights. Launched the Taoyuan - Nanjing-Zhengzhou cargo route and Taoyuan - Weihai flights. Launched temperature-controlled product cargo services. Once again, CAL was awarded *Business Next* magazine's Super Green Jury Award and First Place in the Green Brand Awards 2013 Transportation Category. Was awarded Top Aviation Brand in *Manager Today's* Power Brands Survey 2013 and *Reader's Digest* Trusted Brands Gold Award. Won the National Standardization Awards' Corporate Standardization Award, 3rd Taiwan Green Classics Award, Global Views Service Excellence Award 2013, and EPA's 22nd Business Environmental Award.
- 2014: Was awarded the EPA's 23rd Business Environmental Award and the International Green Classics Award 2014; earned ISO 14001 Environmental Management System Expansion Certification and ISO 50001 Energy Management System Setup Certification. Once again, CAL was awarded *Business Next* magazine's Super Green Jury Award and earned First Place in the Green Brand Awards Transportation Category for the third time. Inaugurated the Songshan - Fuzhou and Taoyuan to Changchun, Hefei, Yantai, and Xuzhou routes. Won the Annual Best of Design Awards in the 2014 Golden Pin Design Award for our NextGen 777 aircraft cabin design and was named the Best Airline in North Asia by Global Traveler.
- 2015: Launched flights from Taoyuan - Wuxi; Kaohsiung to Changzhou, Kumamoto, and Fukuoka; Taoyuan - Melbourne with an extension to Christchurch; and Tainan - Osaka. Launched social media customer services, a first for Taiwan. Established an airplane

maintenance training center. Received the following awards:

- **Brand Service:**
CAA 2014 Golden Wing Awards, second place in TheDesignAir Global Passenger Choice Top 10 Airlines Awards 2015, *Reader's Digest* Trusted Brands Gold Award, and three top awards in the Global Traveler reader survey.
- **Corporate Social Responsibility:**
TCSA Taiwan Corporate Sustainability Award, EPA's Business Environmental Awards.
- **Product Design:**
The NextGen 777-300ER passenger cabin design was awarded the Red Dot Design Award 2015. Family Couch design received the Global Traveler Leisure Travel Innovation Excellence Award and won the National Industry Innovation Award for NexGen Aesthetics.
- **Others:**
Centers for Disease Control Epidemic Prevention Award 2015.

2016: Launched the Taoyuan - Yangzhou route and Taoyuan - Shenzhen cargo route. Inaugurated Chinese passenger transit through Taiwan for outbound China Airlines flights. Increased free baggage allowance by 10 kg and reduced regional excess baggage charges. Took delivery of the first A350 airliner for any Taiwanese carrier. Completed the Air Passenger Transport Service-Product Carbon Footprint Category Regulations together with the Civil Aeronautics Administration. Received the following awards:

- **Brand Service:**
PAX International magazine reader survey's 2016 Outstanding Food Service by a Carrier, Best Premium Economy and Best Airline by Global Traveler; China Airlines *Dynasty* In-flight Magazine won the APEX Award of Excellence; the CAL website was named the 2016 Best Airline Website by WebAward.
- **Corporate Social Responsibility:**
Passed the third-party audits for ISO 14001 and ISO 50001 Environmental Management Systems. Received the IOSA flight safety certification and the TCSA Taiwan Corporate Sustainability Award. Selected as a Dow Jones Sustainability Indices constituent stock, the first such honor for a Taiwanese company and emerging market airline.
- **Product Design:**
Received 5 iF Design Awards for the Boeing 777-300ER passenger cabin, software user interface, tableware design, Sky Lounge design packaging, and Taiwan Taoyuan Airport Terminal 1 Lounge. A double win at TheDesignAir Awards 2016.

2017: Inaugurated the Taoyuan - London route, becoming the only airline in Taiwan to offer nonstop services to London. Partnered with Air France on a codeshare nonstop flight from Taoyuan to Paris. Added

codeshares on Taiwan - Japan routes with Air Japan. Signed a memorandum of cooperation with KLM. Signed an agreement to enhance cooperation with American Airlines. Signed a letter of intent with Airbus, comprehensively strengthening cooperation on maintenance. Established a joint venture in Taoyuan with NORDAM Aerospace (USA) as "NORDAM Asia Ltd." with both parties cooperating to drive business investment and training of aerospace maintenance personnel. Signed a memorandum of cooperation with Changgeng Hospital in Linkou for air medical treatment. Obtained AS 9110 Airbus certification for the maintenance facility. Transported Taiwanese satellites to the US on four occasions. Hosted the 2017 AAPA annual conference to empower development in the Asia-Pacific airline industry. Provided the second A330-300 to work on plans for greenhouse gas monitoring and testing in the Pacific. Signed the Buckingham Palace Declaration against illegal wildlife shipments. Used sustainable alternative fuels and set a milestone in carbon reduction among Taiwanese airlines. Received many awards as follows:

- **Brand Service:**
Excellence in Global Airline Cargo Service award. *Cheers* magazine's 2017 TOP 20 Most Influential Enterprises of the New Era. Was awarded the Gold Medal for reputation by *Reader's Digest* for the 19th consecutive year. Was awarded the 2017 *Global Vision* magazine five-star service rating. Remained on top as *Global Traveler's* Best Airline in Northeast Asia.
- **Corporate Social Responsibility:**
Won the Taiwan Top 50 Enterprises Sustainability Report Gold Medal for Cargo Division, Climate Leader Award, and Harmony with Society award. Was selected for the Dow Jones Sustainability Index for the second consecutive year.

2018: A new US destination Taoyuan - Ontario, California, route formally went into operation. Served as one of the ten major members in the IATA Nominating Committee in 2018. Launched Kaohsiung - Hong Kong - Jakarta and Taoyuan - Chongqing passenger transportation routes. Developed the cargo transport destination in Columbus, Ohio, United States. Joined hands with Japan Airlines in developing new destinations for Japan's inland routes, including Sapporo - Niigata, Sapporo - Hanamaki, Fukuoka - Miyazaki, Fukuoka - Hanamaki, Fukuoka - Amami, Kagoshima - Amami, and Kagoshima - Tokunoshima.

- **Brand Service:**
Selected as *Cheers* magazine's "2018 Top 20 Employers of the New Generation". China Airlines' in-flight magazine *Dynasty* received the 2018 APEX Awards for Publication Excellence in the US.
- **Corporate Governance:**
Ranked among the top 5% in the 4th Corporate Governance Review.

- **Corporate Social Responsibility:**
China Airlines Group donated NT\$10 million in disaster relief for the Hualien earthquake. The second airline worldwide to be certified by dual systems, ISO 14001 and ISO 50001, maintaining the highest standards for environmental risk management. AL Park was awarded the Diamond Level of Green Building Label, with an annual electricity savings of 23,000 kWh. Cooperated with ClimateCare, a British professional environmental facility, to launch the "ECO Travel" carbon exchange program. Was selected as a constituent stock in the Dow Jones Sustainability Index (DJSI). Was awarded the Taiwan Corporate Sustainability Award.

- **Product Design:**
OBH Magazine awarded CAL the "Best Premium Economy Class Amenities Kit" for Onboard Hospitality.

2019: Flight additions on the Taoyuan - Palau route. Developed cargo transport destination in Nagoya, Japan. Signed a letter of intent with Chung Yuan Christian University to jointly develop aviation talents. Approved by the US Transportation Security Administration to join the precheck program. More evolution in digital services: non-stop, 24-hour automated customer service.

- **Brand Service:**
Won the APEX 5-Star Award. The first cold-chain transportation of pharmaceuticals in Taiwan for international certification.
- **Corporate Governance:**
Placed in the top 5% of the Corporate Governance Ranking once again.
- **Corporate Social Responsibility:**
Evaluated as a role-model company for global airlines by the International Carbon Disclosure Project. Was selected as a constituent stock in the "TW ESG Index" for the first time. Was selected as a constituent stock in the DJSI for the fourth consecutive year. Was selected for the Global Corporate Sustainability Awards for the first time and presented with TCSA for the sixth consecutive year.

2020: Provided non-stop, 24-hour automated customer service. Implemented an online check-in service for all tourists since June 22 in response to pandemic prevention. Met with a delegation headed by the President of the Senate of the Czech Republic to foster greater economy and trade between Taiwan and the Czech Republic. Carried out a beach clean-up activity in Guanyin shore in response to the beach cleaning promotion by the Taoyuan Government. Aircraft livery was showcased on the new 2021 calendar to demonstrate the beauty of Taiwan. The first 777F cargo aircraft entered service. The various awards were received:

- "The Best Entry Outside of the U.S." award at the 131st Rose Parade in 2020 for the second consecutive year.
- Ranked world's No.3 Carrier for sustainability by DJSI.
- Won the award for the seventh consecutive year at the "Oscars" of Taiwan corporate sustainability.
- "What Travel Brings You" China Airlines commercial won CLIO Awards and the recognition of New York Festival.
- Won the special prize and the first procurement prize in 2020 Buying Power Social Innovation Products and Services held by MOEA.
- Won the 2020 Air Cargo Executive of the Year Award.

2021: Mr. Kao, Shing-Hwang assumed the position of President of China Airlines on March 18.

The first tour of Taiwan-Palau travel bubble flight departed on April 1, and the President of Palau, Mr. Surangel Whipps Jr., also took the flight to celebrate.

China Airlines is the only carrier in Taiwan to be certified by the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma) for temperature-controlled cold chain logistics, launching COVID-19 vaccine and ultra-low temperature delivery services.

China Airlines' first A321neo was delivered on November 29, featuring an ultra-advanced and comfortable cabin and a new fleet that emphasizes zero-contact service and high-level standard for pandemic prevention, allowing passengers to fly with peace of mind.

The various awards we received:

- Won the "Silver Class" rating in the airline industry from the Sustainability Yearbook 2022.
- Won the first place in the "International and Cross-Strait Routes - Full Service Airline Category" from CAA Golden Wing Awards on March 25.
- Won the Global Traveler Best Airline in North Asia and the APEX 5-Star Award.
- Won Corporate COVID-19 Strike Alliance - Gold Award from the TIVS.
- Won the Global Corporate Sustainability Awards (GCSA), and Taiwan Corporate Sustainability Awards (TCSA) for eight consecutive years, demonstrating our contribution to corporate sustainability.

Corporate Governance Report

3.1 Organization

3.2 Directors and Management Team

3.3 Implementation of Corporate Governance

**3.4 Information Pertaining to the Company's Audit Fee
and Independence**

3.5 Replacement of CPA

3.6 Audit Independence

**3.7 Changes in Shareholding of Directors, Managers, and
Major Shareholders**

3.8 Relationships among the Top Ten Shareholders

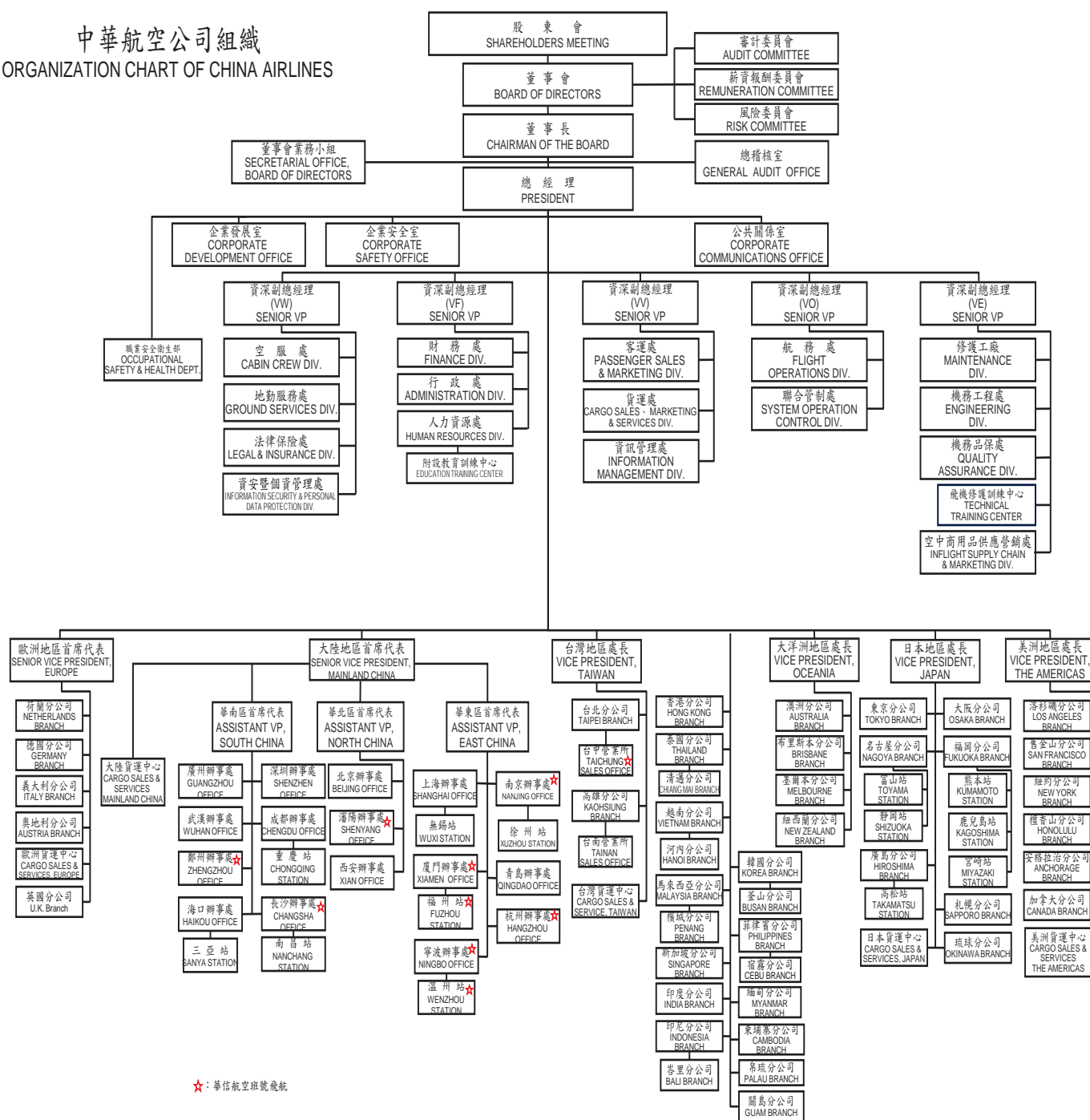
3.9 Ownership of Shares in Affiliated Enterprises

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart (MAR 28, 2022)

中華航空公司組織
ORGANIZATION CHART OF CHINA AIRLINES



★：華信航空班機飛航

3.1.2 Major Corporate Functions

Department	Functions
General Audit Office	Responsible for auditing the internal control system as well as evaluating the results of the annual business plan's implementations.
Secretarial Office, Board of Directors	Responsible for (1) holding Board of Directors meetings, (2) collating and sending meeting proceedings, (3) overseeing matters relating to resolutions, coordinating channels with public stockholders, (4) dealing with matters related to juridical person shareholder representatives, director communications and services, and (5) budgeting and controls for the Board and all functional committees.
Corporate Development Office	Responsible for (1) drafting the Company's medium- and long-term strategic operating plan, fleet plan, and annual business plan, (2) securing flying rights and building relationships between the Company and civil aviation authorities in various countries, (3) establishing brand position and development strategies, (4) planning medium- and long-term design and development of passenger cabins and entertainment systems, and (5) the purchasing, selling, and leasing of aircraft.
Corporate Safety Office	(1) Drafts Company safety, security, quality assurance, environmental, and emergency response policies and systems, (2) establishes related management systems and conducts educational training, (3) implements related investigations, analysis, and examinations, and (4) coordinates with government agencies and civil aviation authorities, manufacturers, and groups to deal with Company safety, security, quality assurance, environmental, and emergency response-related issues.
Corporate Communications Office	Responsible for (1) external Company communications, such as communication links with the legislature and the media, planning social welfare activities, and sponsoring charitable activities, (2) organizing inaugural flights and other holiday or celebratory activities, (3) publishing <i>CAL Park</i> Magazine, supervising and coordinating publication of <i>Dynasty</i> magazine, and (4) formulating the Company's brand image and advertising strategy.
Legal & Insurance Div.	Responsible for (1) reviewing all outside agreements and contracts, (2) handling litigation, and (3) management of insurance matters for Company assets, such as the fleet and aeronautical parts, personnel as well as passenger and cargo transportation.
Finance Div.	Responsible for (1) planning financing sources, (2) managing use of funds, (3) controlling the budget, (4) auditing accounts receivable and payable items, (5) preparing financial statements, (6) managing tax-related issues, (7) fuel purchasing, (8) providing accounting and cost-analysis information, and (9) supervising operational performance and management of invested enterprises.
Administration Div.	Responsible for (1) procurement of general goods, (2) managing renovation projects and land/real estate, (3) land transport management and vehicle maintenance, (4) handling of company licenses, monitoring, and safekeeping of Company seals, (5) dispatchment of official documents and handling receipts of prospectuses, and (6) document management.

Department	Functions
Cabin Crew Div.	Responsible for (1) establishing cabin crew operating standards, (2) managing training of cabin crew, (3) planning for cabin crew manpower needs, and (4) implementing assignments to cabin crew personnel.
Ground Services Div.	Responsible for (1) establishing ground services operating standards, (2) development of the ground services operating system, (3) planning and implementation of a full range of ground services training, (4) supervising ground services operations at all stations, (5) providing ground services at Taiwan Taoyuan and Songshan Airports, and (6) overall management of ground service provider contracts.
In-Flight Service Supply Chain & Marketing Div.	Responsible for (1) research and development in the marketing and planning of various in-flight service supplies and products for sale, (2) planning and supply management of meals and beverages in all flights of the entire route, (3) supervising and controlling the logistics and supply management, such as purchasing, warehousing, preparation, and loading of various in-flight service supplies, and (4) working on improving the quality of in-flight service products based on customer feedback and market trends.
Cyber Security & Personal Data Protection Division	Responsible for (1) reviewing cyber security policies and objectives, (2) overseeing the approval and implementation of the Information Security Management System (ISMS), (3) reviewing ISMS operational status and provide adequate resources to ensure its continued operation, (4) developing plans and procedures required for the company's personal data protection management policies and systems, (5) promoting the establishment and operation of the personal data protection management system, (6) maintaining the effective operation of the ISO 9001 quality management system for shipping, passenger and cargo transportation, (6) managing internal and external audits and related performance evaluation, and (7) regularly reviewing and reporting to management on the effectiveness and improvement measures of cyber security and personal data management implementation.
Passenger Sales & Marketing Div.	Responsible for (1) supervising passenger transport network planning and route management of the entire network, namely, seat control, business promotion, digital marketing, customer relationship maintenance, membership marketing and inter-airline cooperation, cross-industry collaboration, determination of passenger transport rates and various quotas, and performance evaluation, and (2) developing and maintaining revenue management systems and passenger transport business training at all levels.
Information Management Div.	Combines information technology with business knowledge to promote computerization within the Company to upgrade operational competitiveness.
Human Resources Div.	Responsible for (1) planning the Company organization and human resources, (2) the establishment of a personnel management system, and (3) setting up pay standards. Provides recruitment services, supervises personnel management, and establishes

Department	Functions
	employee training systems. Oversees future updates, provides employees with health management, and manages personnel assignments to associated enterprises.
Occupational Safety & Health Dept.	(1) Prepares the Company's Occupational Health and Safety Manual and regulations, (2) drafts, plans, supervises, and promotes health and safety matters, and (3) guides their implementation in relevant departments to prevent occupational hazards and ensure employee health and safety. Received ISO45001:2018 and CNS45001:2018 occupational health and safety certification following SGS audit to effectively control occupational incident risk and improve occupational health and safety performance.
Cargo Sales, Marketing & Services Div.	(1) Formulates the cargo development strategy, (2) supervises cargo operations on all routes, (3) plans the cargo flight timetable and controls the allocation of hold space, (4) sets cargo shipping rates and sales quotas, (5) evaluates operating performance, drafts and oversees cargo services and operating standards, and (6) is responsible for passenger and cargo plane loading control operations, cargo equipment controls and replenishment, Taipei cargo terminal operations, and accounting of the Cargo Sales, Marketing & Services Division and Taiwan Cargo Center.
Flight Operations Div.	Responsible for (1) cabin crew manpower requirement planning, (2) training and managing the cabin crew, (3) developing flight operating standards, (4) controlling fuel consumption, (5) planning and implementation of the crew and flight assignments, (6) development of airplane flight manuals, and (7) the maintenance of flight simulators.
System Operation Control Div.	(1) Manages the coordination of all airports in the system, (2) oversees flight status, (3) coordinates and manages adjustment of flights in response to anomalies, (4) guarantees on-time performance rates, (5) provides real-time information to aircraft in flight, (6) ensures flight safety, (7) investigates causes for major delays to flights, (8) establishes comprehensive aircraft and statistical analysis data, (9) operates and guides crew allocation, (10) plans and manages flight permits, and (11) is responsible for safety management and liability related to business.
Maintenance Div.	Responsible for (1) ensuring the maintenance of airplanes, (2) client aircraft maintenance services, (3) support and supervision of station maintenance, and (4) development of maintenance capabilities.
Engineering Div.	Responsible for (1) the planning and control of airplane maintenance, (2) materials supply management, (3) controlling the maintenance costs, and (4) planning the information system development strategy.
Quality Assurance Div.	Responsible for (1) the coordination and communication with other countries' civil aviation authorities, (2) maintaining the validity of operating standards, repair facility licenses, and aircraft airworthiness certificates, (3) the authorization and management of maintenance personnel training and task assignments, (4) the formulation and implementation of quality audit system, (5) the establishment s and implementations of aircraft quality management and on-site inspection systems, (6)

Department	Functions
	ensuring the introduction of new aircraft and sales or return of aircraft as stipulated in the fleet plan, and (7) assistance in aircraft incident investigations.
Technical Training Center	Develops type training and license conversion training that comply with CAA 05-02A requirements. Composes training plan and executes training in accordance with EMO (Engineering & Maintenance Organization) demands and customer requests.
Branch offices	Responsible for the development of individual branches and the promotion of passenger and freight-related operations.

3.2 Directors and Management Team

3.2.1 Directors

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Title	Name	Nationality / Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Chairman	China Aviation Development Foundation	R.O.C.	-	07/07/1988	3	1,867,341,935	32.56%	1,867,341,935	31.16%	-	-	-	-	-	-	-	-	-	-
	Representative: Hsieh, Su-Chien	R.O.C.	Male 71	07/06/2016	3	48,517	0.00%	48,517	0.00%	0	0.00%	0	0.00%	Chairman, Taiwan Air Cargo Terminal Ltd. Senior Vice President of Marketing, China Airlines Ltd. Director, Taiwan Region and General Manager of Taipei Branch Office, China Airlines Ltd. General Manager, Australia Branch Office, China Airlines Ltd. General Manager, Indonesia Branch Office, China Airlines Ltd. General Manager, Kaohsiung Branch Office, China Airlines Ltd. Vice President, Passenger Sales Div. Chairman, Abacus Distribution Systems Taiwan Ltd. Bachelor's Degree, Department of Economics, Soochow University	Chairman, CAL Park Co., Ltd. Chairman, CAL Hotel Co., Ltd. Chairman, CAL-Asia Investment Inc. Chairman, CAL-Dynasty International, Inc.	None	None	None	None
Director	China Aviation Development Foundation	R.O.C.	-	07/07/1988	3	1,867,341,935	32.56%	1,867,341,935	31.16%	-	-	-	-	-	-	-	-	-	-
	Representative: Kao, Shing-Hwang	R.O.C.	Male 61	03/11/2021	3	62,809	0.00%	62,809	0.00%	0	0.00%	0	0.00%	Senior Vice President (VO). Vice President, Flight Operations Div. Assistant Vice President, Flight Operations Div. Bachelor's Degree, National Cheng Kung University	President, China Airlines Ltd. Director, Mandarin Airlines, Ltd. Director, Cal Hotel Co. Ltd. Director, CAL-Dynasty International, Inc. Director, Dynasty Properties Co., Ltd. Director, CAL-Asia Investment Inc. Director & President, Cal Park Co. Ltd.	None	None	None	Note1

Title	Name	Nationality /Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Representative: Chen, Charles C.Y.	R.O.C.	Male 60	07/01/2000	3	190,166	0.00%	190,166	0.00%	155,849	0.00%	0	0.00%	Director, Wan Hai Lines Ltd. Chairman, UTAC Group, Singapore Chairman, Epistar Corp. Director, Formosa International Hotels Ltd. Director, Ascendas Pte. Ltd. Director, Ichia Technologies, Inc. Adjunct Associate Professor, National Tsing Hua University MBA, New York University, U.S.A.	Chairman, Eyon Holding Group Vice Chairman, Taiwan Air Cargo Terminal Ltd. Vice Chairman, Taian Insurance Co., Ltd. Chairman, Wan Hai International Pte. Ltd. President, Chen-Yung Foundation Vice Chairman, Wan Hai Lines (Singapore) Pte. Ltd. Director, Shihlin Paper Co., Ltd.	None	None	None	None
	Representative: Ting, Kwang-Hung	R.O.C.	Male 49	01/28/2008	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Chairman, Central Trading & Development Corp. BA in Finance, Boston University, U.S.A.	Group Chairman, Phu My Hung Holdings Group Vice Chairman, TVBS Media Inc.	None	None	None	None
	Representative: Chen, Han-Ming	R.O.C.	Male 43	07/26/2016	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Director, Yuan-Chin Development Co., Ltd. Member, Rotary Club of Taipei Tunhua BA (Hons) Architecture, University of Plymouth, UK MSc, Birmingham City University, UK	Chairman, Tigerair Taiwan Co., Ltd. Chairman, Prime Development Co., Ltd. Director, Chyn-Tay Bearing Co., Ltd.	None	None	None	None
	Representative: Wei, Yung-yeh	R.O.C.	Male 58	06/27/2018	3	3,737	0.00%	3,737	0.00%	0	0.00%	0	0.00%	Jet Airplane Maintenance Group, Air Force Technical School	Member of Council, China Airlines Employees Union Foreman, Line Maintenance Department, Engineering & Maintenance Division, China Airlines Ltd.	None	None	None	Note1
	Representative: Chen, Maun-jen	R.O.C.	Male 71	08/12/2021	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	President, Taiwan Golf & Country Club Chairman's Assistant, GSK Corporation Sales Director, Chin Fong Machine Industrial Co., Ltd. MBA, Tulane University, U.S.A.	Chairman, Everpar Enterprise Corporation Chairman, Hipower Autotech Co., Ltd. Chairman, Hi Safe Technologies Co., Ltd.	None	None	None	None
	Representative: Chao, Kang	R.O.C.	Male 63	08/12/2021	3	61,361	0.00%	61,361	0.00%	0	0.00%	0	0.00%	Cabin crew, China Airlines Ltd. Bachelor's degree in Public Finance, Feng Chia University	Member of Council, China Airlines Employees Union	None	None	None	Note1
Director	National Development Fund, Executive	R.O.C.	-	06/15/2012	3	519,750,519	9.50%	519,750,519	9.59%	-	-	-	-	-	-	-	-	-	-

Title	Name	Nationality / Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
	Representative: Wang, Shih-Szu	R.O.C.	Female 54	06/27/2018	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Deputy Mayor, Tainan City Government Director General, Tourism Bureau of Tainan City Government Chairperson, Research, Development and Evaluation Commission of Tainan City Government Director General, Ketagalan Foundation Director General, Information Department of Kaohsiung City Government Director General, Judicial Reform Foundation Director General, Taiwan Association for Human Rights Master's Degree, International Development Policy, Duke University, U.S.A.	None	None	None	None	None
	Representative: Huang, Chung-Che	R.O.C.	Male 53	08/12/2021	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	President, Taiwan Academy of Banking and Finance (TABF) Associate Dean and Council Member of TABF Assistant Professor, National Taipei University Representative, Shing Wan Research and Consulting Co., Ltd. Director, Finance Department, Yilan County Director of BOT Study Center, Taiwan Institute of Economic Research Director, Industrial Development Advisory Council, MOE Planning Research, National Taipei University	None	None	None	None	None
Independent Director	Chang, Hsieh Gen-Sen	R.O.C.	Female 65	06/27/2018	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Consultant, Legislative Council Office Director, Shian CPA Firm Adjunct Associate Professor, Chinese Culture University Controller, Amagic Holographics, Inc. Senior Associate CPA, Wu, Liang, and Huang CPAs Staff Accountant, AAA (Auto Club of S. California) MBA, University of California, Irvine, U.S.A.	Chairman, Audit Committee, China Airlines Ltd. Member, Remuneration Committee, China Airlines Ltd. Member, Risk Committee, China Airlines Ltd. Member, Foundation Management Committee, Environmental Protection Administration Independent Director, K Laser Technology Inc.	None	None	None	None

Title	Name	Nationality / Country of Origin	Gender & Age	Date First Elected	Term (Years)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors, or Supervisors Who Are Spouses or within Two Degrees of Kinship			Remark
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Independent Director	Huang, Hsieh-Hsing	R.O.C.	Male 61	08/12/2021	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	HQ President and Founder, Chungsun Prime Certified Public Accountants Chairman, Taiwan Provincial CPA Association Director, Accounting Research and Development Foundation Member, CPA Discipline Committee of Financial Supervisory Commission New Taipei City Tax Agent Association Chairman, Director, National Federation of CPA Associations of the R.O.C. Vice Chairman, Taxation and Tariff Committee Chairman, Think Tank Committee Director, Law Foundation of National Chengchi University Director, Academic development Foundation of National Chengchi University Master of Law, College of Law of National Chengchi University Master of Business Management, National Sun Yat-sen University	Chairman, Risk Committee, China Airlines Ltd. Member, Foundation Management Committee, Environmental Protection Administration Independent Director, K Laser Technology Inc.	None	None	None	None
Independent Director	Hwang, Chin-Yeong	R.O.C.	Male 64	08/12/2021	3	0	0.00%	0	0.00%	0	0.00%	0	0.00%	President, Digitimes Inc. & President, Digitimes Director, Monte Jade Science and Technology Association Adjunct Professor, National Chiao Tung University Corporate Representative Director from the Ministry of Economic Affairs, Taiwan External Trade Development Council's 19 th term Board of Directors Director, Taoyuan International Airport Corporation Director, China Aviation Development Foundation Master of Administration, Wonkwang University	Chairman, Compensation committee, China Airlines Ltd.	None	None	None	None

Note 1: In order to avoid the concurrent appointment from influencing the objectivity and supervision of the Board of Directors, with the exception for President Kao, Shing-Hwang, Director Wei, Yung-Yeh and Director Chao, Kang, who are concurrently Directors and employees, none of the other members of the 22nd Board of Directors are concurrently employees of the Company.

Note 2: The average term of members of the 22nd Board of Directors as Directors of the Company was 4.4 years.

Note 3: The three independent directors of the 22nd Board of Directors have not been appointed for more than three terms.

Major Shareholders Among Institutional Shareholders

Name of Institutional Shareholders	Major Shareholders
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Company (Note) gifted the shares held and 100% of the shareholders' equity to set up the foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 of the same year.
National Development Fund, Executive Yuan	Government

Note: Sourced from the "Charter for Donations to the China Aviation Development Foundation".

Donor	Donation	Amount
Wu, Yueh	10,977,697 common shares of China Airlines and the profits	NT\$2,530,666,534
Tsu, Jung-Chun	5,872,874 common shares of China Airlines and the profits	NT\$1,353,861,897
Tien, Hsi	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Chang, Lin-Te	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chang, Chih-Chen	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Lan, Ping-Chuan	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Fu, Jui-Yuan	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Hsu, Kang-Liang	2,026 common shares of China Airlines and the profits	NT\$467,049
Shih, Kuang-Lin	2,026 common shares of China Airlines and the profits	NT\$467,049
Liu, Chiung-Kuang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Han, Te-Hui	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yeh, Chih-Fang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Hung, Yang-Fu	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Liu, Ping-Kuan	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chang, Tang-Tien	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Li, Hsueh-Yen	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Li, Chi-Tang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Wang, Yu-Ken	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yuan, Chin-Han	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Fan, Kuang-Hua	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Liu, Hui-Chun	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yeh, I-Fan	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chen, Chung-Yu	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yang, Hung-Ting	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Tsai, Ming-Yung	222,205 common shares of China Airlines and the profits	NT\$51,224,474
Wang, Wei-Ming	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Huang, Jen-Sheng	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Total	23,999,880 common shares and the profits	NT\$5,532,645,517

Professional qualifications and independence analysis of directors

Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Departments Related to the Business Needs of the Company in a Public or Private Junior College, College, or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Name																
Hsieh, Su-Chien	-	-	✓	✓	-	✓	✓	-	✓	✓	-	✓	✓	✓	-	-
Kao, Shing-Hwang	-	✓	✓	-	-	✓	✓	-	✓	✓	-	✓	✓	✓	-	-
Chen, Charles C.Y.	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Ting, Kwang-Hung	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chen, Han-Ming	-	-	✓	✓	-	✓	✓	✓	✓	✓	-	✓	✓	✓	-	-
Wei, Yung-Yeh	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chao, Kang	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Wang, Shih-Szu	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Huang, Chung-Che	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chang, Hsieh Gen-Sen	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Huang, Hsieh-Hsing	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Hwang, Chin-Yeong	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Cells are ticked in the corresponding locations that apply to the directors or supervisors during the two years prior to being elected or during their term in office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or its affiliated enterprise (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in (1) or the personnel listed in (2) or (3).
- Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total shares issued by the Company, is among the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
- Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
- Not a director, supervisor, or employee of another company or institution with the same person or spouse as the chairman, general manager, or equivalent of the company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary or a subsidiary of the same parent).
- Not a director, supervisor, manager, or shareholder holding more than 5% of shares of a specific company or institution that has financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such, the Company and its parent company, its subsidiary or a subsidiary of the same parent and if the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company).
- Not a professional who provides auditing-related services to the Company or its affiliates and who does not provide commercial, legal, financial, or accounting-related services to the Company or its affiliates with a cumulative amount of remuneration obtained in the last two years exceeding NT\$500,000; and is not an owner, partner, director, supervisor, manager, or the spouse of any of the aforementioned of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Special Committee for Merger/consolidation and Acquisition who perform their functions and powers in accordance with relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
- Not being a person of any conditions defined in Article 30 of the Company Act.
- Not a governmental, juridical person, or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

MAR 28, 2022

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
President	Kao, Shing-Hwang	R.O.C.	Male	03/18/2021	62,809	0.00%	0	0.00%	0	0.00%	Senior Vice President (VO). Vice President, Flight Operations Div. Assistant Vice President, Flight Operations Div. Bachelor's Degree, National Cheng Kung University	Chairman, Mandarin Airlines, Ltd. Director, Cal Hotel Co., Ltd. Director, CAL-Dynasty International, Inc. Director, Dynasty Properties Co., Ltd. Director, CAL-Asia Investment Inc. Director & President, Cal Co., Ltd.	None	None	None	Note 1
Auditor General, General Audit Office	Fang, Juo-Ling	R.O.C.	Female	05/11/2018	8,000	0.00%	0	0.00%	0	0.00%	Vice President, Administration Div. Deputy Auditor General, General Audit Office Master's Degree, Georgia State University, U.S.A.	Supervisor, Taiwan Airport Service Co., Ltd. Supervisor, China Pacific Catering Services Ltd. Supervisor, CAL Park Co., Ltd. Supervisor, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Supervisor, CAL Hotel Co., Ltd.	Assistant Vice President, Cabin Crew Div.	Fang, Yuan-Hua	Siblings	None
Deputy Auditor General, General Audit Office	Ho, Hui-Fen	R.O.C.	Female	02/01/2018	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, General Accounting Department, Finance Div. Master's Degree, Soochow University	Supervisor, Sabre Travel Network (Taiwan) Ltd. Supervisor, Taiwan Air Cargo Terminal Ltd. Supervisor, NORDAM Asia Ltd.	None	None	None	None
Senior Vice President (VE)	Sun, Jia-Min	R.O.C.	Male	31/01/2022	62,602	0.00%	0	0.00%	0	0.00%	Vice President, Maintenance Div. Vice President, Institute of Industrial Management, School of Management, National Taiwan University of Science and Technology	Chairman, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Chairman, Dynasty Aerotech International Corp. Director, NORDAM Asia Ltd.	None	None	None	None
Senior Vice President (VV)	Wang, Chen-Min	R.O.C.	Male	01/01/2019	35,621	0.00%	0	0.00%	0	0.00%	Vice President, Passenger Sales Div. & Passenger Marketing Div. General Manager, Korea Branch Bachelor's Degree, Feng Chia University	Director, CAL Hotel Co., Ltd. Director, Mandarin Airlines, Ltd. Director, Tigerair Taiwan Co., Ltd. Chairman, Taiwan Air Cargo Terminal Ltd. Chairman, Taoyuan International Airport Services Co., Ltd. Director, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director & President, CAL-Asia Investment Inc. Chairman, Airport Air Terminal (Xiamen) Co., Ltd. Chairman, Airport Air Cargo Service (Xiamen) Co., Ltd.	None	None	None	None

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Senior Vice President (VF)	Chen, I-Chieh	R.O.C.	Male	03/18/2021	6,161	0.00%	0	0.00%	0	0.00%	Vice President, Finance Div. Vice President, Investment Development & Management Div. General Manager, Vietnam Branch Concurrently, General Manager, Hanoi Branch Master's Degree, National Taipei University	Director, Mandarin Airlines, Ltd. Director, Tigerair Taiwan Co., Ltd. Chairman, Taiwan Airport Services Co., Ltd. Director, Taoyuan International Airport Services Co., Ltd. Chairman, Kaohsiung Airport Catering Services Ltd. Director, Taiwan Aircraft Maintenance and Engineering Co., Ltd.	None	None	None	None
Senior Vice President (VO)	Lai, Ming-Hui	R.O.C.	Male	03/18/2021	19,127	0.00%	0	0.00%	0	0.00%	Vice President, Flight Operations Div. Vice President, Corporate Safety Office. Bachelor's Degree, National Cheng Kung University	Director, Mandarin Airlines, Ltd. Director, CAL Hotel Co., Ltd.	None	None	None	None
Senior Vice President (VW)	Lo, Ya-Mei	R.O.C.	Female	03/15/2022	0	0.00%	0	0.00%	0	0.00%	Special Assistant to Chairman, Chairman Office, Senior Vice President (VW), President Office Master's Degree, Department of Political Science, National Taiwan University	None	None	None	None	None
Vice President, Data Protection Officer, Cyber Security & Personal Data Protection Div.	Huang, Ta-Fang	R.O.C.	Female	07/31/2020	0	0.00%	0	0.00%	0	0.00%	General Manager, Honolulu Branch. Vice President, Legal & Insurance Div. MBA, Baruch College, City University Of New York.	None	None	None	None	None
Assistant Vice President, Chief Information Security Officer (CISO) Cyber Security & Personal Data Protection Div.	Kao, Shu-Chuan	R.O.C.	Female	03/16/2022	0	0.00%	0	0.00%	0	0.00%	Auditor General, Taoyuan International Airport Services Co., Ltd. Assistant Vice President, In-Flight Service Supply Chain & Marketing Div. Associate's Degree, Ming Chuan college of Tourism	None	None	None	None	None
Vice President, Human Resources Div.	Lu, Shih-Ming	R.O.C.	Male	11/16/2021	24,917	0.00%	0	0.00%	0	0.00%	General Manager, Hong Kong Branch, Vice President, Information Management Div. Master's Degree from NCCU Department of Management Information Systems	Director, Taoyuan International Airport Services Co., Ltd. Director, Taiwan Airport Services Co., Ltd. Director, Jardine Air Terminal Services Ltd. Director, Eastern United International Logistics (Holdings) Ltd.	None	None	None	None
Assistant Vice President, Human Resources Div.	Lee, Pei-Chen	R.O.C.	Female	04/01/2019	40,430	0.00%	144	0.00%	0	0.00%	General Manager, Human Resources Development Dept., Human Resources Div. General Manager, Administration Dept., Ground Services Div. Master's Degree, National Taiwan Normal University	None	None	None	None	None
Vice President, Flight Operations Div.	Chen, I-Ko	R.O.C.	Male	03/20/2021	23,541	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Safety Office. Assistant Vice President, Corporate Safety Office. Associate's Degree, United College of Engineering	None	None	None	None	None

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant Vice President, Flight Operations Div.	Kang, Yi-Chuan	R.O.C.	Male	11/01/2020	191,000	0.00%	2,000	0.00%	0	0.00%	Assistant Vice President, Flight Operations Dep. Mandarin Airlines. General Manager, Crew Scheduling Dept., Flight Operations Div. Master's Degree, National Chiao Tung University.	None	None	None	None	None
Assistant Vice President, Flight Operations Div.	Hsiung, Shih-Ching	R.O.C.	Male	03/01/2022	1,620	0.00%	763	0.00%	0	0.00%	Lead Training Chief, General Manager, Flight Operations Training Dept., Flight Operations Div. Master's Degree, College of Management from National Taiwan University	None	None	None	None	None
Vice President, System Operation Control Div.	Chou, Jyh-Shyan	R.O.C.	Male	12/01/2017	9,171	0.00%	7,382	0.00%	0	0.00%	Assistant Vice President, Corporate Safety Office Vice President, Taiwan Airport Services Co., Ltd. Master's Degree, RMIT University, AU	None	None	None	None	None
Assistant Vice President, System Operation Control Div.	He, Cheng	R.O.C.	Male	11/01/2019	251	0.00%	0	0.00%	0	0.00%	Control Manager, Flight Control Dept., System Operation Control Div. General Manager, Bali Branch, Indonesia Branch Master's Degree, Assumption University, Thailand	None	None	None	None	None
Assistant Vice President, System Operation Control Div.	Huang, Hsiang-Piao	R.O.C.	Male	08/01/2017	1,000	0.00%	0	0.00%	0	0.00%	General Manager, Safety Assurance Department, Corporate Safety Office General Manager, Administration Department, Ground Services Div. Bachelor's Degree, National Sun Yat-Sen University	None	None	None	None	None
Vice President, Passenger Sales & Passenger Marketing Div.	Peng, Pao-Chu	R.O.C.	Female	01/01/2019	3,434	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Development Office Assistant Vice President, Passenger Sales Div. Bachelor's Degree, National Taiwan University	Director, Sabre Travel Network (Taiwan) Ltd. Director, Everest Investment Holdings Ltd. Director, Mandarin Airlines Ltd.	None	None	None	None
Assistant Vice President, Passenger Sales & Passenger Marketing Div.	Chen, Pei-Ti	R.O.C.	Female	11/01/2018	926	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Passenger Sales & Marketing Div. General Manager, Sales Management Department Bachelor's Degree, National Taiwan University	Director, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Assistant Vice President, Passenger Sales & Marketing Div.	Hua, Te-Lin	R.O.C.	Male	01/07/2022	9,964	0.00%	4,999	0.00%	0	0.00%	General Manager, Germany Branch Marketing Director, Taiwan Master's Degree, Chiayi University Department of Business Administration	None	None	None	None	None
Vice President, Finance Div.	Wang, Wei	R.O.C.	Female	03/18/2021	33,297	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Corporate Development Office. General Manager, Austria Branch. MBA, George Washington University, U.S.A.	Supervisor, Dynasty Aerotech International Corp. Director, Tigerair Taiwan Co., Ltd. Supervisor, Mandarin Airlines, Ltd. Supervisor, Taoyuan International Airport Services Co., Ltd.	None	None	None	None

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant Vice President, Finance Div.	Wang, Ching-Ting	R.O.C.	Female	01/09/2021	78,415	0.00%	0	0.00%	0	0.00%	Chief of Finance Div. Tiger Air Taiwan General Manager, Budget Control Dept. Finance Div. Master's Degree, Department of Finance, National Chung Hsing University	Supervisor, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director, Dynasty Properties Co., Ltd. Supervisor, CAL Hotel Co., Ltd.	None	None	None	None
Assistant Vice President, Finance Div.	Cheng, Yu Lin	R.O.C.	Male	12/10/2021	0	0.00%	0	0.00%	0	0.00%	Manager, Accounting & Administration Dept., Los Angeles Branch General Manager, Human Resources Development Dept., Human Resources Div. Associate's Degree, Public & Tax Finance Administration, National Taipei University of Business	None	None	None	None	None
Vice President, Corporate Safety Office	Li, Chih-Wei	R.O.C.	Male	03/20/2021	10,295	0.00%	0	0.00%	0	0.00%	Vice President, Quality Assurance Div. Assistant Vice President, Maintenance Div. Master's Degree, Kai-nan University.	None	None	None	None	None
Assistant Vice President, Corporate Safety Office	Yu, Yueh-Han	R.O.C.	Male	12/06/2018	65,523	0.00%	0	0.00%	0	0.00%	General Manager, Safety Department Corporate Safety Office Vice President of Safety, Security, Quality & Environment, Tigerair Taiwan Co., Ltd. Master's Degree, National Sun Yat-sen University	None	None	None	None	None
Company Secretary	Chien, Feng-Nien	R.O.C.	Male	16/03/2022	0	0.00%	0	0.00%	0	0.00%	Vice President, Legal & Insurance Div., Director of Legal Office, Taiwan Financial Asset Service Corporation. Head Prosecutor, Taichung Prosecutors Office. Master's Degree, National Taiwan Ocean University	None	None	None	None	None
Assistant Vice President, Legal & Insurance Div.	Shan, Jia-Ling	R.O.C.	Female	01/16/2022	0	0.00%	0	0.00%	0	0.00%	General Manager, Legal & Insurance Div. Senior Administrator, Legal & Insurance Div. Master's Degree, McGill Air & Space Law	None	None	None	None	None
Vice President, Corporate Communications Office	Lu, Shwu-Huoy	R.O.C.	Female	10/11/2020	22,605	0.00%	0	0.00%	0	0.00%	General Manager, Malaysia Branch. Assistant Vice President, Corporate Development Office. EMBA, National Central University	None	None	None	None	None
Assistant Vice President, Corporate Communications Office	Lin, Heng-Shan	R.O.C.	Male	04/16/2019	0	0.00%	0	0.00%	0	0.00%	General Manager, Corporate Affairs Department, Corporate Communications Office General Manager, Employee Relations Department, Human Resources Div. Master's Degree, RMIT University, AU	None	None	None	None	None
Vice President, Administration Div.	Huang, Hui-Na	R.O.C.	Female	07/31/2021	16,661	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, Passenger Sales Revenue Audit & Control Dept., Finance Div. Master's Degree, Soochow University	Director, Dynasty Aerotech International Corp. Director, CAL Park Co., Ltd. Supervisor, Global Sky Express Ltd. Supervisor, China Pacific Laundry Services Ltd.	None	None	None	None

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
Assistant Vice President, Administration Div.	Chen, Mei-Fen	R.O.C.	Female	01/04/2021	1,024	0.00%	0	0.00%	0	0.00%	General Manager, Office Support Dept. Administration Div. Senior Administrator, Ground Services Standard Dept., Ground Services Div. Department of English, Providence University	None	None	None	None	None
Vice President, Information Management Div.	Chung, Ming-Jyh	R.O.C.	Male	11/18/2019	638	0.00%	0	0.00%	0	0.00%	Vice President, Administration Div. Deputy Auditor General, General Audit Office Master's Degree, National Taiwan University	Chairman, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Assistant Vice President, Information Management Div.	Liu, Duan-Shiuh	R.O.C.	Male	04/20/2017	92,608	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Ground Services Div. General Manager, Information Planning Department, Information Management Div. Master's Degree, National Taipei University of Technology	None	None	None	None	None
Vice President, Cabin Crew Div.	Chen, Chwen-Der	R.O.C.	Male	03/01/2022	6,299	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Flight Operations Div. General Manager, Flight Operations Training Dept., Flight Operations Div. Master's Degree, National Cheng Chi University	None	None	None	None	None
Assistant Vice President, Cabin Crew Div.	Fang, Yuan-Hua	R.O.C.	Male	08/04/2018	30,348	0.00%	0	0.00%	0	0.00%	President, Dynasty Hotel of Hawaii, Inc. General Manager, Qingdao Office Master's Degree, RMIT University, AU	None	Auditor General, General Audit Office	Fang, Juo-Ling	Siblings	None
Vice President, Corporate Development Office	Chang, Cheng-Hao	R.O.C.	Male	01/21/2019	131,905	0.00%	0	0.00%	0	0.00%	Vice President, Cargo Sales & Marketing Div. President, Taiwan Air Cargo Terminal Ltd. Master's Degree, Cranfield University, UK	Director, Tigerair Taiwan Co., Ltd. Director, Global Sky Express Ltd. Director, Taiwan Air Cargo Terminal Ltd.	None	None	None	None
Assistant Vice President, Corporate Development Office	Yeh, Jin-Fu	R.O.C.	Male	03/18/2021	134,276	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Administration Div. General Manager, Fukuoka Branch. Master's Degree, National Cheng Kung University	None	None	None	None	None
Assistant Vice President, Corporate Development Office	Yen, Yang	R.O.C.	Female	09/01/2021	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, Finance & Treasury Dept., Finance Div. Master's Degree, The City University of New York, U.S.A.	Supervisor, Kaohsiung Airport Catering Services Director, Dynasty Hotel of Hawaii, Inc.	None	None	None	None
Vice President, In-Flight Service Supply Chain & Marketing Div.	Tsao, Jyh-Fen	R.O.C.	Female	16/07/2021	9,522	0.00%	1,948	0.00%	0	0.00%	President, Mandarin Airlines, Ltd. Vice President, Passenger Marketing Div. Master's Degree in Hotel Management, University of Surrey, UK	Chairman, China Pacific Laundry Services Ltd. Director, China Pacific Catering Services Ltd. Director, Kaohsiung Airport Catering Services Ltd.	None	None	None	None
Assistant Vice President, In-Flight Service Supply Chain & Marketing Div.	Chou, Chih-Lung	R.O.C.	Male	01/07/2021	2,830	0.00%	25,000	0.00%	0	0.00%	Vice President, Engineering Div. General Manager, Supply Dept., Engineering Div. Bachelor's Degree in Business Administration, National Taiwan University	None	None	None	None	None
Vice President, Ground Services Div.	Chu, Te-Hsiu	R.O.C.	Male	11/18/2019	43,382	0.00%	8,277	0.00%	0	0.00%	Chief Representative, East China, and Concurrently General Manager, Shanghai Office Assistant Vice President, Flight Operations Div.	Director, China Pacific Laundry Services Ltd. Director, Taoyuan International Airport Services Co., Ltd.	None	None	None	None

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
											Bachelor's Degree, Chinese Culture University					
Assistant Vice President, Ground Services Div.	Huang, Chin-Feng	R.O.C.	Male	10/16/2019	101,659	0.00%	0	0.00%	0	0.00%	President, Taoyuan International Airport Services Company Ltd. Senior Auditor, General Audit Office Bachelor's Degree, Soochow University	None	None	None	None	None
Assistant Vice President, Ground Services Div.	Hsu, Hsueh-Wen	R.O.C.	Male	02/13/2020	13,149	0.00%	0	0.00%	0	0.00%	Station Manager, Customer Service, Taoyuan International Airport, Ground Services Div. Station Manager, Customer Service, Songshan International Airport, Ground Services Div. Bachelor's Degree, Feng Chia University	None	None	None	None	None
Assistant VP Of Project, Customer Experience & Marketing Optimization Office, Ground Services Div.	Kung, Yuan-Jau	R.O.C.	Male	04/12/2021	9,062	0.00%	0	0.00%	0	0.00%	General Manager, Xiamen Office Assistant Vice President, Passenger Marketing Division Master's Degree from Tatung University	None	None	None	None	None
Vice President, Cargo Sales, Marketing & Services Div.	Liu, Der-Chuan	R.O.C.	Male	10/01/2016	172	0.00%	0	0.00%	0	0.00%	Vice President, Cargo Sales & Marketing Div. Vice President, Cargo Services & Logistics Div. Bachelor's Degree, Fu Jen University	Director, Taiwan Air Cargo Terminal Ltd. Director, Dynasty Aerotech International Corp. Director, Global Sky Express Ltd. Director, Eastern United International Logistics (Holdings) Ltd.	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Shih, Ching-yun	R.O.C.	Male	09/14/2021	693	0.00%	0	0.00%	0	0.00%	General Manager, Cargo Sales & Services, The Americas General Manager, Cargo Sales Management Dept., Cargo Sales, Marketing & Services Div. Bachelor's Degree, Chinese Culture University	None	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Wei, Chia-Hsiang	R.O.C.	Male	09/14/2021	0	0.00%	1,000	0.00%	0	0.00%	General Manager, Load Control dept. Cargo Sales Management Dept., General Manager, Flight Control Dept. System Operation Control Div. Bachelor's Degree, Vanung University	None	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Hsueh, Po-Wen	R.O.C.	Male	09/18/2020	328	0.00%	0	0.00%	0	0.00%	Chief Representative, East China Concurrently, General Manager, Shanghai Office General Manager, Cargo Sales & Services, Taiwan. Bachelor's Degree, Chinese Culture University	None	None	None	None	None
Vice President, Maintenance Div.	Lee, Jung-Hui	R.O.C.	Male	03/16/2022	0	0.00%	0	0.00%	0	0.00%	President, Mandarin Airlines Co., Ltd. General Manager, Line Maintenance Dept., Maintenance Div. Master's Degree, Tatung University	Director, Mandarin Airlines, Ltd. Director, Tigerair Taiwan Co., Ltd.	None	None	None	None
Assistant Vice President, Maintenance Div.	Shih, Ching-Kai	R.O.C.	Male	04/06/2021	0	0.00%	0	0.00%	0	0.00%	General Manager, Line Maintenance Dept., Maintenance Div.	None	None	None	None	None

Title	Name	Nationality /Country of Origin	Gender	Effective Date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship	
											General Manager, Base Maintenance Dept., Maintenance Div. Bachelor's Degree, Kainan University					
Assistant VP Of Project, 3-Bay Hangar Project Office Maintenance Div.	Lin, Pi-Wei	R.O.C.	Male	02/01/2022	0	0.00%	0	0.00%	0	0.00%	Manager Of Project, Terminal 3 Project Office, Administration Div. General Manager, Equipment & Facility Maintenance Department.	None	None	None	None	None
Vice President, Engineering Div.	Tsai, Chih-Hung	R.O.C.	Male	07/01/2021	0	0.00%	0	0.00%	0	0.00%	President, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director, HAECO Composite Structures (Jinjiang) Co., Ltd. Assistant Vice President, Corporate Safety Office Master's Degree, The University of Manchester	Director, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director, HAECO Composite Structures (Jinjiang) Co., Ltd. Director, Taikoo (Xiamen) Landing Gear Services Co., Ltd. Director, Dynasty Aerotech International Corp.	None	None	None	None
Assistant Vice President, Engineering Div.	Shih, Hui-Huang	R.O.C.	Male	07/01/2021	24,624	0.00%	0	0.00%	0	0.00%	General Manager, Dynasty Aerotech International Corp. General Manager, Maintenance Dept. Maintenance Div. Master's Degree from National Tsing Hua University	None	None	None	None	None
Assistant Vice President, Quality Assurance Division	Hsiao, Jui-Fu	R.O.C.	Male	04/06/2021	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Maintenance Div. General Manager, Line Maintenance Dept., Maintenance Div. Master's Degree, Kainan University	None	None	None	None	None
Vice President, Taiwan	Lee, Yi-Chou	R.O.C.	Male	12/09/2021	323	0.00%	0	0.00%	0	0.00%	General Manager, Thailand Branch General Manager, Kaohsiung Branch Associate's degree, Aletheia University	Director, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Vice President, Mainland China	Chiu, Wei-Tuan	R.O.C.	Male	06/15/2021	0	0.00%	0	0.00%	0	0.00%	Vice President, Taiwan Assistant Vice President, Passenger Sales & Marketing Div. Bachelor's Degree, National Chung Hsing University	None	None	None	None	None
Vice President, Oceania	Chen, Chung-Ming	R.O.C.	Male	05/10/2017	32,779	0.00%	0	0.00%	0	0.00%	General Manager, Fukuoka Branch Assistant Vice President, Passenger Sales Div. Bachelor's Degree, Department of Transportation & Logistics Management, National Chiao Tung University	None	None	None	None	None
Vice President, Japan	Chang, Horng-Jong	R.O.C.	Male	05/27/2020	11,820	0.00%	0	0.00%	0	0.00%	Chairman, Tigerair Taiwan Co., Ltd. General Manager, Haikou Office. Doctor of Science, Washington University, St. Louis, U.S.A	Director, Dynasty Holidays, Inc.	None	None	None	None

Note1: In order to prevent the concurrent appointment from influencing the objectivity and supervision of the Board of Directors, with the exception of President Kao, Shing-Hwang, Director Wei, Yung-Yeh and Director Chao, Kang, who are concurrently Directors and employees, none of the other members of the 22st Board of Directors are concurrently employees of the Company.

Note2: Company presidents, senior vice presidents, vice presidents, data protection officer, assistant vice presidents, and department and branch general managers have not worked for the Company's currently designated accounting firm or affiliated enterprises within the specified period and do not hold Company stock under the name of a different person.

3.2.3 Remuneration of Directors, President, and Vice President

Remuneration of Directors

Remuneration of Directors													
Title	Name (Note 1)	Remuneration								Total Remuneration (A+B+C+D) and Ratio to Net Gain (%) (Note 8)			
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)					
		CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL		Consolidated Subsidiaries of CAL (Note 7)	
Chairman	Hsieh, Su-Chien	6,598	9,528	0	0	0	0	6,564	8,436	13,162	0.14%	17,964	0.19%
Director	Kao Shing-Hwang												
Director	Chen, Charles C.Y.												
Director	Ting, Kwang-Hung												
Director	Chen, Han-Ming												
Director	Ko, Sun-Ta												
Director	Wei, Yung-Yeh												
Director	Lin, Su-Ming												
Director	Wang, Shih-Szu												
Independent Director	Chung, Lo-Min												
Independent Director	Chang, Hsieh Gen-Sen												
Independent Director	Shen, Hui-Ya												
Director	Chen, Maun-Jen												
Director	Chao, Kang												
Director	Huang, Chung-Che												
Juridical Person Director	National Development Fund (Executive Yuan)												
Independent Director	Huang, Hsieh- Hsing												
Independent Director	Hwang, Chin- Yeong												

1.State the policy, system, standard, and structure of independent directors' remuneration as well as the association between the remuneration amount and factors, such as responsibilities, risks, and contributed time: The remuneration of the independent directors of the Company shall be handled in accordance with the Articles of Association and shall be determined by the Board of Directors with reference to the standards among related industries and listed companies, and shall be paid as fixed remuneration, transportation fees, and attendance fees.

Note 1: Aside from independent directors, all other directors are representatives of the Company's juridical person shareholders China Aviation Development Foundation, National Development Fund (Executive Yuan). Mr. Huang, Chung-Che's director's remuneration is received by the National Development Foundation of the Executive Yuan, and Mr. Ko, Sun-Ta, Mr. Lin, Su-Ming, Mr. Chung, Lo-Min, and Ms. Shen, Hui-Ya's term of office as directors expired on August 11, 2021.

Note 2: Refers to director remuneration over the past year (includes director salary, additional compensation, various bonuses, and incentive pay).

Note 3: As stipulated in the Company's Articles of Incorporation, directors are not awarded bonuses.

Note 4: Refers to relevant business expenses incurred by directors (including travel expenses, various allowances, and using company cars). If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$745,000.

Unit: NT\$ thousands Dec 31, 2021

Unit: NT\$ thousands

Dec 31, 2021

Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A + B + C + D + E + F + G) to Net Loss (%) (Note 8)				Compensation Paid to Directors from an Invested Company or Parent Company Other than the Company's Subsidiary (Note 9)
Salary, Bonuses, and Allowances (E)(Note 5)		Severance Pay (F)		Employees' Compensation (G) (Note 6)								
CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL		Consolidated Subsidiaries of CAL (Note 7)		CAL	Consolidated Subsidiaries of CAL (Note 7)			
				Cash	Stock	Cash	Stock					
11,276	12,052	28,702	28,702	133	0	133	0	53,272	0.57%	58,852	0.63%	None

2. Except for the disclosure seen in the above table, the remuneration received by the Directors of the Company for the services provided for all companies in the financial report (such as serving as a consultant who is not an employee) in the most recent year: None.

Note 5: Refers to salary, bonuses, and allowances received by directors who are also employed by the Company (including as president, vice president, other managers, or regular employee) over the past year and includes salary, additional compensation, various bonuses, incentive pay, travel expenses, various allowances, and using company cars. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$857,000. The Company didn't carry out employee stock options, employee restricted stock awards and participation in a cash capital increase.

Note 6: Refers to employee compensation (including stock or cash) received by directors who are also employed by the Company (including as president, vice president, other managers, or regular employee) over the past year, and the amount of employee compensation approved for distribution by the Board for the most recent year must be disclosed. On March 15, 2022, the Company's Board of Directors resolved to approve the employee compensation plan for 2021.

Note 7: The total remuneration provided by the Company and subsidiaries to directors is disclosed per the consolidated financial statement.

Note 8: The remuneration distributed to each member of the Company's Board is disclosed as a range and the names of Directors are disclosed by range of compensation received.

Note 9: The total remuneration provided by the Company and subsidiaries to Directors is disclosed per the consolidated financial statement and names of Directors are disclosed by range of compensation received.

Note 10: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2021 individual financial statement net profit (after tax) totaled NT\$9,379,905,000.

Note 11: (1) The directors of the Company do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

(2) Compensation refers to pay, bonuses (including bonuses to employees, directors, or supervisors), or expenses paid in the execution of business to Company directors who serve as a director, supervisor, or manager of an invested company other than a company subsidiary.

Note 12: (1) Aside from Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, all other directors received a travel allowance.

(2) Transportation subsidies for Director Ting, Kwang-Hung, Director Wei, Yung-Yeh, and Director Chao-Kang were partially donated to the China Airlines Employee Union.

(3) Directors who also serve as employees of the Company are Director Kao, Shing-Hwang, Director Wei, Yung-Yeh, and Director Chao, Kang.

* The content is provided for information disclosure and not tax purposes.

Director Remuneration by Compensation Level

Range of Remuneration	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	CAL (Note 8)	Consolidated Subsidiaries of CAL (H) (Note 9)	CAL (Note 8)	Consolidated Subsidiaries of CAL (I) (Note 9)
Under NT\$1,000,000	Kao Shing-Hwang; Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Ko, Sun-Ta; Wei, Yung-Yeh; Lin, Su-Ming; Wang, Shih-Szu; Chung, Lo-Min; Chang, Hsieh Gen-Sen; Shen, Hui-Ya; Chen, Maun-Jen; Chao, Kang; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong	Kao Shing-Hwang; Chen, Charles C.Y.; Ting, Kwang-Hung; Ko, Sun-Ta; Wei, Yung-Yeh; Lin, Su-Ming; Wang, Shih-Szu; Chung, Lo-Min; Chang, Hsieh Gen-Sen; Shen, Hui-Ya; Chen, Maun-Jen; Chao, Kang; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong	Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Ko, Sun-Ta; Lin, Su-Ming; Wang, Shih-Szu; Chung, Lo-Min; Chang, Hsieh Gen-Sen; Shen, Hui-Ya; Chen, Maun-Jen; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong	Chen, Charles C.Y.; Ting, Kwang-Hung; Ko, Sun-Ta; Lin, Su-Ming; Wang, Shih-Szu; Chung, Lo-Min; Chang, Hsieh Gen-Sen; Shen, Hui-Ya; Chen, Maun-Jen; Huang, Chung-Che; National Development Fund (Executive Yuan); Huang, Hsieh-Hsing; Hwang, Chin-Yeong
NT\$1,000,000 - NT\$1,999,999	-	-	Chao, Kang	Chao, Kang
NT\$2,000,000 - NT\$3,499,999	-	-	Wei, Yung-Yeh	Wei, Yung-Yeh
NT\$3,500,000 - NT\$4,999,999	-	Chen, Han-Ming	-	Chen, Han-Ming
NT\$5,000,000 - NT\$9,999,999	Hsieh, Su-Chien	Hsieh, Su-Chien;	Hsieh, Su-Chien	Hsieh, Su-Chien
NT\$30,000,000 - NT\$49,999,999	-	-	Kao Shing-Hwang	Kao Shing-Hwang
Total	18	18	18	18

President and Senior Vice President Remuneration

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)	
		CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)
President	Kao, Shing-Hwang	16,363	16,364	40,673	40,673	12,133	17,286
Senior Vice President	Wang, Chen-Min						
Senior Vice President	Wang, Hounq						
Senior Vice President	Chang, Young						
Senior Vice President	Chen, I-Chieh						
Senior Vice President	Lai, Ming-Hui						

President and Senior Vice President Remuneration by Compensation Level

Range of Remuneration	Name of President and Senior Vice President	
	CAL (Note 6)	Consolidated Subsidiaries of CAL (E)(Note 7)
Under NT\$1,000,000	-	-
NT\$1,000,000 - NT\$1,999,999	-	-
NT\$2,000,000 - NT\$3,499,999	-	-
NT\$3,500,000 - NT\$4,999,999	Wang, Chen-Min; Wang, Hounq; Chen, I-Chieh	Chen, I-Chieh
NT\$5,000,000 - NT\$9,999,999	Lai, Ming-Hui	Wang, Chen-Min; Wang, Hounq; Chang, Young
NT\$10,000,000 - NT\$14,999,999	Chang, Young	Chang, Young
NT\$30,000,000 - NT\$49,999,999	Kao, Shing-Hwang	Kao, Shing-Hwang
Total	6	6

Unit: NT\$ thousands December 31, 2021

Employees' Compensation (D) (Note 4)				Ratio of Total Compensation (A + B + C + D) to Net Loss (%) (Note 8)				Compensation paid to the Presidents and Senior Vice Presidents from an Invested Company or Parent Company Other Than the Company's Subsidiary (Note 9)
CAL		Consolidated Subsidiaries of CAL (Note 5)		CAL		Consolidated Subsidiaries of CAL (Note 5)		
Cash	Stock	Cash	Stock					
266	0	266	0	69,435	0.74%	74,589	0.80%	None

Note 1: President Kao, Shing-Hwang concurrently serves as Director. Their remuneration is listed above and also in the Remuneration of Directors table. Mr. Chang, Young dismissed from the post of senior vice president on January 31, 2021; Mr. Chen, I-Chieh and Mr. Lai, Ming-Hui assumed as senior vice president on March 18, 2021.

Note 2: Refers to president and senior vice president salaries, additional compensation, and severance pay over the past year.

Note 3: Refers to various bonuses, incentive pay, travel expenses, various allowances, and company cars distributed to presidents and senior vice presidents over the past year. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$3,965,000. As stipulated in IFRS 2, Share Based Payments including obtaining employee stock options and employee restricted stock awards as well as participation in a cash capital increase shall be calculated as remuneration.

Note 4: Refers to employee compensation (including stock or cash) approved for distribution by president and senior vice presidents over the past year. Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. On March 15, 2022, the Company's Board of Directors resolved to approve the employee compensation plan for 2021.

Note 5: The total remuneration provided by the Company and subsidiaries to Company presidents and senior vice presidents is disclosed per the consolidated financial statement.

Note 6: The remuneration distributed to each president and senior vice president is disclosed as a range and the names of the presidents and vice presidents are disclosed by range of compensation received.

Note 7: The total remuneration provided by the Company and subsidiaries to presidents and senior vice presidents is disclosed per the consolidated financial statement and names of the presidents and vice presidents are disclosed by range of compensation received.

Note 8: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2021 individual financial statement net profit (after tax) totaled NT\$9,379,905,000.

Note 9: The President and Senior Vice President of the Company do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

* The content is provided for information disclosure and not for tax purposes.

Employees' Compensation in the Management Team

Unit: NT\$ thousands Dec 31, 2021

Title	Name	Employees' Compensation in Stocks	Employees' Compensation in Cash	Total	Ratio of Total Amount to Net Income (%)
Director	Hsieh, Su-Chien	0	3,454	3,454	0.04%
President	Kao, Shing-Hwang (Assumed post on 03/18/2021)				
Senior Vice President	Lai, Ming-Hui (Assumed post on 03/18/2021)				
Senior Vice President	Wang, Chen-Min				
Senior Vice President	Wang, Houng				
Senior Vice President	Chen, I-Chieh (Assumed post on 03/18/2021)				
Auditor General	Fang, Juo-Ling				
Data Protection Officer	Huang, Ta-Fang				
Vice President	Chien, Feng-Nien				
Vice President	Li, Chih-Wei (Assumed post on 03/20/2021)				
Vice President	Chen, I-Ko (Assumed post on 03/20/2021)				
Vice President	Peng, Pao-Chu				
Vice President	Liu, Der-Chuan				
Vice President	Lu, Shwu-Huoy				
Vice President	Lu, Shih-Ming (Assumed post on 11/16/2021)				
Vice President	Huang, Hui-Na (Assumed post on 07/31/2021)				
Vice President	Wang, Wei (Assumed post on 03/18/2021)				
Vice President	Hong, Tsu-Kuang				
Vice President	Tsao, Jyh-Fen (Assumed post on 07/16/2021)				
Vice President	Chou, Jyh-Shyan				
Vice President	Chu, Te-Hsiu				
Vice President	Chang, Cheng-Hao				
Vice President	Chung, Ming-Jyh				
Vice President	Sun, Jia-Min				
Vice President	Tsai, Chih-Hung (Assumed post on 07/01/2021)				
Vice resident	Hsiao, Jui-Fu (Assumed post on 04/06/2021)				
Deputy Auditor General	Ho, Hui-Fen				
Assistant Vice President	Yu, Yueh-Han				
Assistant Vice President	Chen, Chwen-Der				
Assistant Vice President	Kang, Yi-Chuan				
Assistant Vice President	Huang, Hsiang-Piao				
Assistant Vice President	He, Cheng				

Assistant Vice President	Chen, Pei-Ti			
Assistant Vice President	Pan, Yun-Hau			
Assistant Vice President	Wei, Chia-Hsiang (Assumed post on 09/14/2021)			
Assistant Vice President	Shih, Ching-yun (Assumed post on 09/14/2021)			
Assistant Vice President	Hsueh, Po-Wen			
Assistant Vice President	Lin, Heng-Shan			
Assistant Vice President	Lee, Pei-Chen			
Assistant Vice President	Chen, Mei-Fen (Assumed post on 04/01/2021)			
Assistant Vice President	Wang, Ching-Ting (Assumed post on 09/01/2021)			
Assistant Vice President	Cheng, Yu Lin (Assumed post on 10/12/2021)			
Assistant Vice President	Fang, Yuan-Hua			
Assistant Vice President	Chou, Chih-Lung (Assumed post on 07/01/2021)			
Assistant Vice President	Huang, Chin-Feng			
Assistant Vice President	Kung, Yuan-Jau (Assumed post on 04/12/2021)			
Assistant Vice President	Yeh, Jin-Fu (Assumed post on 03/18/2021)			
Assistant Vice President	Yen, Yang (Assumed post on 09/01/2021)			
Assistant Vice President	Liu, Duan-Shiuh			
Assistant Vice President	Shih, Ching-Kai (Assumed post on 04/06/2021)			
Assistant Vice President	Shih, Hui-Huang (Assumed post on 07/01/2021)			
Assistant Vice President	Lin, Pi-Wei (Assumed post on 12/16/2021)			
Senior Vice President	Chang, Young (Dismissed on 01/31/2021)			
Assistant Vice President	Tung, Hsing-Hua (Dismissed on 03/31/2021)			
Assistant Vice President	Hsu, Hsueh-Wen (Dismissed on 04/10/2021)			
Assistant Vice President	Sheu, Yuh-Shy (Dismissed on 04/30/2021)			
Assistant Vice President	Liu, Shou-Shu (Dismissed on 04/16/2021)			
Assistant Vice President	Mao, Li-Chung (Dismissed on 06/01/2021)			
Vice President	Chung, Wan-Chun (Dismissed on 07/16/2021)			
Vice President	Lee, Jung-Hui (Dismissed on 07/01/2021)			
Assistant Vice President	Chang, Hsu-Yu (Dismissed on 07/01/2021)			
Vice President	Chen, Wei-Tau (Dismissed on 07/31/2021)			
Assistant Vice President	Chen, Tin-Ming (Dismissed on 09/14/2021)			
Vice President	Yeah, Shao-Ting (Dismissed on 11/16/2021)			

Note 1: Individual names and titles are disclosed, but the distributed compensation is disclosed as a grand total.

Note 2: On March 15, 2022, the Company's Board of Directors approved the 2021 Employee Compensation Proposal.

Note 3: The management team includes:

- (1) Presidents and their equivalent;
- (2) Vice presidents and their equivalent;
- (3) Assistant vice presidents and their equivalent;
- (4) Chief financial officers;
- (5) Chief accounting officers;

(6) Other persons authorized to manage affairs and sign documents on behalf of the Company.

3.2.4 The Comparison Between the Remuneration for Directors, Presidents, and Vice Presidents in the Most Recent Two Fiscal Years and the Remuneration Policy for Directors, Presidents, and Vice Presidents

- A. The ratio of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents, and vice presidents of the Company, to their net income (loss)

Title	2020		2021	
	CAL	Consolidated Subsidiaries of CAL	CAL	Consolidated Subsidiaries of CAL
Directors	9.74%	12.84%	0.57%	0.63%
Presidents and Senior Vice Presidents	13.67%	16.29%	0.74%	0.80%

- B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance

As stipulated in the Articles of Incorporation, the Board of Directors is authorized to set the chairman's remuneration in accordance with the Company's policies regarding manager compensation and based on the extent of his or her participation in the Company's operations. The travel allowances and remuneration of other directors are determined by the Board in reference to the compensation levels provided by related industries and public companies. In accordance with Article 29 of the Company Act, president and senior vice president's remuneration is set by the Board of Directors' resolution based on salary-related regulations. Bonuses and employee compensation are calculated based on the Company's overall operating performance and the employee's individual performance achievement rate.

- C. Procedure for establishing remuneration

In the case of remuneration for board members and managers, as per regulation, the Company's Salary and Remuneration Committee meets regularly to assess and set salaries and remuneration, which are implemented after submission to the Board of Directors.

- D. Linkage to business outcomes

- (1) The remuneration of the president has already been determined based on his professional capability and the Company's operations and financial situation. The Senior Vice Presidents are evaluated based on the work performance evaluation regulation of the Company, which includes 40% of personal performance management and 60% double the annual work evaluation. The criteria include financial aspect, customer aspect, internal process aspect, safety aspect, growth and learning aspect, etc.
- (2) Pursuant to Chapter 5, Article 25 of the Articles of Incorporation, if the Company makes profits in the year, no less than 3% of the profit shall be distributed as employee remuneration in either stock or cash. According to the internal regulations, work performance bonus is distributed based on the company's management goals in different stages. Specifically, 60% accounts for personal performance and 40% accounts for the job title.

- E. Linkage to future risk

Major decision-making at operational levels of the company always takes into consideration risks and balances various risk factors. Major decision-making performance will be reflected in the Company's profits, thereby relating to salaries and remuneration to management levels. Specifically, the salaries and remuneration of the chairman of the board, the president, and senior vice presidents are linked to results and managing future risk.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A. From January 1, 2021 to March 28, 2022, a total of 13 meetings of the Board of Directors were held. The average attendance rate was 90%. Director attendance is detailed below:

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate (%) (Note 2)	Juridical Person Shareholder Represented	Remarks
Chairman	Hsieh, Su-Chien	13	0	100%	China Aviation Development Foundation	None
Director	Kao, Shing-Hwang	12	0	100%	China Aviation Development Foundation	None
Director	Chen, Charles C.Y.	12	1	92%	China Aviation Development Foundation	On 12/09/2021, Hsieh, Su-Chien attended as a proxy.
Director	Ting, Kwang-Hung	11	2	85%	China Aviation Development Foundation	On 04/06/2021, Chen, Han-Ming attended as a proxy. On 07/23/2021, Hsieh, Su-Chien attended as a proxy.
Director	Chen, Han-Ming	12	1	92%	China Aviation Development Foundation	On 11/04/2021, Kao, Shing-Hwang attended as a proxy.
Director	Chen, Maun-Jen	7	0	100%	China Aviation Development Foundation	None
Director	Wei, Yung-Yeh	13	0	100%	China Aviation Development Foundation	None
Director	Chao, Kang	7	0	100%	China Aviation Development Foundation	Newly appointed on 08/12/2021.
Director	Huang, Chung-Che	7	0	100%	National Development Fund (Executive Yuan)	Newly appointed on 08/12/2021.
Director	Wang, Shih-Szu	12	1	92%	National Development Fund (Executive Yuan)	On 08/26/2021, Huang, Chung-Che attended as a proxy.
Independent Director	Hwang, Chin-Yeong	6	1	86%	-	Newly appointed on 08/12/2021. On 12/09/2021, Huang, Hsieh-Hsing attended as a proxy.
Independent Director	Chang, Hsieh Gen-Sen	12	1	92%	-	On 11/04/2021, Hwang, Chin-Yeong attended as a proxy.
Independent Director	Huang, Hsieh-Hsing	7	0	100%	-	Newly appointed on 08/12/2021.
Director	Ko, Sun-Ta	2	0	33%	China Aviation Development Foundation	Dismissed on 08/12/2021.
Director	Lin, Su-Ming	5	1	83%	National Development Fund (Executive Yuan)	On 05/06/2021, Wang, Shih-Szu attended as a proxy. Dismissed on 08/12/2021.
Independent Director	Chung, Lo-Min	5	1	83%	-	On 05/06/2021, Chang, Hsieh Gen-Sen attended as a proxy. Dismissed on 08/12/2021.
Independent Director	Shen, Hui-Ya	3	0	50%	-	Dismissed on 08/12/2021.

Other items deserving mention:

- With the operations of the Company by the Board of Directors, should any one of the following situations arise, the Board Meeting date, session, content of the resolution, opinions of all independent directors, and the Company's response to these comments shall be properly recorded:
 - Matters listed under Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee, hence, this does not apply.
 - Other matters during decision-making by the Board not listed in Article 14-3 of the Securities and Exchange Act but were opposed by independent directors or directors stating they have reservations, and their opinion has been recorded or submitted in a written statement: None.
- Should a director recuse him or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted:

Meeting date	Agenda content	Directors recused for conflicting interest	Reason for recusal	Participation in vote
January 18 th , 2021: 14 th meeting of the 21 st Board of Directors	2021 Lunar New Year incentive for the Chairman and Managers	Chairman Hsieh, Su- Chien	Personal interest in this matter	Chairman Hsieh, Su-Chien voluntarily gave up the bonus. The recusal was not necessary since no personal interest was involved. All attending Directors approved the matter.
March 18 th , 2021: 15 th meeting of the 21 st Board of Directors	The appointment of the President	Director Kao, Shing- Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
	Distributing flight safety bonus to managers	Director Kao, Shing- Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
April 6 th , 2021: 9 th extraordinary meeting of the 21 st Board of Directors	Review the Qualifications of the Nominees of 22nd term of Board of Directors	Chairman Hsieh, Su-Chien; Director Kao, Shing- Hwang; Director Chen, Han-Ming; Director Ting, Kwang-Hung (Director Chen, Han-Ming attended as a proxy); Director Chen, Charles C.Y.; Director Wei, Yung-Yeh; Director Wang, Shih-Szu; Independent	Personal interest in this matter	Except for the directors, who recused according to the law due to interests involved and did not participate in discussion or voting, the remaining 3 attending Directors approved the matter.

		Director Chang, Hsieh Gen-Sen		
	Lifting of Non-competition Restriction on Holding Concurrent Posts for the Directors of 22nd Board	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang; Director Chen, Han-Ming; Director Ting, Kwang-Hung (Director Chen, Han-Ming attended as a proxy); Director Chen, Charles C.Y.; Director Wei, Yung-Yeh; Director Wang, Shih-Szu;	Personal interest in this matter	Except for the directors, who recused according to the law due to interests involved and did not participate in discussion or voting, the remaining 3 attending Directors approved the matter.
	Lifting of Non-competition Restriction on Holding Concurrent Posts for the President, Kao, Shing-Hwang	Director Kao, Shing-Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 9 attending Directors approved the resolution.
	Resignation fee for the former Senior Vice President (VO), Kao, Shing-Hwang	Director Kao, Shing-Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 9 attending Directors approved the resolution.
	Proposal of Salary and Compensation for the President, Kao, Shing-Hwang	Director Kao, Shing-Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 9 attending Directors approved the resolution.
August 5th, 2021: 17th meeting of the 21st Board of Directors	Capital increase for Taiwan and Tigerair Taiwan Co., Ltd.	Director Chen, Han-Ming	Personal interest in this matter	Director Chen, Han-Ming, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 9 attending Directors approved the resolution.
August 12th, 2021: 1st meeting of the 22nd Board of Directors	Appointment of President	Director Kao, Shing-Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 12 attending Directors approved the resolution.
	Proposal of Salary and Compensation for Current Chairman and President Following the Current System	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
January 12th, 2022: 2nd meeting of the 22nd Board of Directors	Chairman and President's 2021 Year-end Bonus and Incentive Bonus	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
	Chairman and President's Salary Increase for 2022	Chairman Hsieh, Su-Chien; Director Kao, Shing-Hwang	Personal interest in this matter	Chairman Hsieh, Su-Chien and Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.

3. Board of Directors' functional improvement goals for the last year and the current year (such as forming an audit committee and improving information transparency) in addition to the implementation of assessments:

- (1) To strengthen the management mechanisms and supervision, three functional committees, namely, the Remuneration Committee, Audit Committee, and Risk Committee, were set up under the Board of Directors. Each is convened based on its charter and the charters were approved by the Board. The committees meet to review and discuss relevant issues and report their conclusions and suggestions to the Board for resolution. The committees have been a success. The regulations governing functional committees passed by the Board specify the number of committee members, term of office, committee powers, rules of procedure, and resources to be provided by the Company when the committees exercise their powers.
- (2) The Company has formulated the "Regulations Governing the Board Performance Evaluation", which is implemented once at the end of each year, in order to implement corporate governance, improve the functioning of the Board of Directors of the Company and establish performance objectives to enhance the efficiency of the Board of Directors. The evaluation method is divided into performance evaluation of the entire Board of Directors, individual Board members, and the functional committees. The evaluation shall be conducted every three years by an external, professional, and independent organization or a team of experts and scholars. The Company has conducted a performance evaluation in 2020. The self-evaluation results by the entire Board of Directors, individual Board members, and the functional committees were all excellent. Hang Seng S.D. Co., Ltd. conducted the 2020 external evaluation of the Board of Directors and the result was excellent.
- (3) The Company regularly arranges advanced courses for directors every year, which cover corporate governance-related topics, such as finance, risk management, sales, business, legal affairs, accounting, internal control system, financial reporting responsibility, corporate social responsibility, etc. It also encourages members of the Board to continue to participate in courses related to corporate governance in their new or existing term of office to enable the members of the Board to have different professional functions and to implement the diversification policy of directors.
- (4) For more information regarding China Airlines Corporate Governance, please refer to the website (<http://www.china-airlines.com>): Corporate Social Responsibility, "Stakeholders' Area" and "Investor Information".

4. Independent director attendance record from January 1, 2021 to March 28, 2022:

Dates	01/18/2021	03/18/2021	04/06/2021	05/06/2021	07/23/2021	08/05/2021	08/12/2021	08/26/2021	11/04/2021	12/09/2021	01/12/2022	01/27/2022	03/15/2022
Name	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2022	2022	2022
Chung, Lo-Min	✓	✓	✓	○	✓	✓							-
Shen, Hui-Ya	✓	✓	✓	×	×	×							-
Chang, Hsieh Gen-Sen	✓	✓	✓	✓	✓	✓	✓	✓	○	✓	✓	✓	✓
Hwang, Chin-Yeong				-			✓	✓	✓	○	✓	✓	✓
Huang, Hsieh-Hsing				-			✓	✓	✓	✓	✓	✓	✓

Note: ✓ Indicates attendance in person. ○ indicates attendance by proxy. ✕ indicates no attendance.

Note 1: For directors that are juridical persons, the name of the juridical person shareholder and its representatives must be disclosed.

Note 2: (1) When a director resigns before the year's end, the remark column shall have the date of resignation and actual attendance rate (%) calculated based on the number of meetings held during the period prior to resignation and the actual number of meetings attended by him/her.

(2) If there is a change of directors prior to the end of the year, both the new and old directors shall be included in the table. The remark column shall note whether the director has been re-elected or newly elected and the date of the (re)election. Actual attendance rate (%) is calculated based on the number of meetings held during the period of service and the actual number of meetings attended by him/her.

B. Evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
(1) Engage in one internal evaluation per year.	January 1 to December 31, 2020	Covers the evaluation of the board as a whole, the individual directors, and functional committees	Evaluation by the business team of the Board of Directors, self-evaluation by the Board members, and performance evaluation by the functional committee members	<p>(1) Board of Directors' performance evaluation: 11 metrics in total, including 5 measurement parameters, i.e., the degree of participation in the Company's operations, the Board of Directors' decision-making quality, the composition and structure of the Board of Directors, the selection and continual education of Directors, and internal control.</p> <p>(2) Individual Board members: 18 metrics in total, including 6 measurement parameters, i.e., mastery of Company's goals and tasks, recognition of Directors' responsibilities, participation in Company's operations, internal relationship management and communication, Director's expertise and continual education, and internal control.</p> <p>(3) Evaluating Functional Committee Performance: 10 metrics in total, including 5 measurement parameters, i.e., the degree of participation in the Company's operations, functional committee responsibility awareness, decision-making quality of functional committee, composition and member selection of functional committee, and internal control.</p>
(2) An external evaluation shall be carried out every three years by an external, professional, and independent organization or a team of experts and scholars.	January 1 to December 31, 2020	Covers the evaluation of the board as a whole and functional committees	External evaluation form of the Functional Committees and the observation of the Board meeting	The evaluation aspects cover the engagement of company operation, decision-making improvement by the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of the Board of Directors, continuous learning, internal control, corporate governance, and operating performance evaluation.

3.3.2 Audit Committee

The Audit Committee convened six meetings from January 1, 2021 to March 28, 2022. The attendance of Committee members is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director	Chang, Hsieh Gen-Sen	10	0	100%	Dismissed from the post of convenor on August 12, 2021 Reelected on August 12, 2021
Independent Director	Chung, Lo-Min	4	1	80%	On May 6, 2021, Chang, Hsieh Gen-Sen attended as a proxy Dismissed on August 12, 2021
Independent Director	Shen, Hui-Ya	5	0	100%	Dismissed on August 12, 2021
Independent Director	Huang, Hsieh-Hsing	5	0	100%	Assumed as the independent director and convenor on August 12, 2021
Independent Director	Hwang, Chin-Yeong	4	1	80%	Assumed on August 12, 2021 On August 26, 2021, Chang, Hsieh Gen-Sen attended as a proxy

Other mentionable items:

1. Key functions of the Audit Committee:

The Committee consists of three independent directors. The key functions of the year are (1) to assist the Board of Directors in supervising the Company on the fair presentation of the relevant financial statements, (2) the appointment (dismissal) of a CPA and its independence and performance, (3) the auditing of the Company's internal control system, (4) compliance with related laws, regulations, and rules of the Company (such as, internal control system, acquisition or disposal of assets, derivative commodity transactions, loaning funds to others, providing endorsements or guarantees for others), and (5) other matters included in its statutory functions (appointment and dismissal of financial supervisors or internal audit executive, mergers, and acquisition-related matters).

2. In the operation of the Audit Committee, should one of the below situations arise, the date of the Board Meeting, session, content of the resolution, result of the Audit Committee resolution, and the Company's response to these views must be properly recorded:

(1) Matters listed under Article 14-5 of the Securities and Exchange Act:

Meeting date	Agenda content	Outcome of the vote by the Board of Auditors and company's handling of the Board's views	Outcome of the Board of Directors' decision
March 18, 2021 12th Meeting of the Audit Committee of the 21st Board of Directors	2020 Financial Report and Consolidated Financial Report 2020 Deficit Compensation 2021 CPA Appointment and Remuneration 2020 Internal Control System Effectiveness Audit and Statement	Passed to the Board of Directors with unanimous approval by all attending members .	Approved by all attending Directors in the 10th meeting of the 21st Board of Directors on March 18, 2021.
April 6, 2021 7th Extraordinary Meeting of the Audit Committee of the 21st Board of Directors	Revise the disposal of 5 A330-300 aircraft through sale and leaseback transaction		Approved by all attending Directors in the 9th extraordinary meeting of the 21st Board of Directors on April 6, 2021.
August 5, 2021 14th Meeting of the Audit Committee of the 21st Board of Directors	Capital increase for Taiwan and Tigerair Taiwan Co., Ltd. Endorsement and guarantee of Taiwan Aircraft Maintenance And Engineering Co., Ltd.'s application for change of financing terms with Mega International Commercial Bank		Approved by all attending Directors in the 17th meeting of the 21st Board of Directors on August 5, 2021.
August 26, 2021 1st Extraordinary Meeting of the Audit Committee of the 22nd Board of Directors	Capital increase for Mandarin Airlines, Ltd.		Approved by all attending Directors in the 1st extraordinary meeting of the 22nd Board of Directors on August 26, 2021.
November 4, 2021 1st Meeting of the Audit Committee of the 22nd Board of Directors	2021 Audit Plan		Approved by all attending Directors in the 2nd meeting of the 22nd Board of Directors on November 4, 2021.
January 27, 2022 2nd Extraordinary Meeting of the Audit Committee of the 22nd Board of Directors	Purchase of "777F cargo aircraft"		Approved by all attending Directors in the 3rd extraordinary meeting of the 22nd Board of Directors on January 27, 2022.
March 15, 2022 3rd Meeting of the Audit Committee of the 22nd Board of Directors	2021 Financial Report and Consolidated Financial Report 2021 Deficit Compensation 2022 CPA Appointment and Remuneration Revision of "Procedures for the Acquisition or Disposal of Assets" 2021 Internal Control System Effectiveness Audit and Statement		Approved by all attending Directors in the 4th meeting of the 22nd Board of Directors on March 15, 2022.

(2) Other matters up for decision by the Board not listed in Article 14-5 of the Securities and Exchange Act that were not passed by the Audit Committee but approved by two-thirds of the majority of the entire Board: None.

3. In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, the content of the resolution, the reason for recusal, and his or her voting participation should be properly recorded: None.

4. Types of communication between independent directors, internal audit managers, and auditors (regarding issues such as Company financial and operational status, procedures, and results):

- (1) In addition to the independent directors of the Company receiving the audit report monthly, the audit officer submits the annual audit plan and the implementation of independent directors through the Audit Committee and the Board of Directors. The audit officer replies to the independent director's questions, provides necessary information, strengthens the audit work in accordance with his instructions, and ensures the effectiveness of internal controls. In addition, in non-routine communication, the audit value shall be continuously improved. In case of any major violation, the independent director shall be informed immediately.
- (2) Before the audit committee meeting is held in each quarter, the certified public accountant and the independent directors shall convene a communication meeting to report to the independent director and explain the audit plan, implementation situation, or review the results of the financial statements. Furthermore, the certified public accountant shall provide the financial statements and relevant necessary information to the audit committee and the Board of Directors in each quarter, and attend the meeting in a non-voting capacity.
- (3) Directors shall contact the audit supervisor or accountants when needed for full communication.

• Communication between independent directors and accountants:

Means of communication	Communication matters		Communication results	
	Primary matter	Proposal by independent director	Results	Company's processing status
March 18, 2021 Audit Committee	Before the meeting, the accountant separately reported and explained the audit situation to the independent director. At the meeting, the financial director of the Company explained the audit results of the financial report in 2020. Issues raised by the participants were discussed and communicated.	Information on the content of the financial statements regarding leased aircraft and purchased aircraft were asked. Dropping revenue due to COVID-19 was discussed and lowering the CPA commissioned fee was suggested.	Amended and approved by all attending Independent Directors	1. The managerial department provided the explanation and response forthwith during the meeting. The CPA firm agreed to lower the fee. 2. The proposals continued to be submitted for the Board of Directors' approval and have completed the 2020 financial report announcement and declaration on March 31, 2021.
May 6, 2021 Audit Committee	Before the meeting, the accountant separately reported and explain the review situation to the independent director. At the meeting, the financial director of the Company explained the review results of the financial report in the first quarter of 2021 and the amendment of laws and regulations. Issues raised by the participants were discussed and communicated.	None.	Noted by all attending independent directors.	The proposals continued to be submitted for the Board of Directors' approval and have completed the Q1 2021 financial report announcement and declaration on May 14, 2021.
August 5, 2021 Audit Committee	Before the meeting, the accountant separately reported and explained the review situation to the independent director. At the meeting, the financial director of the Company explained the review results of the financial report in the second quarter of 2021 and the impact of the new amendments/revisions of accounting standards on financial statements. Issues raised by the participants were discussed and communicated.	Information on the reasons for the difference in the amount of bonds payable within one year from the previous period in the financial statements were asked.	Noted by all attending independent directors.	1. The managerial department provided the explanation and response forthwith during the meeting. 2. The proposals continued to be submitted for the Board of Directors' approval and have completed the Q2 2021 financial report announcement and declaration on August 16, 2021.
November 4, 2021 Audit Committee	Before the meeting, the accountant separately reported and explained the review situation, the audit planning, and key audit issues of the 2021 financial report to the independent director. At the meeting, the financial director of the Company explained the review results of the financial report in the third quarter of 2021. Issues raised by the participants	None.	Noted by all attending independent directors.	The proposals continued to be submitted for the Board of Directors' approval and have completed the Q3 2021 financial report announcement and declaration on November 15, 2021.

	were discussed and communicated.			
March 15, 2022 Audit Committee	Before the meeting, the accountant separately reported and explained the audit situation to the independent director. At the meeting, the financial director of the Company explained the audit results of the financial report in 2021. Issues raised by the participants were discussed and communicated.	Requested our accountants to conduct cash project audits on three airlines, namely China Airlines, Mandarin Airlines and Tigerair Taiwan, to strengthen the control of security and liquidity of cash.	Approved by all attending independent directors.	The proposals continued to be submitted for the Board of Directors' approval and completed the 2021 financial report announcement and declaration on March 31, 2022.
• Communication between independent directors and the internal audit supervisor:				
Means of communication	Communication matters		Communication results	
	Primary matter	Proposal by independent director	Results	Company's processing status
January 18, 2021 Audit Committee	Internal audit business report for Q4 2020	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on January 18, 2021.
March 18, 2021 Audit Committee	Internal audit business report for January 2021	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on March 18, 2021.
	2020 internal control effectiveness audit and statement	None	Approved by all attending members and reported to the Board of Directors.	Resolved by the Board of Directors on March 18, 2021. The 2020 Statement of Internal Control System was shared on March 22 and disclosed in the 2020 annual report.
May 6, 2021 Audit Committee	Internal audit business report for February to March 2021	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on May 6, 2021.
August 5, 2021 Audit Committee	Internal audit business report for April to June 2021	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on August 5, 2021
November 4, 2021 Audit Committee	Internal audit business report for July to September 2021	Convenor Huang: In the future, it is proposed to require individuals to pay back the relevant sales tax, customs duty and goods tax for the pilots who brought in high-value duty-free goods in violation of customs regulations.	Explained by the relevant unit and approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on November 4, 2021
	2022 Audit plan	Convenor Huang: Proposed to add important items in the audit report of important subsidiaries to the internal audit business report to be submitted quarterly in the future.	Explained by the relevant unit and approved by all attending members and reported to the Board of Directors.	1. Reported to the Board of Directors on November 4, 2021. 2. The General Audit Office will provide annual audit reports, project audit reports and minutes of board meetings of subsidiaries to the independent directors.
January 12, 2022 Audit Committee	Internal audit business report for October to December 2021	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on January 12, 2022.
March 15, 2022 Audit Committee	Internal audit business report for January 2022	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on March 15, 2022.
	2021 internal control effectiveness audit and statement	Convenor Huang: 1. Owing to the Novotel Taipei Taoyuan International Airport case last year, we asked our subsidiary, China Hotels, about the internal control	Explained by the relevant unit and approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on March 15, 2022.

			<p>procedures for "entry and exit control of flight crews during the pandemic".</p> <p>2. Asked Mandarin Airlines and Tigerair if they have internal auditors.</p> <p>Committee Member Huang:</p> <p>1. Asked about if there are any changes in the passenger booking structure.</p> <p>2. What is the difference in profit between official ticketing and travel agency ticketing?</p> <p>Committee Member Chang: Ask the company whether the internal control system has an alert function. One of the purposes of internal control is to make the company operate more effectively, and the system should be able to identify risks for more effective management.</p>		
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3.3.3 Risk Committee

The Risk Committee convened five meetings from January 1, 2021 to March 28, 2022. Committee member attendance is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Chung, Lo-Min	2	1	67%	Assumed on July 11, 2019. Dismissed on August 12, 2021 On May 6, 2019, Chang, Hsieh Gen-Sen attended as a proxy
Independent Director	Chang, Hsieh Gen-Sen	3	0	100%	Assumed from July 11, 2016; Reelected on August 12, 2021
Independent Director	Shen, Hui-Ya	3	0	100%	Assumed on July 11, 2018 Dismissed on August 12, 2021
Director	Lin, Su-Ming	1	2	33%	Assumed on May 6, 2014; Reelected on July 11, 2016 Dismissed on August 12, 2021 On March 18, 2019, Chung, Lo-Min attended as a proxy On May 6, 2019, Ting, Kwang-Hung attended as a proxy
Director	Ting, Kwang-Hung	3	0	100%	Assumed on May 6, 2014; Reelected on July 11, 2016
Independent Director (Chairman)	Chang, Hsieh Gen-Sen	2	0	100%	Reelected on August 12, 2021
Independent Director	Huang, Hsieh-Hsing	2	0	100%	Assumed on August 12, 2021
Independent Director	Hwang, Chin-Yeong	2	0	100%	Assumed on August 12, 2021
Director	Ting, Kwang-Hung	2	0	100%	Reelected on August 12, 2021
Director	Chen, Charles C.Y.	2	0	100%	Assumed on August 12, 2021

The following are items to note:

1. Key functions of the Risk Committee:

The Committee reviews the establishment, implementation, and response measures of the Company's management strategies for overall finance, economy, flight safety, and other risks. It submits its views and recommendations to the Board of Directors for implementation.

2. Professional competence of risk management committee members:

Independent director Shen, Hui-Ya is a competent legal professional; independent directors Chang, Hsieh Gen-Sen, Chung, Lo-Min, and director Lin, Su-Ming all have the professional ability in financial accounting, its practices, and experience in management; Director Ting, Kwang-Hung has the ability to make business-related judgments, leadership and decision-making, operation and management, crisis handling, and has an outlook on international markets.

3. The operation of the Risk Committee:

Meeting dates	Agenda content	Risk Committee resolution results and company action on Risk Committee's views	Results of the Board of Directors' decision
March 18, 2021 11 th Meeting of the Risk Management Committee of the 21 st Board of Directors	Safety management report 2021Q1 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy	Passed to the Board of Directors with unanimous approval by all members in attendance.	Unanimously passed by all members of the Board of Directors in attendance.
May 6, 2021 12 th Meeting of the Risk Management Committee of the 21 st Board of Directors	Safety management report 2021Q2 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
August 5, 2021 13 th Meeting of the Risk Management Committee of the 21 st Board of Directors	Safety management report 2021Q3 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
November 4, 2021 1 st Meeting of the Risk	Current Status of China Airlines' Personal Information Management System and BS 10012 Validation Program		

Management Committee of the 22nd Board of Directors	Safety management report 2021Q4 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
March 15, 2022 2nd Meeting of the Risk Management Committee of the 22nd Board of Directors	Safety management report 2022Q1 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		

3.3.4 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies

Item of Evaluation	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Brief Explanation	
1. Did the Company establish its Corporate Governance Best-Practice Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and did it share those principles?	✓		The Corporate Governance Principles of the Company have been formulated in compliance with the Corporate Governance Best-Practice Principles for TSEC/TPEX-Listed Companies. Its amendment was approved at the 6 th meeting of the 21 st Board of Directors on May 8, 2019, and it was shared under the "Important Company Regulations" on the Company's website.	No Difference
2. Company ownership structure and shareholder rights (1) Did the Company establish internal operational procedures for dealing with shareholder suggestions, questions, disputes, and lawsuits? Did it put these procedures into practice?	✓		(1) The Company's website has a portal for shareholder services. A "Method for Handling Investor Relations" has been set so that investor suggestions and concerns are dealt with by shareholder service personnel and shareholder service agents according to relevant procedures. This ensures a smooth channel of communication between the Company and its shareholders and the quality of disclosed information.	No Difference
(2) Does China Airlines maintain a list of the major Company shareholders and the ultimate owners of these shareholders?	✓		(2) The China Aviation Development Foundation is China Airlines' largest shareholder and the company is in communication and contact with it.	No Difference
(3) Did China Airlines establish and implement risk control mechanisms and firewalls at the Company and affiliated enterprises?	✓		(3) The Company has established Operational Procedures for Endorsements/Guarantees, Operational Procedures for Lending Funds to Others, and Regulations Governing Management of Invested Enterprises. All capital loans and funding, endorsements/guarantees, and operational supervision and management of Company subsidiaries are in accordance with these procedures and regulations. Audit units perform quarterly audits of Company endorsements/guarantees and capital loans/funding, which are provided to the management and independent directors. The Finance Div. is responsible for overseeing implementation at invested enterprises and should any errors be noticed, a rectification deadline is set and the progress is monitored.	No Difference
(4) Did the Company establish internal standards to prevent insider trading on undisclosed information?	✓		(4) The Company established the Director's Code of Conduct, Procedures for Handling Material Inside Information, and High-Level Manager Code of Conduct to specify insider trading prevention and processing of secret stock trading as well as operating information as required of employees by law. Those with access to undisclosed material inside information are prohibited from engaging in securities trading.	No Difference
3. Structure and responsibilities of the Board of Directors	✓		(1) China Airlines advocates and respects the director's diversity policy. It is convinced that diversity can improve the overall performance of the Company. Members of the Board of Directors shall be based on personal capabilities. Diversification from different aspects is also taken into consideration, including their background (e.g., age, gender and nationality, etc.), experience and skills (e.g., aviation, sea freight, transportation, finance and accounting, law and insurance, electricity,	No Difference

Item of Evaluation	Status of Implementation											Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons																																																																																																																																																																																																																																													
	Yes	No	Brief Explanation																																																																																																																																																																																																																																																						
(1) Has the Company established policies calling for diversity among members of the Board of Directors and put these policies into practice?			<p>technology, and public utilities, etc.), operation and management, leadership and decision-making, and crisis management ability. In order to strengthen the Board's functions to achieve the ideal goals of corporate governance, the Company has formulated the Corporate Governance Principles, Article 20, which specifies the overall abilities the Board of Directors be met with the following:</p> <p>A. The ability to make operational judgment.</p> <p>B. The ability to perform accounting and financial analyses.</p> <p>C. The ability to conduct management administration.</p> <p>D. The ability to manage crisis situations.</p> <p>E. Industrial knowledge.</p> <p>F. Perspective of the international market.</p> <p>G. The ability to lead.</p> <p>H. The ability to make decisions.</p> <p>The diversification policies of the current executives of the Company and their progress are as follows:</p> <p style="text-align: right;">Mar. 28, 2022</p>	<table><tr><th rowspan="3">Diversified Core Name</th><th colspan="6">Basic composition</th><th colspan="10">Industrial experience</th><th colspan="3">Professional competence</th></tr><tr><th rowspan="2">Nationality</th><th rowspan="2">Gender</th><th rowspan="2">Has employee status</th><th colspan="3">Age</th><th colspan="2">Duration of term of office</th><th rowspan="2">Airlines</th><th rowspan="2">Transport</th><th rowspan="2">Professional services and</th><th rowspan="2">Financial and Finance</th><th rowspan="2">Construction and engineering</th><th rowspan="2">Banking, insurance, and real</th><th rowspan="2">Business and supply</th><th rowspan="2">Information and technology</th><th rowspan="2">Metal and machinery</th><th rowspan="2">Law</th><th rowspan="2">Accounting</th><th rowspan="2">Risk management</th></tr><tr><th>40-50</th><th>51-60</th><th>Over 61</th><th>Less than 3 years</th><th>Six to nine years</th></tr><tr><td>Hsieh, Su-Chien</td><td>R.O.C.</td><td>Male</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>○</td><td>-</td><td>-</td><td>✓</td><td>○</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Kao, Shing-Huang</td><td>R.O.C.</td><td>Male</td><td>✓</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>○</td><td>-</td><td>-</td><td>✓</td><td>○</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Chen, Charles C.Y.</td><td>R.O.C.</td><td>Male</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>○</td><td>-</td><td>✓</td><td>✓</td><td>○</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Ting, Kwang-Hung</td><td>R.O.C.</td><td>Male</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>✓</td><td>-</td><td>-</td><td>○</td><td>✓</td></tr><tr><td>Chen, Han-Ming</td><td>R.O.C.</td><td>Male</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>✓</td><td>○</td><td>✓</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Chen, Maun-Jen</td><td>R.O.C.</td><td>Male</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>○</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>✓</td></tr><tr><td>Wei, Yung-Yeh</td><td>R.O.C.</td><td>Male</td><td>✓</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>○</td></tr><tr><td>Chao, Kang</td><td>R.O.C.</td><td>Male</td><td>✓</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>○</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>○</td></tr><tr><td>Wang, Shi-Shu</td><td>R.O.C.</td><td>Female</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>✓</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>○</td><td>-</td><td>✓</td></tr></table>																					Diversified Core Name	Basic composition						Industrial experience										Professional competence			Nationality	Gender	Has employee status	Age			Duration of term of office		Airlines	Transport	Professional services and	Financial and Finance	Construction and engineering	Banking, insurance, and real	Business and supply	Information and technology	Metal and machinery	Law	Accounting	Risk management	40-50	51-60	Over 61	Less than 3 years	Six to nine years	Hsieh, Su-Chien	R.O.C.	Male	-	-	-	✓	-	-	✓	✓	✓	○	-	-	✓	○	-	-	✓	Kao, Shing-Huang	R.O.C.	Male	✓	-	-	✓	-	-	✓	✓	✓	○	-	-	✓	○	-	-	✓	Chen, Charles C.Y.	R.O.C.	Male	-	-	✓	-	-	-	-	✓	✓	○	-	✓	✓	○	-	-	✓	Ting, Kwang-Hung	R.O.C.	Male	-	✓	-	-	-	-	-	-	✓	✓	✓	✓	✓	-	-	○	✓	Chen, Han-Ming	R.O.C.	Male	-	✓	-	-	-	-	✓	-	✓	○	✓	✓	-	✓	-	-	✓	Chen, Maun-Jen	R.O.C.	Male	-	-	-	✓	-	-	-	-	✓	-	○	✓	-	✓	-	-	✓	Wei, Yung-Yeh	R.O.C.	Male	✓	-	✓	-	-	-	✓	-	-	-	-	-	-	✓	-	-	○	Chao, Kang	R.O.C.	Male	✓	-	-	✓	-	-	✓	-	-	✓	-	○	-	-	-	✓	○	Wang, Shi-Shu	R.O.C.	Female	-	-	✓	-	-	-	-	-	✓	-	-	-	-	-	○	-	✓
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	Wei, Yung-Yeh	R.O.C.		Male	✓	-	✓	-	-	-	✓	-	-	-	-	-	-	✓	-	-	○																																																																																																																																																																																																																																				
	Chao, Kang	R.O.C.		Male	✓	-	-	✓	-	-	✓	-	-	✓	-	○	-	-	-	✓	○																																																																																																																																																																																																																																				
Wang, Shi-Shu	R.O.C.	Female	-	-	✓	-	-	-	-	-	✓	-	-	-	-	-	○	-	✓																																																																																																																																																																																																																																						

Item of Evaluation	Status of Implementation																				Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons			
	Yes	No	Brief Explanation																					
			Huang, Chung-Che	R.O.C.	Male	-	-	✓	-	-	-	-	-	✓	✓	✓	○	-	○	-	-	✓	✓	
			Huang, Hsieh-Hsing	R.O.C.	Male	-	-	-	✓	✓	-	-	-	-	✓	-	○	-	-	-	-	✓	✓	
			Chang, Hsieh Gen-Sen	R.O.C.	Female	-	-	-	✓	-	✓	-	-	-	✓	-	-	-	-	-	-	✓	✓	
			Hwang, Chin-Yeong	R.O.C.	Male	-	-	-	✓	✓	-	-	-	✓	-	-	-	○	✓	-	-	-	✓	
Note: ✓ Indicates the director has the capability; ○ indicates the director has some capability.																								
<p>a. The 13 directors (including 3 independent directors) of the 22nd Board of Directors of the Company have the capabilities in business judgments, leadership decision-making, operation and management, international market outlook, crisis management as well as industrial experience, and professional abilities, among which, those with experience in transportation and tourism industry are Chairman Hsieh, Su-Chien, Director Chen, Charles C.Y., Director Chao, Kang, and Director Wei, Yung-Yeh. Those who are competent at marketing are Chairman Hsieh, Su-Chien, Director Charles C.Y. Chen, Director Ting, Kwang-Hung, Director Chen, Han-Ming, and Director Chen, Maun-Jen. Director Chen, Charles C.Y. has made significant contributions to the public welfare. Director Wang, Shih-Szu (vice mayor of Tainan City) and Director Huang, Chung-Che (Director-general of the Finance and Taxation Bureau, Yilan County) were previous politicians. Independent director Chang, Hsieh Gen-Sen and independent director Huang, Hsieh-Hsing both are competent in accountancy or finance and have practical experience in management or teaching. Moreover, Independent director, Huang, Chin-Yung has extensive experience in the media and technology industry.</p> <p>b. The average term of office of the company's directors is 4.4 years, among which two independent directors, Hwang, Chin-Yeong and Huang, Hsieh-Hsing, have tenure of fewer than three years. The term of office of independent director Chang, Hsieh Gen-Sen is four years and the consecutive term of office of all independent directors does not exceed three terms.</p> <p>The directors are all local citizens and three independent directors constitute 23% of the board. There is one director who is also an employee (23%). The age distribution of directors includes two directors aged 40-50, four directors aged 51-60, and seven directors aged over 61.</p> <p>In addition, the Company also pays attention to gender equality in the composition of the Board. The current board of directors consists of two female members (one of whom are independent directors) and the proportion of female directors is high, at 15%. In the future, the Company will remain committed to improving the proportion of female directors.</p> <p>c. Diversity, complementarity, and implementation of directors comply with and exceed the standards specified in Article 20 of the Corporate Governance Principles of China Airlines. In the future, the board of directors will continue to update its diversified policies according to board operations, operation style, and development needs, including but not limited to the standards of basic conditions and values and professional knowledge and skills. This can ensure that board members generally have the necessary knowledge, skills, and literacy to perform their duties.</p>																								
(2) In addition to the establishment of the Remuneration Committee and Audit Committee as required by law, did the Company establish committees with other functions of its own accord?	✓		(2) In addition to setting up the Audit Committee and the Remuneration Committee according to law, to improve the risk management of the Company, the Company has voluntarily set up a Risk Management Committee with five directors (including three Independent Directors) as members. Meetings are held on a quarterly basis according to the organization regulations approved by the Board of Directors. The Committee responds to the Board of Directors and assists it in reviewing the establishment, implementation outcomes, and response measures of the Company's management strategies for overall finance, economy, flight safety, and other risks. It then submits its conclusions and recommendations to be resolved by the Board of Directors. Good operational effectiveness has been achieved.																				No Difference	
(3) Has the Company formulated guidelines on performance evaluation and evaluation methods for the Board of Directors and does it evaluate its performance regularly each year? Furthermore	✓		(3) The Company approved the "Regulations Governing the Board Performance Evaluation" in the 8 th meeting of the 21 st Board of Directors on November 7, 2019. An internal evaluation of the Board's performance is made at the end of each year. The evaluation is divided into the performance evaluation of the entire Board of Directors, individual Board members, and functional committees. The evaluation shall be completed by the end of January of the following year. The outcomes shall be submitted by the Human Resources Department to be reported at the Board meeting held by the end of March. The evaluation shall be conducted every three years by an external, professional, and independent organization or a team of experts and scholars. The results will be applied in deciding directors' remuneration and nomination while renewing their performance.																				No Difference	
			The Company completed the 2021 Board Performance Evaluation in accordance with the above regulations, which has been reported at the 4 th meeting of the 22 nd Board of Directors on March 15, 2022. Details are disclosed on the Company's official website.																					
			The external evaluation has been completed in 2020.																					

Item of Evaluation	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons																														
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does it report the evaluation outcomes to the Board of Directors and use them as references for deciding on the remuneration of individual directors and nomination for continuing terms as directors?																																		
(4) Does the Company periodically assess the independence of external CPAs?	✓		<div>(4) The Audit Committee and the Board of Directors of the Company regularly assess the independence and competence of the accountants each year in accordance with the Company's Corporate Governance Principles, completing the "Accountant Independence Evaluation Form" and acquiring the "Accountant Independence Declaration". The evaluation results are as follows:<table><tr><th rowspan="2">Item Assessed</th><th colspan="2">Assessment Results</th><th rowspan="2">Conforms to Independence</th></tr><tr><th>Yes</th><th>No</th></tr><tr><td>1. Issued an accountant independence declaration</td><td>✓</td><td></td><td>Yes</td></tr><tr><td>2. Has not gone seven continuous years without changing accountants</td><td>✓</td><td></td><td>Yes</td></tr><tr><td>3. Not served as a company director or manager</td><td>✓</td><td></td><td>Yes</td></tr><tr><td>4. Not a shareholder of the Company and has never been on the payroll</td><td>✓</td><td></td><td>Yes</td></tr><tr><td>5. The accounting firm for which they work is not a company-affiliated enterprise</td><td>✓</td><td></td><td>Yes</td></tr><tr><td>6. Has not provided any non-auditing services to the Company that could affect complete independence</td><td>✓</td><td></td><td>Yes</td></tr></table>After the assessment by the Company, accountants Huang, Jui-Chan and Cheng, Shih-Ran of Deloitte & Touche both conform to the above assessment standards for independence and are suitable to act as CPAs for this company. After the 3rd meeting of the 22st Audit Committee on March 15, 2022, a report will be made for the 4th meeting of the 22st Board of Directors on the appointment of accountants.</div>	Item Assessed	Assessment Results		Conforms to Independence	Yes	No	1. Issued an accountant independence declaration	✓		Yes	2. Has not gone seven continuous years without changing accountants	✓		Yes	3. Not served as a company director or manager	✓		Yes	4. Not a shareholder of the Company and has never been on the payroll	✓		Yes	5. The accounting firm for which they work is not a company-affiliated enterprise	✓		Yes	6. Has not provided any non-auditing services to the Company that could affect complete independence	✓		Yes	No Difference
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5. The accounting firm for which they work is not a company-affiliated enterprise	✓		Yes																															
6. Has not provided any non-auditing services to the Company that could affect complete independence	✓		Yes																															
4. Does the TWSE/TPEx- listed company have in place an appropriate number of qualified corporate governance officers and a designated chief corporate governance manager to be responsible for corporate governance-related matters? (This is inclusive of but not limited to providing directors and supervisors with the information required to conduct business, assist directors, and supervisors in: legal compliance, handling matters related to board meetings and shareholders' meetings that are in accordance with law as well as preparing minutes of the board and shareholders' meetings.)	✓		<div>(1) The Company approved the establishment of the Chief Corporate Governance Officer at the 6th meeting of the 21st Board of Directors on May 8, 2019, which is served by the Vice President Chien, Feng-Nien, who has professional qualifications and conducts legal-related matters as head of the department for more than three years. The Chief Corporate Governance Officer's main duties include (1) handling relevant meeting affairs of the Board of Directors and Shareholders Meetings in accordance with law, (2) generating minutes of the Board meetings and Shareholders' Meetings, (3) assisting directors in assuming their positions and continual education, (4) providing directors with the information required to perform their duties, (5) assisting directors in complying with laws and regulations, and (6) other matters related to laws and regulations, the Company's Articles of Incorporation, or contracts. (2) The Chief Corporate Governance Officer supervises concerned units in implementing corporate governance matters: A. The Chief Corporate Governance Officer focuses on the following matters that are handled by the personnel of the Board of Directors Business Task Force when handling matters related to the Board of Directors and Committees (including preparing the meeting minutes). The officer also assists the directors in handling their positions, legal compliance and continual education, and providing them with the information required to conduct the following: 1. Notifying respective members of meetings seven days prior to the convening of meetings of Board of Directors and Committees, with cause(s) or subject(s) of the meeting and sufficient meeting materials attached. Having the minutes of each meeting signed or sealed by the Chairman with every meeting being recorded and distributed to the members of the meeting within 20 days of the meeting. 2. Providing new training to first-time directors, introducing them to the Company's business, organization and other matters needing attention, and providing the newly elected directors with regulatory guidance manuals regarding insiders and other directors. These actions are taken in order to assist them in taking office and ensuring legal compliance.; Moreover, officers assist directors in completing annual training courses in accordance with the Company's business characteristics and the directors' requirements. 3. Providing necessary company information to the directors, maintaining cordial communication and exchange between the directors and supervisors, and assisting in arranging communication meetings between independent directors and chief audit executive, CPAs, or other internal units to facilitate the conduct of business by independent directors. Amending internal regulations related to corporate governance in cooperation with the latest laws and regulations relevant to the Company's field of business and corporate governance as well as submitting amendments to the Board of Directors for resolution. B. In relation to the Company's registration and change of registration, the Administration Division is responsible for completing the relevant registration with the competent authority within the time limit for matters requiring registration or changes to registration matters of the Company. C. In addition, the Finance Division is responsible for the handling of matters related to shareholders' meetings (planning and convening of shareholders' meetings, the preparation of meeting minutes, and other stock affairs-related business). It also provides sufficient information to the shareholders to ensure that the shareholders' rights and interests are well protected. (3) From January 1, 2021 to March 28, 2022, the Chief Corporate Governance Officer has attended the following courses:<table><tr><th>Sponsoring Organization</th><th>Course</th><th>Date(s)</th><th>Training hours</th></tr><tr><td>Taiwan Corporate Governance Association</td><td>Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices</td><td>2021/08/12</td><td>3hr</td></tr></table></div>	Sponsoring Organization	Course	Date(s)	Training hours	Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices	2021/08/12	3hr	No Difference																						
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			Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus	2021/08/26	3hr																																																							
			Digital Governance Association	Seminar on Directors' and Supervisors' Responsibilities and Risk Management	2021/09/15	3hr																																																							
			Independent Director Association Taiwan	Cases Study of "Unconventional Trading" and "Special Breach of Trust" under the Securities and Exchange Act and Strategies for Board of Directors' Exemption	2021/10/14	3hr																																																							
5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the Company website? Does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?	✓		<p>The Company identifies stakeholders in accordance with the five principles of the AA1000 Stakeholder Engagement Standard (SES). To fully and effectively communicate with stakeholders, a spokesperson and "Stakeholders Section" have been created on the Company's official website to provide contact information of the units associated with various issues, so as to facilitate stakeholders' interaction with respective personnel working on relevant issues (including contact personnel, e-mails, and telephone numbers). A webpage for communication with stakeholders has been created on the corporate social responsibility website, explaining stakeholders' issues of concern, communication channels, response frequency, and communication results. The communication situation with various stakeholders is also reported to the Board of Directors every year. The outcomes from its implementation since 2021 have been reported at the 3rd meeting of the 22st Board of Directors on January 12, 2022.</p> <p>Relevant content and frequency of the actual implementation show proper responses to various issues that include corporate social responsibility. See the following for details:</p> <p>(1) Company website--stakeholders section: https://www.china-airlines.com/tw/en/about-us/stakeholder</p> <p>(2) Company Corporate Social Responsibility (CSR) website -- stakeholder engagement: http://calec.china-airlines.com/csr/en/management_interested.html</p> <p>(3) Explanatory table:</p> <table><tr><th>Item Category</th><th>Focus of Communication</th><th>Contact Person</th><th>Channel of Communication</th><th>Frequency</th><th>Result of Communication</th></tr><tr><td rowspan="4">Employees</td><td rowspan="4"><ul style="list-style-type: none">Social Contribution and ParticipationContinuous Innovation and DevelopmentSustainable Supply Chain ManagementHuman Rights</td><td rowspan="4">Human Resource Div. Manager Lin Tel: +886(0)-3-3998917</td><td>Labor-Management Conference</td><td>Four to six times per year</td><td rowspan="4">1. Employee satisfaction surveys are conducted once every two years. The score in 2019 was 6.4 (Note: the highest score is 10) Due to COVID-19, the survey was postponed to 2022 to avoid the survey result being distorted. 2. On December 16, 2021, China Airlines signed a group agreement with the corporate union, and this is the sixth time the agreement was signed. A total of 79 agreements were reached and the term is set for three years.</td></tr><tr><td>Union</td><td>Real time</td></tr><tr><td>Employee concerns mailbox (Wecare listens mailbox, Speak Out employee communication mailbox, Team+ real-time information platform)</td><td>Real time</td></tr><tr><td>Website for retired employees and those who have left employment</td><td>Real time</td></tr><tr><td rowspan="6">Customers</td><td rowspan="6"><ul style="list-style-type: none">Financial PerformanceSocial Contribution and ParticipationResource ManagementClimate Change Mitigation and Adaptation</td><td rowspan="2">Passenger Service Passenger dedicated phone line: +886(0)-2-412-9000</td><td>Customer satisfaction surveys</td><td>Real time</td><td rowspan="6">2021: 1. Passenger satisfaction rate was 90.70% 2. Cargo satisfaction rate was 88.30% 3. Maintenance factory satisfaction score was 8.24 (Note: highest score is 10)</td></tr><tr><td>Global business meetings</td><td>Annually</td></tr><tr><td rowspan="2">Cargo Service Mr. Lin Tel: +886(0)-3-3998263</td><td>Taiwan district business meetings</td><td>Twice per year</td></tr><tr><td>Discussions with travel agencies</td><td>Occasional</td></tr><tr><td rowspan="2">Aircraft Maintenance Mr. Chou Tel: +886(0)-3-3987215</td><td>Company website, industry social responsibility network, Facebook, e-mail, and message</td><td>Real time</td></tr><tr><td>Customer-service hotline</td><td>Real time</td></tr><tr><td rowspan="2">Investors</td><td rowspan="2"><ul style="list-style-type: none">Public Safety and Health</td><td rowspan="2">Vice President, Corporate Communications Office and spokeswoman</td><td>Corporate customer visits</td><td>Occasional</td></tr><tr><td>Shareholders' meeting</td><td>Annually</td></tr><tr><td></td><td></td><td></td><td>Shareholder hotline/mailbox</td><td>Real time</td><td rowspan="2">1. 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	Yes	No	Brief Explanation					
				<ul style="list-style-type: none">• Labor Relations and Communication• Climate Change Mitigation and Adaptation• Fleet Development and Management	Lu, Shwu-Huoy e-mail: tpeprci@china-airlines.com Vice President, Finance Div. Wang, Wei e-mail: tpeaf@china-airlines.com Finance Div. Mr. Yang Tel: +886(0)-3-3998331 Finance Div. Mr. Lin Tel: +886(0)-3-3998361	Corporate customer hotline	Annually	laws, regulations, and investors' demand. 2. At the shareholders' meeting held on August 12, 2021, shareholders raised questions about the proportion of independent directors and the company's personal health-related plans for employees, and all questions were explained and answered by the chairman of the board of directors or by a designated person. 3. On April 14 and November 16, 2021, the Company was invited to attend a conference held by a brokerage firm, during which the Company explained its overall operations, the impact of the pandemic and our response, and the outlook for the post-pandemic.
						Corporate information meeting	Occasional	
			Partners (Suppliers)	<ul style="list-style-type: none">• Human Rights• Climate Change Mitigation and Adaptation• Sustainable Employment and Talent Attraction• Green Service and Sustainable Dining	General Products Administration Div. Miss Xiao Tel: +886(0)-3-3999143 Aircraft Parts Engineering Div. Mr. Tsai Tel: +886(0)-3-3834251 Ext.7507 e-Shopping/Duty-Free In-Flight Service Supply Chain & Marketing Div. Miss Tseng Tel: +886(0)-3-3993913	Telephone, e-mail	Occasional	1. The average sustainability risk survey score for 2021 is 88.17, which is higher than the target score set by China Airlines. 2. Held Supplier Conference at the end of 2021.
						Consultative conferences	Occasional	
						Business visits	Occasional	
						Site inspections	At least once every 6 months	
			Society	<ul style="list-style-type: none">• Financial Performance• Green Service and Sustainable Dining• Human Rights• Environmental Risk and Operational Efficiency Management	Corporate Development Office Mr. Zhong Tel: +886(0)-3-3998530 Corporate Communications Office Mr. Lee Tel: +886(0)-3-3998639	Hold activities for the public good; participate in societal activities	Occasional	1. A total of 138,565 individuals benefited in 2021. 2. In 2021, a charity sale of masks was held, and all employees were invited to subscribe masks for charity. A total of 1,081 employees participated and donated NT\$2,000,000 to the disadvantaged groups such as the Huai-Te-Feng Nursery School,
						Press releases and messages	Monthly, Occasional	
						Network mailbox	Occasional Daily	

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							Adolescent's Home, Taoyuan, and Muhsiang Sweet Home, sending warmth to them during the pandemic. 3. As the pandemic continues to rage in 2021, China Airlines handled many shipments of medical supplies such as masks, gloves, and pressure chambers, among which the shipments of COVID-19 vaccine amounted to over 350 tons, in 75 million doses.	
6. Has the Company appointed a professional shareholder services agent to handle shareholders' meeting matters?	✓		The Company's professional services organization is CTBC Bank, which has been assigned the task of handling shareholder meeting matters.					No Difference
7. Information disclosure (1) Has the Company created a public website to disclose financial, operational, and corporate governance information?	✓		(1) Dedicated units within the Company provide information to be disclosed on the China Airlines corporate website (http://www.china-airlines.com) regarding marketing, operations, finance, administration, aircraft operations, human resources, training, shareholders' meetings, the annual report, prospectus, and any material information. Through this easily available information, consumers, suppliers, and investors can better understand China Airlines' operations.					No Difference
(2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, and uploading recordings of investor conferences onto the Company website)?	✓		(2) The Company has set up an English language website, the China Airlines Corporate Website (https://www.china-airlines.com/tw/en), with the office of Public Relations as the spokesperson responsible for gathering and disclosing company information monthly and for posting corporate information to the outside world, including press releases, new interviews, and press conferences.					No Difference
(3) Does the Company publicly announce and register the annual financial report within two months of	✓		(3) The Company publicly does not announce and register the annual financial report within two months at the end of the fiscal year, nor does it publicly announce and register the first, second, and third quarter financial reports as well as the monthly operating status earlier than the prescribed time limit.					Even though the Company didn't publicly announce/register the annual

Item of Evaluation	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Brief Explanation	
the end of the fiscal year, and publicly announce and register the first, second, and third quarter financial reports and the monthly operating status earlier than the prescribed time limit?				financial report and the monthly operating status earlier than the prescribed time limit, all the work has been done within the time regulation.
8. Does China Airlines have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?	✓		<p>(1) Employee rights: In addition to obeying the Labor Standards Act, in 2002, the Company signed a collective agreement that remains in force today. Salaries and remuneration, benefits, and insurance are adjusted annually based on the remuneration policy and revenue. There are also procedures for merit pay and higher pay for promotions to select and promote outstanding employees.</p> <p>(2) Employee care in primarily three areas:</p> <p>A. Informational:</p> <p>a. China Airlines has set up a China Airlines electronic bulletin board on the Company's internal information webpage to announce welfare information of the Company (such as childcare measures, various welfare subsidies, complimentary/discounted tickets, and employee stock ownership trust). We have also set up a retirement/resignation section to thoroughly explain various procedures for handling retirement/resignation. In addition, a mailbox for all employees and the Team+ real-time messaging platform has been established to inform employees of important messages.</p> <p>b. Channels such as Wecare listening mailbox, Speak Out employee communication mailbox, and Team+ real-time messaging platform have been established to provide employees with two-way channels to fully express personal opinions and demands.</p> <p>B. Organizational:</p> <p>Based on the scale and dependencies of each unit in the Company, employee relations departments or dedicated personnel have been established to be responsible for good communication channels and overall management of relations. They assist in publicizing various beneficial policies of the Company and eliminating misunderstandings by improving internal employee satisfaction, cohesiveness, feeling of identification with the Company, and work achievements at appropriate times.</p> <p>C. Systematic:</p> <p>Periodically, labor-management conferences and supervisor-employee communication meetings are held. Employee welfare committee members also participate in meetings with various types of unions and employee representatives to tell employees about related governance actions at appropriate moments. Every resolution gives full respect to employee opinions and interests.</p> <p>(3) Investor relations:</p> <p>The Company has established Rules for Handling Investor Relations to handle all investor concerns or opinions. A total of 2 cases were handled in 2021. The company will continue to announce and respond with operation-related results according to laws, regulations, and investors' demand.</p> <p>(4) Supplier relations:</p> <p>In accordance with the Company's Regulations Governing the Procurement and Inspection of General Items, except for patents and emergency procurement, all procurement shall be processed through open tendering. The tender announcement shall be disclosed on the Company's website to establish a transparent, open, fair, and competitive trading environment. At the same time, the Company requires suppliers to issue a "Tenderer Declaration" before bidding, which regulates suppliers must comply with the integrity and ethical requirements, including the principle of conflict-of-interest avoidance, anti-bribery regulations, and supplier integrity as well as requiring suppliers to abide by relevant local laws and regulations.</p> <p>(5) Stakeholder interests:</p> <p>The Company website has a "Stakeholder Contact" and other diverse communication channels and platforms to address all manners of stakeholder complaints and wishes appropriately and effectively.</p> <p>(6) Continual education for directors and supervisors: See P.83-85 for details.</p> <p>(7) Status of implementation for risk management policy and risk balance standards:</p> <p>The Company's operations are enormously impacted by both the domestic and international environment. To further improve the risk management system mechanism and reduce the effect created by interplay among risks, the Company has established a Risk Committee answering directly to the Board of Directors. The committee meets once per quarter and issues periodic reports to the Board of Directors. It assists the Board in the oversight of the setting and in the results and adaptive measures related to company risk management strategies. See P.48-49 for operation details. Moreover, to establish a solid internal governance system, the Company has additionally set up the China Airlines Procedures for Handling Important Internal Information, Ethical Code of Conduct for Directors, Ethical Code of Conduct for Senior Supervisors, and Rules for Employee Conduct in the Course of Work.</p> <p>(8) Implementation of customer policies:</p> <p>The Company takes the initiative to send service satisfaction questionnaires to members' mailboxes (non-members can also fill out the questionnaire on the official website) to obtain passenger experience satisfaction with the Company's passenger flights and their suggestions. A total of 9,512 effective customer satisfaction questionnaires were completed in 2021 with a satisfaction rate of 90.70%. After compiling and analyzing the statistics, the above data have been reviewed and the products and services will be improved, where necessary, to comprehensively enhance customer satisfaction.</p> <p>(9) Company purchases of liability insurance for directors and supervisors:</p>	No Difference

Item of Evaluation	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No	Brief Explanation	
			The Company purchased liability insurance for all Directors in 2022 to reduce and diversify the Directors' legal liability risks. Important contents, such as Directors' liability insurance insured amount, coverage, and premium rate, have been reported in the 4 th meeting of the 22 nd Board of Directors on March 15, 2022.	
<p>9. Please elaborate on the improvements made in response to the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:</p> <p>(1) The Company's annual report and website have fully disclosed the specific management goals, current achievements, and other information of the Board members' diversification policy, providing detailed descriptions of the diversification policy and implementation situation. It has also been disclosed that the selection of Board members is based on their abilities while also considering diversity, including background information (for example, age, gender, nationality, race, birth, cultural background, etc.), experience, and skills (for example, in aviation, sea freight, transportation, finance and accounting, law and insurance, academics, electricity, technology, public utilities, etc.). Capabilities also considered are the ability to make judgments and managing a business, lead and make decisions, and have experience in crisis management sufficient to fully demonstrate that the existing Directors have a high standard of cross-industry, diversified, and complementary skills.</p> <p>(2) The Company has set up a Chief Corporate Governance Manager to be responsible for corporate governance related matters. The explanations of the functions and powers of the manager are found in the Company's annual report as well as in the situation on the key business' operation and execution.</p> <p>(3) The Company has, by the resolution of the Board of Directors in January 2019, approved the "Regulations Governing the Board Performance Evaluation" and completed both the 2021 performance self-evaluation of the Board of Directors and external evaluation of the 2020 Board of Director and Functional Committee. The evaluation results have been published in the annual report and can be found on the website of the Company. In addition, on both the Company's website and the corporate social responsibility website, full disclosure are available to read in (1) the communication situation between the independent directors and the chief audit executive and accountants, (2) the operation status of functional committees other than those required by laws, (3) the implementation status of ethical corporate management, (4) and the information relevant to stakeholder communication.</p>				

3.3.5 Composition, Responsibilities, and Operations of the Remuneration

Committee

The objective of the Remuneration Committee is to assist the Board in implementing and assessing the Company's overall compensation and benefits policy as well as director and manager remuneration.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Criteria	Professional Qualifications and Experiences	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Name			
Independent Director (Chairman)	Hwang, Chin-Yeong	Please refer to the information of directors and supervisors	In compliance with the independence stated in Note 1	0
Independent Director	Huang, Hsieh-Hsing	Please refer to the information of directors and supervisors	In compliance with the independence stated in Note 1	0
Other	Shen, Hui-Ya	Consultant, Public Service Pension Fund Management Board, Ministry of Civil Service, Examination Yuan Master of Laws, National Chung Hsing University	In compliance with the independence stated in Note 1	1

Note 1: The independence criteria: The members of the Remuneration Committee shall be independent, including, a spouse, relative within the second degree of kinship, but not limited to, whether they are directors, supervisors or employees of the Company or its affiliated enterprise; the number and proportion of shares held by them (or in the names of others); Whether he/she is a director, supervisor or employee of a company with which the Company has a specific relationship (refer to Article 6, Paragraph 1, Paragraphs 5 to 8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of remuneration received for business, legal, financial and accounting services provided by the Company or its affiliated enterprise in the last two years.

Note 2: The Remuneration Committee is composed of four members. For the Remuneration Committee Charter, please refer to the Company's website: <https://www.china-airlines.com/tw/en/investor-relations/important-company-regulations>

B. Attendance of Members at Remuneration Committee Meetings

The Company's Remuneration Committee has a total of 3 members. The term of the current Committee members is from August 26, 2021 to August 11, 2024.

The Remuneration Committee convened four meetings over the past year (from January 1, 2021 to March 28, 2022). Committee member attendance is detailed below:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Shen, Hui-Ya	3	0	100%	Reelected (2018/06/27 – 2021/08/12)
Independent Director	Chang, Hsieh Gen-Sen	3	0	100%	Reelected (2018/06/27 – 2021/08/12)
Other	He, Jyun-Huei	3	0	100%	Reelected (2018/06/27 – 2021/08/12)
Independent Director (Chairman)	Hwang, Chin-Yeong	3	0	100%	Newly elected
Independent Director	Huang, Hsieh-Hsing	3	0	100%	Newly elected
Other	Shen, Hui-Ya	3	0	100%	Newly elected

Other mentionable items:

- A. If the Board of Directors declines to adopt or modify a recommendation of the Remuneration Committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (if the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be recorded):
- Date and Period of Board Meeting: January 12, 2022, the 3rd Meeting of the 22nd Board of Directors.
 - Meeting Date of the Remuneration Committee: January 12, 2022.
 - Remuneration approved by the Board of Directors:
 - Chairman and President's Year-end Bonus and Incentive for 2021: The Board of Directors considered that under the professional leadership of the management team, the Company has achieved great operation performance this year, and all directors present agreed to grant the "2021 Incentive Bonus" to the Senior Vice Presidents, however, the Chairman and the President indicated that they would not receive the bonus.
 - Chairman and President's Salary Increase for 2022: The Board of Directors considered that under the professional leadership of the Chairman of the Board of Directors, the Company has achieved great operation performance this year and the harmony between labor and management has been maintained during the pandemic, and all directors present agreed to the percentage of salary increase for the Chairman.
 - Salary and compensation plans recommended by the Remuneration Committee are as follows:
 - Chairman and President's 2021 Year-end Bonus and Incentive Bonus: The item of "Lunar New Year Incentive" is recommended to be retained and should be submitted to the Board of Directors for approval, if passed, the amount of the payment shall be sent to the Remuneration Committee for review.
 - Chairman and President's Salary Increase for 2022: The salary increase of the President and other managers is approved. The Chairman may refer to the state-owned business or related transportation business such as Yang Ming Marine Transport, Taiwan High Speed Rail, etc., and then submit a separate proposal for approval.
 - Differences and reasons: As described in item 3 above.
- B. Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, the content of the motion, all members' opinions, and the response to members' opinion should be specified:
- Meeting Date of the Remuneration Committee: January 12, 2022.
 - Period of the Remuneration Committee: 2nd Meeting of the Remuneration Committee of the 22nd Board of Directors.
 - Objections or Reservations by Remuneration Committee: Huang, Chin-Yeong, Huang, Hsieh-Hsing and Shen, Hui-Ya.
 - The Proposal for Objections or Reservations:
 - Chairman and President's 2021 Year-end Bonus and Incentive Bonus
 - Chairman and President's Salary Increase for 2022
 - Objections or Reservations by Remuneration Committee:
 - The year-end bonus, incentive bonus and other subsidies are approved. The item of "Lunar New Year Incentive" is recommended to be retained and should be submitted to the Board of Directors for approval, if passed, the amount of the payment shall be sent to the Remuneration Committee for review.

(2) The salary increase of the President and other managers is approved. The Chairman may refer to the state-owned business or related transportation business such as Yang Ming Marine Transport, Taiwan High Speed Rail, etc., and then submit a separate proposal for approval.

6. Response measures: None.

7. Other mentionable items:

(1) The Board of Directors considered that under the professional leadership of the management team, the Company has achieved great operation performance this year, and all directors present agreed to grant the "2021 Incentive Bonus" to the Senior Vice Presidents, however, the Chairman and the President indicated that they would not receive the bonus.

(2) The Board of Directors considered that under the professional leadership of the Chairman of the Board of Directors, the Company has achieved great operation performance this year and the harmony between labor and management has been maintained during the pandemic, and all directors present agreed to the percentage of salary increase for the Chairman.

3.3.6 Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
1. Has the Company designated and managed full- (or part-) time personnel to implement corporate social responsibility policy with senior management authorized by the Board of Director, and do they give status reports to the Board of Directors?	✓		The Company has set up a Corporate Sustainability Committee in 2014, which is solely responsible for the promotion of sustainability and is the highest governance organization for sustainability governance promotion, with the President sitting as its Chairman. There are six major task forces in the Committee that are based on different aspects of sustainability, namely, "Trust Value Team, Manpower Value Team, Joint Creation Value Team, Environmental Value Team, Social Value Team, and Sustainable Development Foundation Team". Their main responsibilities are strategy formulation, business planning, and promotion of different aspects of sustainability. The teams report the implementation status to the Board of Directors on a regular basis every year in accordance with the Corporate Social Responsibility and Sustainable Development Best-Practice Principles. The results of the 2021 CSR operation and the 2022 CSR operation plan were reported in the 3 rd meeting of the 22 nd Board of Directors on January 12, 2022.	No Difference
2. Based on the materiality principle, does the Company conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies?	✓		Our risk management framework is based on the materiality principle to identify both traditional risks and medium-term/long-term strategic risks. All impacts and countermeasures are analyzed and proposed through Risk Identification, Risk Analysis, Risk Assessment, and Risk Control. They then are followed up on and reviewed by the Risk Management Committee under the Board of Directors. The Committee assists the Board of Directors to inspect the strategies, execution results, and countermeasures of each risk management strategy. A responsible unit will be required to control the risks. Safety and operation risks are cross-unit operational risks and shall be handled by the Company's management level. The "Corporate Safety Committee" and the "Corporate Sustainability Committee" have been established under the President of the Company to be responsible for such risks and report the environmental and energy management performance to the top management on a quarterly basis. In addition, through the "Sustainability Committee" and "Board of Directors and Risk Management Committee" routine meetings, reports have been made to the Directors on environmental and climate risks, opportunity issues, and various responding control operations and development plans.	No Difference
3.Environmental issues (1)Has China Airlines established an environmental management system that is specifically designed with the Company's operations in mind?	✓		(1) Environmental management organization and system A. In 2012, the Company was the first in Taiwan's industry to establish a "Corporate Environmental Committee", in which the President serves as the representative of the top management and the Corporate Safety Office serves as the executive secretary. According to the business attributes, five major environment management committees were established to respectively control and carry out aviation, maintenance and cargo transport service, headquarters and branch administration, environmental, energy, climate change, and other risks as well as opportunity management related affairs of the operational activities. These measures fully cover the corporate business scope. Moreover, based on the fact that aviation fuel is a major energy use of the Company, the Aircraft Fuel Efficiency Group will be reorganized into an independent committee at the same level as the five environmental management committees in 2021 and renamed as the "Aircraft Fuel Management Group". The Corporate Environmental Committee coordinates and integrates various environmental, energy, and climate change risk, opportunity response strategies, and management resources through quarterly management meetings. Relevant important resolutions are also reported to the directors through routine Board meetings and Risk Management Committee meetings. Related important resolutions are also reported to the Directors through routine Board meetings and Risk Management Committee meetings. In addition, the Company has established functional task forces on specific issues, including the Carbon Management Task Force, the Sustainable Alternative Fuels Research Task Force, and the TCFD (Note 1) Task Force, to facilitate cross-unit cooperation and flexible deployment of operational resources. B. China Airlines is the first airline and transport operator in Taiwan to establish a corporate environmental and energy risk management mechanism. In order to integrate environmental protection operations into the daily operational risk management operations of the enterprise, China Airlines has introduced a number of international standard management systems since 2009. It has established and improved the environmental management operation mechanisms of the enterprise, covering risk issues such as greenhouse gases, environmental management, and energy management. The Company has formulated management strategies and action measures for relevant risks and opportunities identified in various aspects of the environment. Beginning in 2017, the Company has introduced life cycle thinking and completed control over every link of the organization's operations. Considering the issues of interest to stakeholders, the Company has further improved the level and perspective of environmental and	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons												
	Yes	No	Brief Explanation													
			<div>energy risk management and became comprehensively in line with the standard thinking of international enterprises' sustainable development governance. System standards covered by China Airlines' environmental management mechanism standard are as follows:</div> <table><tr><td>Standard</td><td>ISO 14064-1 Greenhouse gas inventory and management system</td><td>ISO 14001 Environmental management system</td><td>ISO 50001 Energy management system</td></tr><tr><td>Time of introduction</td><td>2009</td><td>2012 (Note1)</td><td>2013 (Note2)</td></tr><tr><td>Scope</td><td>(1)Global aviation fuel Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.</td><td>(1)Aircraft/engine maintenance operation; (2)Flight operation and management; (3)Cargo transport service; (4)Passenger transport service.</td><td>(1)Aircraft/engine maintenance operation Flight operation and management.</td></tr></table> <div>Note 1: "TCFD" is the Task Force on Climate-related Financial Disclosures. Note 2: First airline and transport operator in Taiwan, which completed the ISO 14064-1:2018 conversion in 2021. Note 3: First airline in Taiwan, which completed the ISO 14001:2015 conversion in 2017. Note 4: First airline and transport operator in Taiwan, which completed the ISO 50001:2018 conversion in 2019.</div>	Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system	Time of introduction	2009	2012 (Note1)	2013 (Note2)	Scope	(1)Global aviation fuel Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.	(1)Aircraft/engine maintenance operation; (2)Flight operation and management; (3)Cargo transport service; (4)Passenger transport service.	(1)Aircraft/engine maintenance operation Flight operation and management.	
Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system													
Time of introduction	2009	2012 (Note1)	2013 (Note2)													
Scope	(1)Global aviation fuel Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.	(1)Aircraft/engine maintenance operation; (2)Flight operation and management; (3)Cargo transport service; (4)Passenger transport service.	(1)Aircraft/engine maintenance operation Flight operation and management.													
(2)Has the Company endeavored to make more efficient use of resources and use renewable materials that have a lower impact on the environment?	✓		<div>(2)The Company's implementation of environmental and energy performance management mainly promotes various resource conservation and reuse strategies and practices based on the "Environmental and Energy Management Policies", which are listed as follows:</div> <table><tr><td>Concepts</td><td>Policies</td><td>Promotion strategies</td><td>Plans of action</td></tr><tr><td>Complying with environmental laws and regulations</td><td>Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.</td><td><ul style="list-style-type: none">Understanding environmental protection trends in Taiwan and abroad and improving the negotiation channel and platform for stakeholders.Actively participating in international cooperation and understanding mainstream issues.Perfecting management/supervision and evaluation mechanisms.</td><td><ul style="list-style-type: none">Regularly reviewing the regulatory requirements and our commitmentsActive participating in domestic and international industry meetings (e.g. IATA, AAPA) and government meetings to grasp domestic and international trends in environmental sustainability regulation development; topics include: climate change mitigation and adaptation, disposable plastics, waste management, renewable energy, sustainable aviation fuel, etc.Implementing regular/irregular internal and external audits to ensure that business operations comply</td></tr></table>	Concepts	Policies	Promotion strategies	Plans of action	Complying with environmental laws and regulations	Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.	<ul style="list-style-type: none">Understanding environmental protection trends in Taiwan and abroad and improving the negotiation channel and platform for stakeholders.Actively participating in international cooperation and understanding mainstream issues.Perfecting management/supervision and evaluation mechanisms.	<ul style="list-style-type: none">Regularly reviewing the regulatory requirements and our commitmentsActive participating in domestic and international industry meetings (e.g. IATA, AAPA) and government meetings to grasp domestic and international trends in environmental sustainability regulation development; topics include: climate change mitigation and adaptation, disposable plastics, waste management, renewable energy, sustainable aviation fuel, etc.Implementing regular/irregular internal and external audits to ensure that business operations comply	No Difference				
Concepts	Policies	Promotion strategies	Plans of action													
Complying with environmental laws and regulations	Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.	<ul style="list-style-type: none">Understanding environmental protection trends in Taiwan and abroad and improving the negotiation channel and platform for stakeholders.Actively participating in international cooperation and understanding mainstream issues.Perfecting management/supervision and evaluation mechanisms.	<ul style="list-style-type: none">Regularly reviewing the regulatory requirements and our commitmentsActive participating in domestic and international industry meetings (e.g. IATA, AAPA) and government meetings to grasp domestic and international trends in environmental sustainability regulation development; topics include: climate change mitigation and adaptation, disposable plastics, waste management, renewable energy, sustainable aviation fuel, etc.Implementing regular/irregular internal and external audits to ensure that business operations comply													

Item of Evaluation	Implementation Status						Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation				
						with relevant regulations and voluntary commitments <ul style="list-style-type: none">• Participating in the DJSI, CDP and other international benchmarking competitions, as well as the governmental and private credibility assessments and competitions• Incorporating the auditing and management examination mechanisms at all levels of the Company into the environmental protection and energy saving management projects to ensure and continuously improve the quality of operations	
			Conserving the Earth's resources	Establishing environmental and energy management systems, and management performance indicators.	<ul style="list-style-type: none">• Continuously improving environmental performance and reducing environmental impact by continuously improving our corporate environmental and energy management system• Announcing the 2050 net zero carbon emission target and developing a carbon reduction path• Developing and managing corporate SDG goals constantly• Developing environmental performance and carbon reduction targets based on the United Nations Sustainable Development Goals (SDGs)	<ul style="list-style-type: none">• Keeping track of updates to ISO standards, implementing and perfecting the improvement of enterprise Environmental Management System, EMS (ISO 14001/50001/14064-1)• Developing and constantly reviewing of 2050 net zero carbon emission strategy path and performance• Mastering international carbon management and disclosure trends, and refining corporate carbon management, including: CDP, SBTi, Climate-Related Financial Disclosure (TCFD)• Setting management goals	

Item of Evaluation	Implementation Status					Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons	
	Yes	No	Brief Explanation				
						and action plans for substantive issues such as climate change mitigation and adaptation, waste management, including, Single Use Plastic (SUP), energy use and renewable energy, air quality, water resources and wastewater management, toxic and chemical control, and noise prevention • Establishing a corporate "Environmental Management Information System" to track and control of corporate environmental performance	
			Improving eco-efficiency	Implementing environmental and energy conservation education to foster employees' environmental awareness.	<ul style="list-style-type: none">• Developing teaching materials and conducting activities to promote environmental education for employees• Setting diversified channels to communicate with employees (including foreign stations) on environmental issues to raise environmental awareness Establishing incentive programs to motivate colleagues to practice and develop environmental protection ideas.	<ul style="list-style-type: none">• Implementing environmental education, and environmental and energy management system operations e-learning education for all employees• Communicating with units and employees to remind them of the environmental impact of business activities and corporate response measures• Organizing internal and external environmental/en ergy management professional training• Organizing environmental talks/competitions and charity activities, and	

Item of Evaluation	Implementation Status					Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation			
					<p>using internal/external communication platforms (e.g. staff mailbox, Facebook) to promote new environmental knowledge</p> <ul style="list-style-type: none">Establishing the "Principles of Environmental Protection and Energy Conservation Management in Branch Offices" and strengthening the environmental management of foreign stations and raising the awareness of employees on environmental protection through meetings of all supervisorsConducting activities such as prize quizzes and satisfaction surveys, raising employees' awareness of environmental protection and rewarding them for providing creative environmental protection measures	
				<p>Implementing green supply chain management to enhance overall eco-efficiency.</p>	<ul style="list-style-type: none">Incorporating environmental sustainability provisions in suppliers' contractsEstablishing a supply chain risk assessment system and implementing occasional audits to develop improvement measures for environmental and energy risk issues	

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<ul style="list-style-type: none"> Establishing a communication platform for products and service providers, and implementing environmental communication operations Providing education and training resources to enhance the energy of environmental energy management in the value chain
			<p>Fulfilling social responsibility</p> <p>Creating a low-carbon operating environment to establish continual improvement of energy and environmental performance.</p>	<ul style="list-style-type: none"> environmental risks for the Group and key suppliers Organizing group communication meetings and training courses to build up awareness of environmental/energy management Requiring the companies in the Group to improve their environmental and energy management systems year by year and to formulate and disclose their environmental policies and performance targets Organizing conferences and regular meetings (monthly meetings with contractors) for suppliers to communicate with China Airlines for sustainability and environmental protection requirements
				<ul style="list-style-type: none"> Optimizing energy-consuming equipment operation data monitoring and management operations Continuing to promote fuel saving measures, expansion of services and digital operations Strengthening carbon asset and offset management capabilities Increasing the capacity of renewable energy

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<p>attributes, such as operation management/equipment maintenance, passenger/cargo transportation services, maintenance operations, etc. and promoting:</p> <ol style="list-style-type: none"> 1. The environmental performance targets to ensure continuous improvement in environmental performance. 2. Corresponding environmental protection and energy saving measures to reduce environmental impact <ul style="list-style-type: none"> • Using low-carbon and renewable energy <p>(e.g. solar power) installations and promoting carbon projects, such as forestation</p> <ul style="list-style-type: none"> • Continuing to promote new aircraft for using sustainable aviation fuels (SAF), and promote operational experience and collaborative industry in Taiwan's industry, government and research sectors to facilitate the formation of SAF development strategies in Taiwan
			Supporting green design and procurement to promote environmental sustainability.	<ul style="list-style-type: none"> • Reviewing and improving service processes to promote green services • Actively promoting green procurement to reduce environmental impacts in upstream and downstream • Including environmental protection/energy saving performance in the selection and procurement evaluation items • Including environmentally sustainable products in Tax-free sales <ul style="list-style-type: none"> • Constantly reviewing services and related support workflows to continue to expand mobile, digital, and technological operations • Seeking SUP replacement products, controlling meal loss, and reducing cabin waste • Expanding green procurement KPI and performance review, using local ingredients/raw materials, environmental labels, and FSC certified products to reduce the environmental impact of raw materials

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<ul style="list-style-type: none"> Continuing to promote green consumer culture acquisition and logistics Cooperating with suppliers and vendors: <ol style="list-style-type: none"> Increasing the proportion of air products using environmentally certified products Continuing the development of environmentally friendly products Continuing to expand the scope of "Green Travel - Carbon Offset Services" and strengthen marketing Promoting diversified marketing on various platforms such as inflight videos, social networks, and official website, covering topics such as corporate environmental sustainability concepts and performance, environmental and ecological conservation, and green consumption to promote customers' awareness of environmental protection and green consumption. 	
(3) Does the Company assess the potential corporate risks and opportunities created by climate change in the present and future and does it take measures to deal with climate-related issues?	✓		<p>(3)The Company's climate change risk and opportunity management is as follows:</p> <p>A. Climate risk and opportunity management mechanisms With respect to specific issues, the Company has established functional task forces under the corporation's Environmental Committee, including the following task forces: Carbon management task force, sustainable alternative fuels research project team, and TCFD work task force, among others, to facilitate cooperation among units and flexible allocation of required resources.</p> <p>B. Climate risk and opportunity response measures Through the carbon management and the TCFD work task forces, the Company identifies its environmental risk opportunity matrix, considers the identification and adjustment of changes in external specifications and technological</p>	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons													
	Yes	No	Brief Explanation														
			<p>development of environmental conditions, brings the top nine topics into the scope of corporate environmental risk management, and actively controls the responses. Other issues have also been continuously improved through the operation of the corporate Environmental Management System (EMS). In 2020, the Company achieved the first in the world in the airline industry to complete the independent report of TCFD and submitted it to the Board of Directors' functional group for review. Meanwhile, the report has been published on the CSR website https://pse.is/3c9n8b. The second edition has been released in 2021, making the Company be the only company that has released the TCFD report in Taiwan. Other issues continue to improve through the operation of the Enterprise Environmental Management System.</p> <table><tr><th>Potential risks</th><th>Potential opportunities</th><th>Response measures</th></tr><tr><td><ul style="list-style-type: none">• Poor weather conditions lead to flight delays, cancellations, etc., and increase business operational costs.• The maintenance frequency and quality assurance requirements are increased, which results in increased costs.• The operational efficiency of related equipment is reduced and operational costs are increased.• The demand for passenger and cargo transport as well as revenue has been reduced.</td><td><ul style="list-style-type: none">• Enhancing emergency responsibility, properly handling customer needs, and improving service quality and reputation.• Properly handling and meeting customer needs and improving the corporate tenacity and reputation.</td><td><ul style="list-style-type: none">• The continuation of strengthening operational 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			<div></div> <div><ul style="list-style-type: none">Unstable supply of raw materials.Increasing procurement costs.</div> <div><ul style="list-style-type: none">Opening up new markets and increasing revenue.Using raw materials of the current season to adjust meals and reduce costs.Signing long-term contracts with relevant supply partners to maintain stable services.</div> <div><ul style="list-style-type: none">managing carbon rights appropriately.Planning and implementation of each carbon reduction measure item.</div>	
			<div></div> <div><ul style="list-style-type: none">Investors reduce their willingness to invest.Capital investment is required to promote the consideration of highly efficient aircraft/sustainable fuel investment.</div> <div><ul style="list-style-type: none">Working with stakeholders to adapt to the climate and seizing business opportunities by using innovative solutions.</div> <div><ul style="list-style-type: none">Discussing across departments and developing new routes and services.Developing a travel mode to save fuel and time.Continuing to research and analyze new technologies, facilities, and services and introducing feasibility evaluation.</div>	
			<div></div> <div><ul style="list-style-type: none">The risk of infectious diseases has increased, reducing the demand for tourism and changing the demand for cargo transport.The consumer market attaches great importance to low-carbon and environmental protection of corporations, both of which affect brand trust and reduce revenue.Improvements in the awareness of carbon reduction changed the demand for air transport (such as changing to cruise lines, high-speed rail, etc.).</div> <div><ul style="list-style-type: none">A plan to promote low-carbon services and thereby enhance consumer support for our brand.Mastering the market model of low-carbon economy/transportation issues and creating business opportunities and increasing competitiveness.</div> <div><ul style="list-style-type: none">Cooperating with the governments of all countries to manage the disease properly, strengthen self-protection and response, and reduce the degree of impact.Developing all kinds of new products/services, improving service efficiency, and meeting market demand.Launching an environmentally friendly travel service, ECO TRAVEL, inviting passengers to participate in carbon reduction, and increasing green/low-carbon business opportunities.Continuous research and development of new market channels or customer groups.Developing diversified green and low-carbon activities and strengthening customer communication.</div>	
			<div></div> <div><ul style="list-style-type: none">In the case of not being able to meet the expectations of stakeholders, brand reputation will be affected.Failure to properly manage supply chain issues affects operations.</div> <div><ul style="list-style-type: none">Strengthening the prediction system mechanism, maintaining the rights and interests of customers, and stabilizing revenue.Emergency situations are properly dealt with, increasing the public's confidence in the Company.Promoting supply chain cooperation and enhancing corporate</div> <div><ul style="list-style-type: none">Communication is continually strengthened between external stakeholders with ongoing support for scientific research as well as participation in international environmental sustainability comparison assessments.Corporate sustainable image is therefore continually enhanced.</div>	

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			<p>sustainable competitiveness.</p> <ul style="list-style-type: none"> Cooperating with and supporting the government's environmental protection policies, enhancing industrial cooperation opportunities, and promoting industrial competitiveness. 	<ul style="list-style-type: none"> Strengthening employee education and training, holding environmental protection and energy conservation activities, and improving employee awareness. Strengthening cooperation with domestic and overseas suppliers of low-carbon products to enhance the sustainable value of the supply chain.
			Core Elements of TCFD	
			Governance	<p>Strengthen climate governance operations</p> <p>Report to the Board of Directors on climate governance annually</p> <p>A report on climate governance was presented to the Risk Committee</p>
				<p>Enhance the management, supervision, and cross-departmental operations</p> <p>Implement corporate governance and comply with green finance requirements</p> <p>1. Has incorporated the requirements of TCFD and SASB and other related standards 2. Continuous managing the short-term, medium-term and long-term ESG performance</p>
			Strategy	<p>Promote TCFD framework</p> <p>Improve and enhance the management of quantitative financial information</p> <p>1. Established the operational SOP procedures 2. Established the cross-unit information operation platform</p>
				<p>Climate response strategy and management</p> <p>Enhance the resilience of climate change risk response</p> <p>1. Integrated climate risk and opportunity issues into the company's overall strategic planning and implemented relevant actions 2. Incorporated the impact of climate change into the company's route planning and operational performance review, and formulated contingency strategies and operational adjustment plans</p>
				<p>Participate in important engagements</p> <p>Improve the understanding of international climate change issues and relevant requirements</p> <p>1. Participated in important international and Taiwan climate policy platforms for engagements to grasp policy development trends and the right to speak up 2. Promoted the development of local sustainable aviation fuel development strategy by industry, government and academia with a research post</p>
			Risk Management	<p>Strengthen the carbon risk management mechanism of the corporate value chain</p> <p>Enhance the resilience of climate change risk response</p> <p>Integrated the environmental risk management mechanism of corporate value chain, continued to implement and expand the promotion of key suppliers' greenhouse gas surveys and climate and energy risk assessments, extended the detection and management depth of climate risk opportunities, and strengthened the sustainable operation capability in response to extreme</p>

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				climate
			Strengthen the existing corporate risk management mechanism	Incorporated climate factors into the existing corporate risk management mechanism to strengthen the climate risk/opportunity detection, response and control functions of each unit
			Prepare for International carbon transition risk	1. Participated in international aviation industry carbon offset and reduction programs 2. Continuously strengthening the MRV operations in response to EU ETS, UK ETS, CORSIA and other mechanisms 3. Researched and implemented of carbon rights/emission trading system operations
			Promote carbon reduction and energy transformation	1. Enhanced power monitoring for energy-consuming equipment / loop by meters 2. Continued the implementation of high energy-consuming equipment retirement/replacement 3. Evaluated the addition of renewable energy generation facilities such as solar power 4. Continued the operation of energy management system and improved management efficiency
			Metrics and Targets	
			Continuously optimize greenhouse gas inventory	Continuously implementing the global operation site energy resources survey, the ISO 14064:2018 category 1~6 greenhouse gas inventory, and verification operations inside and outside the company to improve the quality of greenhouse gas emission data.
			Implement carbon reduction targets and KPIs	Established about 60 KPIs for environmental protection and carbon reduction, and the Corporate Environmental Committee convened by the President will review the effectiveness of the implementation quarterly
			Achieve aviation carbon reduction targets	1. Continuously promoting "fleet renewal", "airframe weight reduction", "flight service optimization" and "maintenance improvement" programs. 2. Planning fleet based on medium-term and long-term business growth and carbon reduction trends 3. Continuously improving the efficiency of aviation fuel consumption, increasing the loading rate, tracking the development of new technologies and new low-carbon aircraft, and evaluating the introduction of new aircraft 4. Continuously promoting sustainable aviation fueling operations

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				Increase fuel efficiency Improve the efficiency of company operations and energy consumption 1. Continue to promote the implementation of aviation fuel saving, increasing fuel efficiency by 1.5% every year on average 2. Optimized airline network planning and passenger/cargo fleet size in response to the pandemic and international development trends																																												
(4) Has the Company compiled data in the past two years on GHG emissions, water usage, and amount of waste? Has it devised policies for energy conservation, carbon emissions reduction, GHG emissions reduction, water conservation, and other waste management?	✓		<div>(4) The Company's environmental/carbon/energy management is as follows:</div> <div>A. Greenhouse gas inventory and verification</div> <div>Since 2009, the Company has actively implemented the ISO14064-1 greenhouse gas management, conducted and organized an inventory of greenhouse gas emissions generated by operations, and carried out a third-party verification.</div> <table><tr><th colspan="4">Greenhouse gas emissions</th></tr><tr><th>GHG Emissions Category</th><th>Type</th><th>2020</th><th>2021</th></tr><tr><td rowspan="2">Category 1</td><td>Aviation operations</td><td>5,787,751</td><td>5,875,555</td></tr><tr><td>Ground operations</td><td>3,051</td><td>2,874</td></tr><tr><td>Category 2</td><td>Ground operations</td><td>17,572</td><td>16,697</td></tr><tr><td colspan="2">Total (Tons of CO₂e)</td><td>5,808,374</td><td>5,895,126</td></tr></table> <div>B. Greenhouse gas management and reduction strategy</div> <div>The Company's greenhouse gas management and reduction strategy considers the international industrial carbon reduction targets, strategy implementations, and benchmarking technology of the same and different industries. It combines its corporate financial operation plan and technical feasibility to formulate air and ground carbon-reduction targets. In the future, it will continue to incorporate the Science-Based Target (SBT) concept to carry out rolling inspection of corporate carbon reduction objectives and management paths through the corporate risk management mechanism and platform.</div> <table><tr><th colspan="2">Carbon reduction goals</th><th>Target description</th><th>2021 Achievement rate</th></tr><tr><td rowspan="3">Aviation</td><td>2021</td><td>To increase aviation fuel efficiency by 1.5% every year on average</td><td rowspan="3">Target achieved</td></tr><tr><td>2025</td><td>Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSIA CNG2020)</td></tr><tr><td>2030</td><td>(Achieve net-zero emissions by 2050)</td></tr><tr><td rowspan="3">Ground</td><td>2021</td><td>39% reduction in carbon emissions</td><td rowspan="3">Target achieved</td></tr><tr><td>2025</td><td>44% reduction in carbon emissions</td></tr><tr><td>2030</td><td>50% reduction in carbon emissions (Achieve net-zero emissions by 2050)</td></tr></table> <div>Aviation operations were the first phase carbon reduction target to be achieved for the airlines industry: "By 2020, fuel consumption efficiency will be increased by 1.5% every year." The Company has continued to strengthen its fuel efficiency improvement strategy, and has formulated four major fuel saving strategies including "fleet renewal", "airframe weight reduction", "flight service optimization" and "maintenance improvement." However, in 2021, due to the severe impact of the pandemic on flight planning and scheduling, total aviation fuel consumption decreased by 2.4% compared to 2020, and revenue ton kilometer (RTK) per unit increased by 7.5% compared to 2020, resulting in an overall fuel efficiency performance of 0.2442 tons per 1,000 RTK, which has already achieved the 2021 target (0.2546 tons per 1,000 RTK). Thus, we have become the benchmark for the leading airline companies in the global aviation industry and the Asian airlines.</div> <div>For ground operations, 59 environmental management KPIs and 12 fuel saving measures were promoted in 2021, which resulted in a total annual carbon reduction of 58,464 tons of CO₂e, among which, carbon reduction in ground operations amounted to 158 metric tons of CO₂e. Various data are as follows:</div>			Greenhouse gas emissions				GHG Emissions Category	Type	2020	2021	Category 1	Aviation operations	5,787,751	5,875,555	Ground operations	3,051	2,874	Category 2	Ground operations	17,572	16,697	Total (Tons of CO ₂ e)		5,808,374	5,895,126	Carbon reduction goals		Target description	2021 Achievement rate	Aviation	2021	To increase aviation fuel efficiency by 1.5% every year on average	Target achieved	2025	Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSIA CNG2020)	2030	(Achieve net-zero emissions by 2050)	Ground	2021	39% reduction in carbon emissions	Target achieved	2025	44% reduction in carbon emissions	2030	50% reduction in carbon emissions (Achieve net-zero emissions by 2050)
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In 2019, the Company further responded to Taiwan's green energy policy. It completed the installation of 99 kW solar photovoltaic facilities on the roof of the simulator training building for parallel power generation to support Taiwan's renewable energy through practical actions. In 2019, the Company received the National Renewable Energy Certificate (T-REC) and was awarded two awards, the Bureau of Energy's (MOEA) Conservation Benchmark - Silver Award and Taipei Energy Conservation Leadership Award, supporting renewable energy with real actions. As of December 31, 2021, the Company received 127 certificates generating a total of 126,000 kWh of power and reducing 67 tons of CO₂e.</p> <p>E.An increase in water resource utilization</p> <p>The total water consumption of the Company in 2021 was 112,768 kWh, an 11.05% decrease from that in 2020. China Airlines' headquarters park is in a specific area of the airport. The airport management unit collectively applies for and obtains tap water from the water supply unit and pays the sewage treatment fee. The domestic sewage is collected and sent to the domestic sewage treatment plant for treatment. The maintenance facility, Songshan Park, and Taipei branch apply directly for water supply from the water company.</p> <p>In order to reduce risk associated with water resources, the Company has successively set up water meters at important water line nodes. It tracks and analyzes the direction of the water resource flow and water consumption hot</p>	Item	Savings	Unit	Carbon reduction (Tons of CO ₂ e)	Aircraft fuel savings	23,036	Kiloliter	58,306	Ground fuel conservation	46	Kiloliter	115	Energy conservation	16	1,000 kilowatt hours	8	Water conservation	4	1,000 kilowatt hours	0.63	Paper conservation	8.03	Tons	34	2021 total carbon reduction			58,464	Goal		Description	Aviation	2023	Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutrality (CORSIA CNG2020) (Achieve net-zero emissions by 2050)	2025	2030	Ground	2023	41% reduction in carbon emissions	2025	44% reduction in carbon emissions	2030	50% reduction in carbon emissions (Achieve net-zero emissions by 2050)	Item	2021 Targets	Achievements	2022 Expected targets	Aviation fuel efficiency	Improvement of 1.5% over 2020	Target not met (Note)	Improvement of 1.5% over 2021	Ground carbon emissions	Reduction of 39% over 2009	100%	Reduction of 40% over 2009	Water resources	Reduction of 2.2% over 2018	100%	Reduction of 2.9% over 2018	Domestic waste	Reduction of 3% over 2018	100%	Reduction of 4% over 2018	Hazardous industrial waste	Recycling ratio reached 41%	100%	Recycling ratio reached 42%	Photocopy paper	Reduction of 8% over 2018	100%	Reduction of 11% over 2018	
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			<div>spots and promotes water reduction and recycling measures, including: purchasing water conservation label products, promoting water conservation advocacy, setting up a rainwater recovery system, recycling cooling water, and introducing Eco-shine, etc.</div> <table><tr><th>Item</th><th>Unit</th><th>2020</th><th>2021</th></tr><tr><td>Tap water use</td><td>Kilotons</td><td>126.77</td><td>112.77</td></tr><tr><td>Recycled water use</td><td>Kilotons</td><td>8.64</td><td>14.23</td></tr><tr><td>Recycling percentage % (recycled/total tap water use)</td><td>%</td><td>6.8%</td><td>12.6</td></tr></table> <div>F.Waste Management The Company processes waste management in accordance with the five following principles: Refuse, Reduce, Reuse, Recycle, and Repair to reduce waste of resources by saving fuel and water and promoting paperless services, etc. Meanwhile, we have set short-term, medium-term and long-term management goals to reduce the amount of waste, increase the reuse rate of waste year by year, and gradually achieve the goal of recycling 100% of waste.</div> <table><tr><th>Waste Management Principles</th><th>Actions</th></tr><tr><td>Refuse</td><td>1. Encourage the use of environmentally certified products when purchasing (e.g., environmental protection, FSC, energy saving, water saving certification, etc.) 2. Cooperate with suppliers to develop and purchase non-disposable plastic and environmentally friendly products (e.g., wooden swizzle sticks)</td></tr><tr><td>Reduce</td><td>1. Promote e-processes to reduce paper consumption 2. Optimize maintenance processes to reduce end-of-life waste generation 3. Accurately plan the supplies for operations to reduce consumption; strengthen waste management to reduce waste</td></tr><tr><td>Reuse</td><td>1. Increase the reuse rate of usable business waste (e.g. waste plastic bucket) 2. Develop and encourage travelers to use reusable materials to replace disposable products (e.g., silicone folding cups) 3. Encourage the employees to bring their plates to engage in sustainability issue</td></tr><tr><td>Recycle</td><td>1. Respond to the EPA's plastic wrap recycling platform to increase the reuse rate of packaging plastics 2. Select appropriate aircraft supplies/replacements, recreating value and provide vending services (e.g., food trucks)</td></tr><tr><td>Repair</td><td>Continue to use passenger and freight equipment (e.g., as pallets or containers/netting) after repair</td></tr></table> <div>Ground Waste Management Targets</div> <table><tr><th>2023</th><th>2025</th><th>2030</th></tr><tr><td colspan="3">100% recycling of recyclable waste</td></tr><tr><td>5% reduction in non-recyclable waste over 2018</td><td>7% reduction in non-recyclable waste over 2018</td><td>12% reduction in non-recyclable waste over 2018</td></tr><tr><td>43% recycle rate in operational waste</td><td>45% recycle rate in operational waste</td><td>50% recycle rate in operational waste</td></tr><tr><td>14% reduction in paper consumption over 2018</td><td>30% reduction in paper consumption over 2018</td><td>30% reduction in paper consumption over 2018</td></tr></table>	Item	Unit	2020	2021	Tap water use	Kilotons	126.77	112.77	Recycled water use	Kilotons	8.64	14.23	Recycling percentage % (recycled/total tap water use)	%	6.8%	12.6	Waste Management Principles	Actions	Refuse	1. Encourage the use of environmentally certified products when purchasing (e.g., environmental protection, FSC, energy saving, water saving certification, etc.) 2. Cooperate with suppliers to develop and purchase non-disposable plastic and environmentally friendly products (e.g., wooden swizzle sticks)	Reduce	1. Promote e-processes to reduce paper consumption 2. Optimize maintenance processes to reduce end-of-life waste generation 3. Accurately plan the supplies for operations to reduce consumption; strengthen waste management to reduce waste	Reuse	1. Increase the reuse rate of usable business waste (e.g. waste plastic bucket) 2. Develop and encourage travelers to use reusable materials to replace disposable products (e.g., silicone folding cups) 3. Encourage the employees to bring their plates to engage in sustainability issue	Recycle	1. Respond to the EPA's plastic wrap recycling platform to increase the reuse rate of packaging plastics 2. Select appropriate aircraft supplies/replacements, recreating value and provide vending services (e.g., food trucks)	Repair	Continue to use passenger and freight equipment (e.g., as pallets or containers/netting) after repair	2023	2025	2030	100% recycling of recyclable waste			5% reduction in non-recyclable waste over 2018	7% reduction in non-recyclable waste over 2018	12% reduction in non-recyclable waste over 2018	43% recycle rate in operational waste	45% recycle rate in operational waste	50% recycle rate in operational waste	14% reduction in paper consumption over 2018	30% reduction in paper consumption over 2018	30% reduction in paper consumption over 2018	
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Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons				
	Yes	No	Brief Explanation					
			Air Service Wastes Management Targets					
			2023		2025		2030	
			25% reduction in air service waste over 2018 (Note 1)		50% reduction in air service waste over 2018		65% reduction in air service waste over 2018	
			50% reduction in disposable plastic supplies		90% reduction in disposable plastic supplies		Stop using any disposable plastic supplies	
			5% reduction in meal loss of flight crew over 2020 (Note 2)		10% reduction in meal loss of flight crew over 2020		25% reduction in meal loss of flight crew over 2020	
			Note 1: The target area for air service waste reduction is mainly cabin waste on return flights to Taiwan, excluding waste during meal preparation.					
			Note 2: Considering the adjustments of food supply for the pandemic, the base year of the target of meal loss management is 2020.					
			In 2021, due to the impact of the pandemic, our business volume declined and overall waste generation significantly reduced by 33% compared to 2020, with a slight increase of 3% in the recycling rate.					
			Waste Information (Unit: tons)					
			Item	Service Level			Handling method	
				Generation				
				2019	2020		2021	
			General waste	126	116		94	Incinerated for electricity generation
				966	425		410	In accordance with the regulations, sent to the airport incinerator (not generating electricity, it has been recommended to add power generation facilities)
			Resource recycling	779	581		509	Resource recycling
			Food waste/scrap	658	283		84	Composting / pig farming
				2,342	735		296	Incineration (electricity generation) / quarantine regulations
Post-process for hazardous operational waste	18	13	12	Heat treatment (e.g., electroplating sludge)				
	1	1	1	Disposed by qualified vendors according to the regulations (e.g., batteries containing cadmium)				
Post-process for non-hazardous operational waste	113	100	100	Recycling (e.g., waste lubricating oil)				
	120	85	64	Disposed in accordance with the regulations (such as waste paint)				
Total	5,123	2,339	1,570					
Note 1: All disposal methods are entrusted to third-party qualified vendors for removal and off-site treatment, and are verified in accordance with the contract to ensure compliance with regulations.								
Note 2:The scope of service level statistics: maintenance park, China Airlines Park, Kaohsiung branch and 4 stations (Taoyuan, Songshan, Kaohsiung, Tainan) VIP								

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			service and in-flight service at Taoyuan Airport; cargo service will be covered from 2020. Note 3: Revise the items and quantity to be sent to the airport incinerators in 2019~2020 in accordance with the regulations.	
1. Social issues (1) Has the Company established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1) In the area of comprehensive management systems and organizational capacity, the Company not only abides by the Employee Code of Conduct and Employee Work Standards set forth in various labor laws, but also refers to the Universal Declaration of Human Rights, the United Nations Global Compact, the International Labor Organization's basic compact on core labor standards, the UN Guiding Principles on Business and Human Rights, and local laws and regulations. The company has established a Human Rights Policy based on the aforementioned norms as guiding principles for the Company's management.	No Difference
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation, and other benefits) that appropriately reflect the operating performance or results through employee compensation?	✓		(2) Employees are the most important assets of a company. The Company has improved planning and setting the standards for the implementation of salary, work bonuses, flight-safety bonuses, vacation, preferential air tickets, and several welfare measures. The Company also offers performance bonuses, annual bonuses, year-end bonuses, promotions, and employee compensation with reference to the performance of employees at the end of each fiscal year and according to the Company's annual profit status. The Company takes this opportunity to care for its employees and treat them as the core of its sustainable operations. The average salary for all employees of the Company increased by about 4.55% in 2021.	No Difference
(3) Does the Company provide employees with a safe and healthy work environment and regularly implement health and safety education programs for employees?	✓		(3) In order to protect the rights of employees, provide a healthy and safe working environment, and create a friendly workplace, the Company has established internal rules and regulations related to "employee complaint measures" and "employee safety report reward operation measures". It provides multiple communications channels, such as a speaking area, regularly scheduled labor-management consultation meetings, and special e-mails for complaints in various cases (including WeCare, workplace sexual harassment, professional ethics). Such channels are made accessible to all employees, and complaints are accepted in accordance with the operational procedures. A. In response to the pandemic, the Company has made the protection of employees' health the top priority. In addition to closely cooperating with relevant government measures, we have established a cross-unit hierarchical mobilization mechanism, a command system and operational procedures to integrate relevant units to respond together and remind employees to raise their alertness with strict control of all pandemic prevention information. Besides, we have established the health management reporting system for employees with a higher risk level of exposure (crew), and a vaccine registration system has been set up to control the Covid-19 vaccination status of all employees to help the management understand the situation immediately and take appropriate countermeasures. Moreover, for the self-health management implementation of high-risk groups such as those who might encounter confirmed patients, identified potential contacts by CDC, and family members living with them who have returned home from abroad, and for the COVID-19 rapid tests results for those who have not fully vaccinated before they work, we have established a pandemic management system to fully grasp the health situation of our employees and provide necessary assistance as appropriate to prevent the expansion of the pandemic. Furthermore, we actively promote the pandemic prevention through staff training, such as strengthening the knowledge of the prevention of biological pathogens and self-protection skills. China Airlines has always adhered to high standards in every prevention and control process. Through various risk management mechanisms and risk classification management according to each type of operation and job category, we have been certified by ISO45001 and TOSHMS for many years, providing our employees with a safe, healthy, secure workplace in the pandemic era. B. The Company values employees' health and has been dedicated to creating a healthy workplace. Regular health checkup has been conducted with more inspecting items as prescribed by law and with higher frequency. Employees who are listed in the high-risk group are followed up and guided by doctors so that any conditions may be found early during early and to take precaution. Meanwhile, every year the Company makes clear the direction for health promotion and approves a sufficient budget. The occupational health promotion plan is made by combining the resources from the health authority and	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			community. Health promotion courses are held to create a positive and healthy workplace. Topics cover cancer screening, prevention of infectious disease, and vaccination, etc. In 2021, cardiovascular disease and coronavirus prevention were included in the training content. The Company also provides employees in Taiwan with a free vaccination. In total, 2,624 people were vaccinated in 2021. To allow female employees to be able to breastfeed, breastfeeding rooms are established in compliance with the breastfeeding policy of the Health Promotion Administration, Ministry of Health and Welfare as well as the Act of Gender Equality in Employment.	
(4) Has the Company established an effective career skill development training program for employees?	✓		(4) In order to nurture the Company's human resources, it has a Training Advisory Committee, which is responsible for the planning of annual education and training for all colleagues, including strategic occupational training, management occupational training, and job training. Simultaneously, to deepen the Company's various levels of management professionals and broaden the horizon of potential talents, strategic and management occupational training was held on a regular basis to sharpen employees' necessary knowledge and skills. These training are in accordance with the Company's operational development strategy. In addition, since 2009, the Company has established a Management Talent Training and Development System to nurture talents with international vision and management capabilities. This helps strengthen managerial knowledge of management professionals through job experience, management course training, and rigorous assessment systems. As of today, more than 100 outstanding management professionals have been trained and are now serving in key units in Taiwan and foreign branches. In 2021, a total of NT\$19 million was invested in training and development. The total number of training hours exceeded 40,507 hours.	No Difference
(5) In regards to customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant regulations and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	✓		(5) The Company has stipulated service commitments, transportation terms and conditions, and disclaimer clauses in accordance with the law. Regarding consumer rights policies, the Company has also posted and shared on the Company's website the information security policy with its "privacy protection policy" and "privacy protection statement". It is committed to protecting the privacy of all customers' personal information. In addition, to protect the rights and interests of passengers, reservation and ticket-related rules for flight changes have been clearly mentioned in the FAQs on the official website. Furthermore, the Company has in place consumer complaint procedures to provide consumers with complaint channels for products and services, including on the Company's website (also found in the stakeholders' section, customer feedback, and service satisfaction survey), Facebook fan page, customer service e-mail, and global branches' addresses and phone numbers. Consumers may also send letters to the Company directly. All complaints will be replied to after processing.	No Difference
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation status?	✓		The Company has formulated the "Supplier Code of Conduct" which specifies that suppliers shall provide a healthy and safe working environment and shall ensure that workers respect each other, enjoy dignity and fairness, and abide by professional ethical standards. In any case, when providing products and services, suppliers shall strictly comply with the legal, ethical requirements and their commitment to be responsible to the society and environment. If the Code is violated, the Company may terminate the business relationship between the two parties. In accordance with the "Sustainable Supply Chain Management Policy Statement" of the Company, the Company has requested that every supplier sign the "Supplier Code of Conduct" when making a tender, jointly undertaking to create a sustainable industrial environment since 2016. We have developed our survey questionnaire (SAQ) with reference to the new GRI standards, ILO, UNGC, DJSI, CDP and the United Nations Declaration of Human Rights and other relevant international initiatives and evaluations. Since 2015, the Company has been conducting risk surveys on sustainable supply chains. In 2021, the Company has conducted risk surveys on 7 key suppliers, audited 28 key suppliers in the past 3 years, and hold supplier education and training to ensure that the Company has a full understanding of risky suppliers and to reduce the risk of sustainable supply chains.	No Difference
5. Does the Company refer to internationally accepted report preparation standards or guidelines to prepare its Corporate Social Responsibility (CSR) Report and other reports	✓		The Company follows the GRI Standards - Core option issued by the Global Sustainability Standards Board and refers to the UN Global Compact when preparing its CSR Report. In May 2022, the Company's limited level report verification will be completed by KPMG based on the GRI Standards and ISAE3000 Assurance Standard.	No Difference

Item of Evaluation	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
that disclose the Company's non-financial information? Has the aforementioned report been assured, verified, or certified by a third-party verification unit?			A third-party verification statement was issued, which has been disclosed on the Company's "Corporate Social Responsibility" section on its website.	
<p>6. If the Company has drawn up a code for CSR based on the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between the code and the Best-Practice Principles:</p> <p>To fully implement the scope of corporate social responsibility, comply with the government's direction of CSR promotion, and accord with international practice, the Company has added to and amended the Company's Corporate Social Responsibility and Sustainable Development Best-Practice Principles on March 15th, 2022 that are based on the revised Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies. Through this CSR's highest guiding principle, we have comprehensively reviewed the Company's operational constitution, reflected the management and execution aspects, and strived to fulfill corporate social responsibility in three major aspects: environmental, social, and governance (economic) (ESG). There was no operational difference this year. For related information, please refer to the Company's corporate social responsibility website. Lastly, no deviations were found this year.</p>				
<p>7. Other important information for facilitating the understanding of CSR and its implementation:</p> <p>In 2021, as the COVID-19 pandemic continued to rage, China Airlines followed the three sustainable strategies of "promoting the international development of local education," "enhancing the international visibility of Taiwan's local brands," and "promoting equal opportunities for disadvantaged groups in society," in compliance with the pandemic prevention regulations, China Airlines has conducted public welfare activities to care for disadvantaged groups in rural areas, teaching aviation knowledge, and transporting medical supplies, to establish a virtuous cycle for society.</p> <p>A. Promoting the international development of local education: China Airlines Group has been committed to promoting the growth of local education in Taiwan, making good use of the airline's unique resources. In addition to opening up colleges and universities to apply for corporate visits, the group regularly visits schools in the vicinity of the company every year to teach students, encouraging them to develop an international perspective and habits of learning, and promoting diversified growth. In 2021, to reduce clusters for pandemic prevention, only one corporate visit for college was held, benefiting a total of 30 students, and two school visits, benefiting a total of 73 students, which were held at Hsihai Elementary School and Jhuwei Elementary School in Dayuan District. Meanwhile, China Airlines are planning to produce a video of volunteers teaching lessons, which is expected to be officially launched in 2022 and it will be provided to local elementary schools in Taoyuan or rural areas throughout Taiwan to enrich the learning fun during the pandemic. China Airlines cooperates with the Commonwealth Publishing and held "Common Knowledge Platform Public Welfare Project," in 102 schools and benefiting about 44,878 students. In addition, to avoid clusters for following the government regulations and, meanwhile, in response to international beach clean up activities, China Airlines has planned an internal online beach cleanup knowledge course this year to share beach cleanup-related knowledge with employees, which is environmentally meaningful. A total of 761 employees completed the course.</p> <p>B. Enhancing the international visibility of Taiwan's local brands: as the COVID-19 pandemic continued to impact the global industry and economy in 2021, China Airlines, as a major global air cargo carrier, is responsible for air transportation of pandemic prevention supplies and emergency medical supplies during the pandemic. In 2021, 2 sets of negative pressure isolation chambers, about 30 tons have been shipped, and about 70 million doses of COVID-19 vaccine, about 300 tons, have shipped. To thank the hard work and selflessness of the frontline medical personnel and police officers during the pandemic, a total of 7,500 air service supplies were given to the Taoyuan General Hospital and the Xinwu Branch, and a total of 9,516 lunch boxes were given to the Taoyuan City Police Department. In addition, China Airlines has long supported the development of local sports and combined its strengths to help carry Chinese athletes to participate in international competitions. For the Tokyo 2020 Olympic Games, the flight was operated with the highest standards of pandemic prevention, and exquisite gifts and special in-flight meals were prepared for the athletes. Moreover, China Airlines has sponsored many international exchange activities, including the "2021 League of Legends PCS Tournament", "Carrying Chinese Taipei Team to 2020 Tokyo Olympic Games", "Carrying Chinese Taipei Team to Asian Cup Basketball Qualifying Tournament", "P.LEAGUE+ Taoyuan Pilots", and we also sponsored Taiwan's local players, such as "table tennis player Chuang, Chih-Yuan", "fencing player Chen, Yi-Tung", and "tennis player Tseng Chun-Hsin", in an effort to enhance Taiwan's sports environment.</p> <p>C. Promoting equal opportunities for disadvantaged groups in society: China Airlines has been cooperating with the Huashan Social Welfare Foundation to care for the disadvantaged elderly in Taoyuan during the three festivals. This year, a total of three public welfare activities were held, including "Love the Elderly, Love the Reunion", "Love the Elderly, Get Moving", and "Love the Elderly, Light Up the Mid-Autumn Festival". The total number of participants was 360, and under the influence of the pandemic, we continued to devote our resources to public welfare. In addition, for the welfare of the rural areas, we have a self-motivated independent team that regularly visits the rural schools in Taiwan every year to teach professional knowledge of aviation. In 2021, we organized 10 educational activities in the rural areas, benefiting 704 students. Besides, the ground crew also launched the "Shoes for Life, Step 30" campaign. More than 200 pairs of shoes were collected in just three days and donated to the STEP 30 Organization to give disadvantaged children the opportunity to run freely. In addition, in 2021, to take care of the disadvantaged families in Taoyuan, the Company donated \$1 million to the Taoyuan City Tongxinma Charity Group to give back to the society and the community through concrete actions. Also, the Company continued the corporate sponsorship of the Ministry of Transportation and Communications' "Pingtung Region New Innovation and Happiness Bus 2.0 Integrated Service Demonstration Project" and sponsored \$1.5 million to improve the quality of public transportation services in remote areas, benefiting 9,614 people in the year. In 2021, a charity sale of masks was held, and all employees were invited to subscribe masks for charity and donated \$2 million to the disadvantaged groups in the local community. China Airlines takes practical actions to help the disadvantaged improve their quality of life and strive to achieve the goal of social equality and common prosperity.</p>				

3.3.7 Ethical Corporate Management and Deviations from the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies”

Item of Evaluation	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies and Reason
	Yes	No	Brief Explanation	
1. Establishment of ethical operation policies and programs (1) Has the Company formulated an ethical management policy approved by the Board of Directors and expressly stated in the regulations and external documents the policies and practices of ethical management? Do the Board of Directors and senior management commit to actively implement the management policy?	✓		(1) CAL has established the Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct, which were passed in 2016 at the 5 th meeting of the 20 th Board session. These guidelines and principles clearly spell out the Company's ethical operating policies, methods, and commitments. They are published on the CAL website and the Taiwan Stock Exchange Market Observation Post System.	No Difference
(2) Has the Company established an assessment mechanism for the risk of unethical behaviors, regularly analyzed and evaluated business activities with a higher risk of being unethical within the business scope, and formulated a plan accordingly to prevent unethical behaviors, which covers at least the preventive measures provided in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	✓		(2) The Company's Ethical Corporate Management Best Practice Principles laid out various business activities with a higher risk of being unethical to be prevented within the business scope to strengthen relevant preventive measures, which include behaviors provided in the sub-paragraphs under Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.	No Difference
(3) Has the Company specified the operating procedures, behavioral guidelines, disciplinary penalties, and grievance system in its plan for unethical conduct prevention? In addition, does the Company implement these measures while also periodically reviewing and revising them?	✓		(3) The Company's Procedures and Guidelines of Conduct for Ethical Management clearly laid out all unethical and prohibited conduct, a whistleblowing system, and a disciplinary system. These procedures and guidelines are implemented in the operations of all units.	No Difference
2. Implementing ethical corporate management (1) Does the Company evaluate the ethical records of the businesses in which it has dealings with and include clear ethical corporate behavior provisions in contracts with such counterparties?	✓		(1) In the process of business dealings with other companies, CAL employees explain the ethical management policy and related regulations to counterparties and expressly refuse to provide directly or indirectly, promise, demand, or acceptance from any form of gratification. When signing contracts with others, CAL fully reviews the counterparty's ethical corporate behavior and includes complying with our ethical corporate management policies as a provision in contracts.	No Difference
(2) Has the Company set up a special unit affiliated to the Board of Directors to promote corporate ethical management that periodically (at least once per year) reports to the Board of Directors on the status of the implementation of ethical management policies, the plan for unethical conduct prevention, and its supervision?	✓		(2) The Company's Human Resources Management Division, which is the dedicated unit for ethical management, is responsible for consolidating the ethical management implementation status in relevant units of the Company in addition to reporting periodically to the Board of Directors once per year. The 2021 implementation status has been reported at the 2 nd meeting of the 22 nd Board of Directors on November 4 th , 2021. In addition, the Company encourages the reporting of unethical conduct and misconduct. An independent reporting mailbox has been set up and announced. The General Audit Office reports the received cases, the handling methods, and the follow-up review and rectification to the Board of Directors.	No Difference
(3) Has the Company formulated and implemented policies to prevent conflicts of interest and does it provide appropriate ways to record any potential conflicts found?	✓		(3) CAL Procedures for Ethical Management and Guidelines for Conduct clearly states that should a conflict of interest arise in the execution of Company duties, employees shall report the situation to their direct supervisor, who should provide appropriate guidance.	No Difference
(4) Has the Company established an effective accounting system and an internal control system in efforts to implement ethical management? Does the Company's internal audit unit use the results of ethical management risk assessments to draw up relevant audit plans and does it examine their compliance with the plan for unethical	✓		(4) In order to continue to operate with integrity, the Company has prepared an annual audit plan based on risk assessment and conducts ad hoc audits from time to time to check the Company's accounting system, internal control system, and compliance with the dishonesty prevention program.	No Difference

Item of Evaluation	Implementation Status			Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reason
	Yes	No	Brief Explanation	
conduct prevention or entrusted an accountant to perform such an audit?				
(5) Does the Company periodically hold internal and external ethical corporate behavior training?	✓		(5) To strengthen employees' understanding of the Company's corporate culture of integrity management, the Company has provided training to all domestic and foreign employees through the e-learning system, and has promoted ethical behavior and corporate ethics to new employees upon their arrival: 33 new employees (including 9 domestic employees and 24 foreign employees) for a total of 16.5 hours (0.5 hours*33 employees) in 2021, and for domestic and foreign supervisors, we provided e-learning online courses: 39 employees have been trained in 2021, for a total of 39 hours (1 hour*39 employees). We also disclose the "Ethical Corporate Management Best Practice Principles" and "Procedures and Guidelines for Ethical Corporate Management Best Practice" internally and on the official website for everyone to refer to.	No Difference
3. Operation of the Company's Violation Reporting System (1) Has the Company established a concrete violation reporting and rewards system, set up convenient reporting channels, and appointed suitable personnel to handle these cases?	✓		(1) Article 20 of the Company's Procedures and Guidelines of Conduct for Ethical Management expressly provides and discloses the rules of reporting, its channel, and the processing procedures. The reporting mailbox (auditor@china-airlines.com) is notified on both the Company's website and on the internal website for the Company's internal and external personnel to use. The General Audit Office would initially determine the credibility of the case and report it to the Chairman. The case involving employee discipline will be closed after the Human Resources Division returns the investigation and the handling the results.	No Difference
(2) Has the Company established the standard operating procedures for the investigation of received reports, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?	✓		(2) According to CAL Procedures for Ethical Management and Guidelines for Conduct, all reports of violations and related follow-up investigations are kept strictly confidential. CAL has clear and effective rewards and punishments, an appeals system, a violation reporting confidentiality mechanism, and an investigation SOP. In addition, the Company also incorporates ethical management into employee performance evaluation and human resources policies. Other establishments have been made, such as a clear and effective reward and disciplinary system, a grievance system, and the standard operating procedures for the investigation of reports.	No Difference
(3) Does the Company have any measures in place to protect individuals from possible mistreatment arising from reporting violations?	✓		(3) Employees who process violation reports must sign a written statement pledging to maintain confidentiality of the reporters and details of the case. CAL also promises to protect the whistleblower from improper punishment due to reporting.	No Difference
4. Strengthening information disclosure Does the Company disclose the content of its Ethical Corporate Management Best-Practice Principles and their effectiveness on our website as well as the TWSE Market Observation Post System?	✓		CAL's Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct are shown on the China Airlines website and on the Taiwan Stock Exchange Market Observation Post System, along with the effectiveness of ethical operations and fair trade principles.	No Difference
5. Whether the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between said code and the Best-Practice Principles: No Differences.				
6. Other information that will assist in the understanding of Company ethical corporate management practices: None.				

3.3.8 Corporate Governance Guidelines and Regulations

The Company has established the following: a Corporate Charter, Rules for Discussions of Official Business at Shareholder Meetings, Rules for Discussions of Official Business by the Board of Directors, Ethical Code of Conduct for Directors, Election of Directors, Rules for Corporate Governance, Guiding Principles for Operational Integrity, Guide to Integrity in Management and Business Procedures and Conduct, Practical Guidelines for Corporate Social Responsibility and Sustainable Development, Ethical Code of Conduct for Directors, Ethical Code of Conduct for Senior Supervisors, Employee Workplace Rules of Conduct, China Airlines Group Rules of Conduct, Supplier Code of Conduct, and a Human Rights Policy. It has formed three committees under the Board of Directors for audit, remuneration, and risks with various organizational rules. The relevant rules listed above are all made public on the Company's website (<http://www.china-airlines.com>) and the Company's social responsibility network (<https://calec.china-airlines.com/csr/en/index.html>).

3.3.9 Summary table of the resignation and dismissal of relevant persons of the Company:

March 28, 2022

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
Financial Manager	Chen, I-Chieh	02/16/2017	03/08/2021	Transfer to Senior Vice President

Note: "Relevant persons in the Company" refers to the Chairman, general manager, accounting management, financial management, internal audit management, corporate governance manager, R&D management, and others.

3.3.10 Other Important Information Regarding Corporate Governance

A. The organization and operations of the Company's internal auditing

The Company's internal audit operations are handled by the General Audit Office. In compliance with Article 11 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies", the General Audit Office is under the jurisdiction of the Board of Directors. The main internal audit operation methods are announced via a document management system in the Company's corporate internal information network. Information announced includes the manual of "Detailed Rules for Internal Audit Implementation" and relevant operational methods. A summary is provided as follows:

- (1) Day-to-day audit (pre-incident audit and post-incident audit).
- (2) Annual audit (on-site inspection of the head office, branch units, and subsidiaries).
- (3) Project audit.
- (4) Supervision of construction, maintenance, and procurement.
- (5) Financial inventory.
- (6) Self-assessment of the internal control system.
- (7) Periodical audit required by the Financial Supervisory Commission.
- (8) Other units that need unscheduled audits.

B. Certifications of the personnel related to the Company's internal audits

Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate: 1 person, International Internal Auditor Certificate: 1 person, R.O.C. Certified Public Accountant License: 2 people, R.O.C. Securities (Senior) Specialist: 1 person, R.O.C. Futures Specialist: 2 people, R.O.C. Financial Planning Personnel Proficiency Test Passing Certificate: 1 person, R.O.C. Stock Affairs Specialist Proficiency Test Passing Certificate: 1 person.

C. Company financial staff certifications and licenses: Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate

Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate: 3 people; International Internal Auditor Certificate: 2 people; R.O.C. Certified Public Accountant License: 2 people; R.O.C. Securities (Senior) Specialist: 4 people; R.O.C. Securities Investment Trust and Consulting Professional: 4 people; R.O.C. Futures Specialist: 4 people; R.O.C. Financial Planning Personnel Proficiency Test Passing Certificate: 6 people; R.O.C. Stock Affairs Specialist Proficiency Test Passing Certificate: 6 people; USA Certified Public Accountant License: 1 person; R.O.C. Basic Enterprise Internal Audit Proficiency Test Passing Certificate: 5 people.

D. Company Director Continual Education

From January 1, 2020 to March 27, 2021

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Chairman	Hsieh, Su-Chien	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
Director	Kao, Shing-Hwang	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
		3hr	11/19/2021	Open Course of Taiwan Corporate Governance Association	New Challenges of Board of Directors from Corporate Governance 3.0
		3hr	11/30/2021	Open Course of Taiwan Corporate Governance Association	Annual Report Key Information and Responsibility Analysis: Directors' and Supervisors' Perspectives

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Director	Chen, Charles C.Y.	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
Director	Ting, Kwang-Hung	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
Director	Chen, Han-Ming	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
Director	Chen, Maun-Jen	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
		3hr	11/19/2021	Open Course of Taiwan Corporate Governance Association	New Challenges of Board of Directors from Corporate Governance 3.0
		3hr	11/30/2021	Open Course of Taiwan Corporate Governance Association	Annual Report Key Information and Responsibility Analysis: Directors' and Supervisors' Perspectives
Director	Wei, Yung-Yeh	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
Director	Chao, Kang	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
		3hr	11/19/2021	Open Course of Taiwan Corporate Governance Association	New Challenges of Board of Directors from Corporate Governance 3.0
		3hr	11/30/2021	Open Course of Taiwan Corporate Governance Association	Annual Report Key Information and Responsibility Analysis: Directors' and Supervisors' Perspectives
Director	Wang, Shih-Szu	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	09/30/2021	Digital Governance Association	How to Make Good Use of Financial Analysis for Business Management and Decision Making
Director	Huang, Chung-Che	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
		3hr	10/29/2021	Taiwan Academy of Banking and Finance	Corporate Governance Course (No. 113)
		3hr	11/30/2021	Taiwan Academy of Banking and Finance	Corporate Governance Course - Financial Investment and Commodities for Sustainable Business

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Independent Director	Chang, Hsieh Gen-Sen	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
Independent Director	Huang, Hsieh-Hsing	3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
		3hr	09/01/2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum - Morning Session
		3hr	09/01/2021	Financial Supervisory Commission	The 13th Taipei Corporate Governance Forum - Afternoon Session
		3hr	08/19/2021	The National Federation of CPA Associations of the R.O.C.	CPAs' Responsibilities and Responses to Shareholder Disputes
		3hr	08/26/2021	The National Federation of CPA Associations of the R.O.C.	Accounting Standards Codification: Accounting for Investments in Affiliated Enterprises
		3hr	11/05/2021	Taiwan Investor Relations Institute	Information Security and Risk Trend Analysis
Independent Director	Hwang, Chin-Yeong	3hr	08/12/2021	Training by: Taiwan Corporate Governance Association	Case Studies on Corporate Anti-Corruption and Fraud and Prevention Practices
		3hr	08/26/2021	Training by: Taiwan Corporate Governance Association	Business Strategy and Corporate Governance in the Light of the World's Unsustainable Risks from the COVID-19 virus
		3hr	11/30/2021	Open Course of Taiwan Corporate Governance Association	Annual Report Key Information and Responsibility Analysis: Directors' and Supervisors' Perspectives

E. Corporate governance-related training attended by company managers

From January 1, 2021 to March 28, 2022

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Senior Vice President	Chen, I-Chieh	12hr	09/16~17/2021	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
Assistant Vice President, Finance Div.	Wang, Ching-Ting	12hr	04/22~23/2021	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
Deputy Auditor General, General Audit Office	Fang, Juo-Ling	6hr	08/16/2021	Securities and Futures Institute	Sales and Purchasing Cycle Auditing Course
		6hr	10/01/2021	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Professional Course - Internal Audit and Internal Control on Personal Data Protection Act Practical Operations
Deputy Auditor General, General Audit Office	Ho, Hui-Fen	6hr	08/16/2021	Securities and Futures Institute	Sales and Purchasing Cycle Auditing Course
		6hr	10/01/2021	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Professional Course - Internal Audit and Internal Control on Personal Data Protection Act Practical Operations

F. Succession plan for the Board of Directors and key management of the Company

The selection and nomination of China Airlines' directors are carried out in accordance with the Company Act, Securities and Exchange Act, China Airlines' Rules Governing the Election of Directors,

Regulations Governing Appointment of Independent Directors, and Compliance Matters for Public Companies. All elections of directors are conducted in accordance with the candidate nomination system. Shareholders may nominate candidate directors. Through shareholders' voting in the annual general meeting, directors (including independent directors) are elected from the list of candidates nominated by shareholders. The term of office of a director is 3 years.

As for the selection of directors' successors, the representative successors should generally have the required abilities stated in the chapter in China Airlines' "Corporate Governance Principles" describing competencies required by the Board of Directors. As required by law, independent directors must have certain professional qualifications and work experience. Professionals who are experienced in the industry, including government and academic fields, are the main factors that form the basis of succession planning (please refer to P.50-52 for diversification). In addition, the independence of all board members is ensured in accordance with law and the results of its annual evaluation are an important reference for whether continued nomination is needed.

To improve the directors' ability to exercise their power by virtue of their posts and ensure that the Board's effectiveness is up to date, scheduled advanced courses are arranged every year to help elevate their professional competencies. These courses cover corporate governance-related topics, including finance, accounting, business, commerce, legal affairs, information, risk management, internal control systems, and corporate social responsibility. To ensure that the succession plan is comprehensive, the contents are aligned with the latest regulations and conditions of internal and external environments as well as topics applicable to future development needs.

Furthermore, in relation to the succession planning for important management personnel, other than having excellent professional management ability, one's behavior, ethics, and instructions will be based on the resolutions of the Board of Directors. These matters are handled in accordance with the "China Airlines Executives Code of Ethical Conduct" and related laws and regulations in the best interests of the Company, employees, and shareholders.

In the training plan for the Company's senior management, regular senior management lectures are held every year, where experts from the fields of industry, public sector, and academia are invited to deliver special lectures on the state of the global market and the development of the aviation industry to enable the Company's supervisors to better understand the state of the market. The aim is so that their breadth of professional competence development may be improved. Periodic inter-agency transfers are made according to the Company's rules to create diversified management capabilities among important management personnel. In addition, to deepen the knowledge of the Company's management professionals at various levels and broaden the horizon of potential talent, strategic and management occupational training sessions are held on a regular basis and talent training programs are conducted to refine knowledge and skills of mid-level supervisors. Talents are cultivated with an international vision and management capabilities. Management professionals strengthen their managerial knowledge through their job experience, management course training, and rigorous assessment systems. As of today, more than 100 outstanding management professionals have been nurtured and are now serving in key units in Taiwan and foreign branches.

G. Internal material information and disclosure procedure

On December 6, 2012, after approval by the Board of Directors, the Company has formulated the China Airlines Ltd. Procedures for Handling Material Insider Information. In addition to notifying the new procedures to the Board, management, and employees, they were also published under Important Company Regulations on the Investor Relations section of the CAL website for reference at any time to avoid violations and prevent the occurrence of insider trading.

3.3.11 Internal Control Systems

A. Internal Control Statement



China Airlines Co., Ltd.

Internal Control Statement



Date: March 18, 2021

The Company states the following with regard to our internal control system during the period of fiscal year 2020 based on the self-assessment result :

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are responsibilities of the management and the Board of Directors. The Company has established such a system. The goal of the system is aimed at the operation efficiency and effectiveness (including profits, performance, and assets safeguarding), and to provide reasonable assurance on producing reliable, timely and transparent reports in compliance with the governing law and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company, however, contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.
3. The Company should evaluate the effectiveness of the design and execution of its internal control system based on judgment criteria set by "the Regulation Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred as "The regulations"). The regulations adopt the criteria, and divide the managerial control process into five key elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and Communications, and 5. Monitoring. Each element contains detailed items. Aforementioned items please refer to The regulations.
4. The Company has conducted an effectiveness evaluation on its internal control system by adopting the above mentioned internal control system judgment criteria.
5. Based on the preceding assessment result, the Company believes that its internal control system (with subsidiaries supervision and management) on the date of December 31, 2020 includes the awareness of operation



effectiveness and target achievement efficiency, reports are reliable, timely, and transparent in compliance with the governing law and regulations. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.

6. This Statement will become the major part of the Company's annual report and prospectus, which will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been approved by the Board of Directors Meeting of the Company held on the date of March 18, 2021, where none of the twelve attending directors expressed dissenting opinions, and unanimously affirmed the content of this Statement.

Chairman:

President:

- B. Whether the Company has commissioned external auditors to review the Company's internal control system, the external auditor's report should be disclosed: None.

3.3.12 Disciplinary Measures Taken Against the Company or Its Internal Staff Due to Violations of Legal Requirements or Taken by the Company Against Its Own Staff Due to Violations of the Internal Control System

Date of penalty	Penalty official letter number	Penalty	Deficiency	Improvement
February 22, 2021.	2021 Labor Inspection No. 1100036610	A fine of NT\$1,000,000.	Working overtime hours exceeded of the legal requirements	This case was filed after legal proceeding against the penalty imposed in 2018, and the penalty was reinstated in 2021. The case is now under administrative remedy process.

From 2021 to the printing of the annual report, the Company was fined NT\$60,000 by the Ministry of Labor by the ruling in the case of an unfair labor practice dispute with the Taoyuan Flight Attendants Union, and it continues to seek administrative remedies. The relevant data of cases and content of the disputes are as follows:

Date of penalty	Penalty official letter number	Main dispute	Total amount of fines
January 18, 2022	Ruling Letter No. 1100127066, Ministry of Labor and Welfare	Employee performance appraisal disputes.	NT\$60,000

3.3.13 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting in 2021

Item	Major resolutions	Execution
1. Business Report and Financial Statements for the year 2020	This resolution was passed as proposed upon voting.	The announcement was made after the resolution of the shareholders' meeting on August 12, 2021.
2. 2020 Deficit Compensation	This resolution was passed as proposed upon voting.	The announcement was made after the resolution of the shareholders' meeting on August 12, 2021.
3. Proposal to release the non-competition restriction of holding concurrent positions on the 22 nd Board of Directors	This resolution was passed as proposed upon voting.	The non-competition restriction on the 22 nd Board of Directors was lifted based on the resolution of the shareholders' meeting on August 12, 2021, which was subsequently announced.

B. Major Resolutions of Board Meetings (January 1, 2021 to March 28, 2022)

21 st Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
14th Meeting	01/18/2021	1. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Three Financial Institutions, Including the Credit Agricole CIB 2. 2021 Employee Lunar New Year Incentive 3. 2021 Employee Salary Adjustment 4. Chairman and President's 2021 Year-end Bonus and Incentive Bonus 5. 2021 Annual Shareholders' Meeting 6. Election of 22nd term of Board of Directors 7. Report on the Company's Lease on Real Estate with a Subsidiary	Approved by all attending independent directors	None
15th Meeting	03/18/2021	1. Appointment of President	Approved by all attending independent directors	None

21 st Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
		2. Appointment of Senior Vice President (VF) and position adjustment for Financial Vice President 3. Appointment of Senior Vice President (VO) 4. Distribute managers' flight safety bonus 5. Resignation fee for the former Senior Vice President (VF) Chang, Young 6. Manager adjustment in Taichung Branch 7. 2020 Internal Control System Effectiveness Audit and Statement 8. 2020 Financial Report and Consolidated Financial Report 9. 2020 Business Report 10. 2020 Deficit Compensation 11. 2021 CPA appointment and remuneration 12. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by First Commercial Bank and Mega Bills		
9th Extraordinary Meeting	04/06/2021	1. Review the Qualifications of the Nominees of the 22nd term of Board of Directors 2. Lifting of Non-competition Restriction on Holding Concurrent Posts for the Directors of 22nd Board 3. Revise the disposal of 5 A330-300 aircraft through sale and leaseback transaction 4. Lifting of Non-competition Restriction on Holding Concurrent Posts for the President, Kao, Shing-Hwang 5. Lifting of Non-competition Restriction on Holding Concurrent Posts for Senior Vice Presidents (VE, VO, VF) 6. Resignation fee for the former Senior Vice President (VO), Kao, Shing-Hwang 7. Proposal of Salary and Compensation for the Senior Vice President (VF), Chen, I-Chieh 8. Proposal of Salary and Compensation for the Senior Vice President (VO), Lai, Ming-Hui	Approved by all attending independent directors	None

21 st Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
		9. Proposal of Salary and Compensation for the President, Kao, Shing-Hwang		
16th Meeting	05/06/2021	1. Set the base date for the domestic unsecured 6th convertible bonds to be converted into shares in the first quarter of 2021 2. Venue alteration for 2021 Annual Shareholders' Meeting	Approved by all attending independent directors	None
10th Extraordinary Meeting	07/23/2021	1. Date, Venue and method for 2021 Annual Shareholders' Meeting 2. Pursuant to Measures for the Relief of Industries and Businesses Affected by the Coronavirus Disease Issued by the Ministry of Transportation and Communication, Land Bank of Taiwan offered a NT\$9.35 billion syndicated loan to China Airlines 3. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Ten Financial Institutions, Including Ta Ching Bills Finance Corporation	Approved by all attending independent directors	None
17th Meeting	08/05/2021	1. Capital increase for Tigerair Taiwan Co., Ltd. 2. Endorsements and guarantees of Taiwan Aircraft Maintenance and Engineering Co., Ltd.'s application for a change of financing terms with Mega International Commercial Bank 3. Set the base date for the domestic unsecured 6th convertible bonds to be converted into shares in the second quarter of 2021 4. The strategy of re-trial of the lawsuit against the CAA for the return of rentals after the third trial remand on the overpayment of Aircraft Rental Fees to the CAA case	Approved by all attending independent directors	None

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
1st Meeting	08/12/2021	1. Chairman Election of 22nd term of Board of Board 2. Appointment of President	Approved by all attending independent directors	None

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
1st Extraordinary Meeting	08/26/2021	1. Appointment of the member of the Risk Management Committee of the 22nd Board of Directors 2. Appointment of the member of the Remuneration Committee of the 22nd Board of Directors 3. Capital increase for Mandarin Airlines, Ltd.	Approved by all attending independent directors	None
2nd Meeting	11/04/2021	1. 2022 Audit Plan 2. Signing a collective agreement with the Taoyuan Pilots Union 3. 2022 Business Plan and Budget 4. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Six Financial Institutions, Including Mega International Commercial Bank 5. Set the base date for the domestic unsecured 6th convertible bonds to be converted into shares in the third quarter of 2021 6. Report on the Company's Lease on Real Estate with a Subsidiary	Approved by all attending independent directors	None
2nd Extraordinary Meeting	12/09/2021	1. Approve the grant for employees of economic revitalization 2. Change in Personnel and Position 3. Report on the Company's Lease on Real Estate with a Subsidiary	Approved by all attending independent directors	None
3rd Meeting	01/12/2022	1. Employees' 2021 Year-end Bonus and 2022 Incentive Bonus 2. 2022 Employee Salary Adjustment 3. Chairman and President's 2021 Year-end Bonus and Incentive Bonus 4. Chairman and President's Salary Increase for 2022 5. 2022 Annual Shareholders' Meeting 6. Change the useful lives of 744F and A333 7. Provision of General Financing Limit and Financial Commodity Trading Limit by Four Financial Institutions, Including the Export-Import Bank of the Republic of China 8. Lunar New Year Gifts for Foreign Employees	Approved by all attending independent directors	None
3rd Extraordinary Meeting	01/27/2022	1. Appointment and dismissal of President 2. Purchase of "777F cargo aircraft"	Approved by all attending independent directors	None

22 nd Board of Directors	Date	Item	Opinions of Independent Directors	Any Handling of Independent Directors' opinions by the Company
4th Meeting	03/15/2022	1. Appointment of Senior Vice President (VW) 2. Resignation fee for the former Senior Vice President (VE) Wang, Houg 3. Proposal of Salary and Compensation for the Senior Vice President (VE) Sun, Jia-Min 4. Regular Review of Policies, Systems, Standards, and Structures for the Performance, Salary, and Compensation of Directors and Presidents 5. 2021 Employees' Compensation 6. 2021 Internal Control System Effectiveness Audit and Statement 7. 2021 Financial Report and Consolidated Financial Report 8. 2021 Business Report 9. 2021 Surplus Earnings Distribution 10. 2022 CPA Appointment and Remuneration 11. 2022 Issuance of Domestic Unsecured Ordinary Corporate Bonds 12. Set the base date for the domestic unsecured 6th and 7th convertible bonds to be converted into shares in the fourth quarter of 2021 13. Amendment to the Articles of Incorporation 14. Amendment to the "Procedures for the Acquisition or Disposal of Assets" 15. Amendment to "the Corporate Social Responsibility and Sustainable Development Best Practice Principles" to "Sustainable Development Best Practice Principles" and relevant provisions	Approved by all attending independent directors	None

3.3.14 Major Records or Written Statements Made by Any Director or Supervisor Dissenting with Important Resolutions Passed by the Board of Directors: None.

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Huang, Jui-Chan	Cheng, Shih-Ran	01/01/2021-12/31/2021	None

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under 2,000			
2	2,000 - 3,999		✓	
3	4,000 - 5,999			
4	6,000 - 7,999	✓		
5	8,000 - 9,999			✓
6	Over 10,000			

3.4.2 Audit and Non-Audit Fees Paid to CPAs, the Certified Accounting Firm to Which Said CPAs Belong, and Any Affiliated Enterprises and Details Regarding Non-Audit Fees. See Below:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touch	Huang, Jui-Chan Cheng, Shuih-Ran	7,150	-	-	-	2,403	2,403	01/01/2021-12/31/2021	Others include (1) the business tax audit fee of dual-status business entities adopting direct deduction, (2) the transfer pricing report service fee, (3) the related accountant certification fee for issuance of corporate bond, (3) the US airport Passenger Facility Charge (PFC) tax collection and audit fee, and (4) the consulting fee of General Data Protection Regulation (GDPR).

3.4.3 Changed Audit Firms and the Audit Fee Paid Being Less Than the Audit Fees Paid in the Previous Year Prior to the Change: Not Applicable.

3.4.4 Those with Audit Fees Amounting to a Reduction of 15% or More Compared to the Previous Year: None.

3.5 Replacement of CPA: None.

3.6 The Company's Chairman, Presidents, or Accounting Officers Holding any Positions in the Company's Independent Auditing Firm or its Affiliates During 2020: None.

3.7 Changes in Shareholding of Directors, Managers, and Major Shareholders

Unit: Shares

Title	Name	2021		The Current Year Until March 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder	China Aviation Development Foundation (Note)	0	0	0	0
Chairman	China Aviation Development Foundation Representative: Hsieh, Su-Chien				
Director	China Aviation Development Foundation Representative: Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Wei, Yung-Yeh, Kao, Shing-Hwang; Chen, Maun-Jen; Chao, Kang				
Director	National Development Fund, Executive Yuan Representative: Wang, Shih-Szu; Huang, Chung-Che	0	0	0	0
Independent Director	Chang, Hsieh Gen-Sen	0	0	0	0
Independent Director	Hwang, Chin-Yeong (Assumed post on 08/12/2021)	0	0	0	0
Independent Director	Huang, Hsieh-Hsing (Assumed post on 08/12/2021)	0	0	0	0
President	Kao, Shing-Hwang	0	0	0	0
Senior Vice President	Wang, Chen-Min	0	0	0	0
Senior Vice President	Chen, I-Chieh	0	0	0	0
Senior Vice President	Lai, Ming-Hui	0	0	0	0
Senior Vice President	Sun, Jia-Min	0	0	0	0
Senior Vice President	Lo, Ya-Mei (Assumed post on 03/15/2022)	0	0	0	0
Auditor General	Fang, Juo-Ling	0	0	0	0
Vice President and Data Protection Officer	Huang, Ta-Fang	0	0	0	0
Company Secretary	Chien, Feng-Nien				
Vice President	Li, Chih-Wei	0	0	0	0
Vice President	Chen, I-Ko	0	0	0	0
Vice President	Peng, Pao-Chu	(5,000)	0	0	0
Vice President	Liu, Der-Chuan				
Vice President	Lu, Shwu-Huoy	0	0	0	0
Vice President	Lu, Shih-Ming (Assumed post on 11/16/2021)	0	0	0	0

Title	Name	2021		The Current Year Until March 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Huang, Hui-Na	0	0	0	0
Vice President	Wang, Wei	(10,000)	0	0	0
Vice President	Chen, Chwen-Der	(13,000)	0	0	0
Vice President	Tsao, Jyh-Fen (Assumed post on 07/16/2021)	0	0	0	0
Vice President	Chou, Jyh-Shyan	0	0	0	0
Vice President	Chu, Te-Hsiu	0	0	0	0
Vice President	Chang, Cheng-Hao	0	0	0	0
Vice President	Chung, Ming-Jyh	0	0	0	0
Vice President	Hsiao, Jui-Fu	0	0	0	0
Vice President	Tsai, Chih-Hung (Assumed post on 07/01/2021)	0	0	0	0
Vice President	Lee, Jung-Hui (Dismissed on 07/01/2021) (Assumed post on 03/16/2022)	(10,298)	0	0	0
Deputy Auditor General	Ho, Hui-Fen	0	0	0	0
Assistant Vice President	Chen, Mei-Fen (Assumed post on 04/01/2021)	0	0	0	0
Assistant Vice President	Kung, Yuan-Jau (Assumed post on 04/12/2021)	0	0	0	0
Assistant Vice President	Shih, Ching-Kai (Assumed post on 04/06/2021)	0	0	0	0
Assistant Vice President	Chou, Chih-Lung (Assumed post on 07/01/2021)	0	0	0	0
Assistant Vice President	Shih, Hui-Huang (Assumed post on 07/01/2021)	0	0	0	0
Assistant Vice President	Wang, Ching-Ting (Assumed post on 09/01/2021)	0	0	0	0
Assistant Vice President	Shih, Ching-yun (Assumed post on 09/14/2021)	0	0	0	0
Assistant Vice President	Wei, Chia-Hsiang (Assumed post on 09/14/2021)	0	0	0	0
Assistant Vice President	Cheng, Yu Lin (Assumed post on 10/12/2021)	0	0	0	0
Assistant Vice President	Lin, Pi-Wei (Assumed post on 12/16/2021)	0	0	0	0
Assistant Vice President	Hua, Te-Lin (Assumed post on 01/07/2022)	0	0	0	0
Assistant Vice President	Shan, Jia-Ling (Assumed post on 01/16/2022)	0	0	0	0
Assistant Vice President	Hsu, Hsueh-Wen (Dismissed on 04/10/2021) (Assumed post on 02/13/2022)	0	0	0	0
Assistant Vice President	Liu, Duan-Shiuh	0	0	0	0
Assistant Vice President	Huang, Hsiang-Piao	0	0	0	0
Assistant Vice President	Yen, Yang	0	0	0	0
Assistant Vice President	Chen, Pei-Ti	0	0	0	0
Assistant Vice President	Hsiung, Shih-Chineg (Assumed post on 03/01/2022)	0	0	0	0
Assistant Vice President	Fang, Yuan-Hua	0	0	0	0
Assistant Vice President	Yu, Yueh-Han	0	0	65,523	0

Title	Name	2021		The Current Year Until March 28, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Assistant Vice President	Lee, Pei-Chen	(18,000)	0	(20,000)	0
Assistant Vice President	Lin, Heng-Shan	0	0	0	0
Assistant Vice President	Huang, Chin-Feng	0	0	0	0
Assistant Vice President	He, Cheng	0	0	0	0
Assistant Vice President	Hsueh, Po-Wen	0	0	0	0
Assistant Vice President	Kang, Yi-Chuan	(50,000)	0	0	0
Assistant Vice President	Yeh, Jin-Fu	108,523	0	0	0
Assistant Vice President and Chief Information Security Officer (CISO)	Kao, Shu-Chuan (Assumed post on 03/16/2022)	0	0	0	0
Independent Director	Chung, Lo-Min (Dismissed on 08/12/2021)	0	0	0	0
Independent Director	Shen, Hui-Ya (Dismissed on 08/12/2021)	0	0	0	0
President	Hsieh, Su-Chien (Dismissed on 03/18/2021)	0	0	0	0
Senior Vice President	Chang, Young (Dismissed on 01/31/2021)	0	0	0	0
Vice President	Chen, Wei-Tau (Dismissed on 07/31/2021)	0	0	0	0
Vice President	Yeah, Shao-Ting (Dismissed on 11/16/2021)	0	0	0	0
Senior Vice President	Wang, Houg (Dismissed on 01/31/2022)	0	0	0	0
Vice President	Hong, Tsu-Kuang	0	0	0	0
Assistant Vice President	Chang, Hsu-Yu (Dismissed on 07/01/2021)	0	0	0	0
Vice President	Chung, Wan-Chun (Dismissed on 07/16/2021)	0	0	0	0
Assistant Vice President	Mao, Li-Chung (Dismissed on 06/01/2021)	116,822	0	0	0
Assistant Vice President	Tung, Hsing-Hua (Dismissed on 03/31/2021)	0	0	0	0
Assistant Vice President	Liu, Shou-Shu (Dismissed on 04/16/2021)	0	0	0	0
Assistant Vice President	Sheu, Yuh-Shy (Dismissed on 04/30/2021)	0	0	0	0
Assistant Vice President	Pan, Yun-Hau (Dismissed on 01/07/2022)	0	0	0	0
Assistant Vice President	Chen, Ding-Ming (Assumed post on 06/01/2021) (Dismissed on 09/14/2021)	0	0	0	0

Note: Refers to major shareholders holding more than 10% of company shares.

3.7.1 Shares Trading with Related Parties: None.

3.7.2 Shares Pledged with Related Parties: None.

3.8 Relationships among the Top Ten Shareholders

Mar. 28, 2022

Name	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship with the Company's Top Ten Shareholders, Spouses, or Relatives within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
China Aviation Development Foundation (Representative: Chen, Yen-Po)	1,867,341,935	31.16%	0	0%	0	0%	None	None	None
National Development Fund of The Executive Yuan (Representative: Dr. Kung, Ming-Hsin)	519,750,519	8.67%	0	0%	0	0%	None	None	None
New Labor Pension Fund	96,911,000	1.62%	NA	NA	0	0%	None	None	None
Zheng, Ya-Pin	57,599,000	0.96%	48,527,000	0.81%	0	0%	Chen, Zu-Yuan	Spouse	None
Chen, Zu-Yuan	48,527,000	0.81%	57,599,000	0.96%	0	0%	Zheng, Ya-Pin	Spouse	None
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	37,721,146	0.63%	NA	NA	0	0%	None	None	None
China Airlines Ltd. Employee Stock Ownership Trust Plan	37,096,037	0.62%	NA	NA	0	0%	None	None	None
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	34,894,442	0.58%	NA	NA	0	0%	None	None	None
UBS Europe SE	33,004,459	0.55%	NA	NA	0	0%	None	None	None
Japan Securities Finance Co., Ltd.	30,863,000	0.51%	NA	NA	0	0%	None	None	None

3.9 Ownership of Shares in Affiliated Enterprises

Dec 31, 2021

Unit: shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors & Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
1. CAL-Dynasty International, Inc.	2,614,500	100.00	-	-	2,614,500	100.00
1A Dynasty Properties Co., Ltd.	-	-	7,000	100.00	7,000	100.00
1B Dynasty Hotel of Hawaii, Inc.	-	-	400,000	100.00	400,000	100.00
2. CAL-Asia Investment Inc.	7,172,346	100.00	-	-	7,172,346	100.00
2A Eastern United International Logistics (Holdings) Ltd.	-	-	1,050,000	35.00	1,050,000	35.00
2B Airport Air Terminal (Xiamen) Co., Ltd.	-	-	(Note 1)	28.00 (Note 2)	(Note 1)	28.00 (Note 2)
2C Airport Air Cargo Service (Xiamen) Co., Ltd.	-	-	(Note 1)	28.00 (Note 2)	(Note 1)	28.00 (Note 2)
2D Taikoo (Xiamen) Landing Gear Services Co., Ltd.	-	-	(Note 1)	2.59	(Note 1)	2.59
2E Haeco Composite Structures (Jinjiang) Co., Ltd.	-	-	(Note 1)	5.45	(Note 1)	5.45
3. Dynasty Aerotech International Corp.	77,270	100.00	-	-	77,270	100.00
4. CAL Park Co., Ltd.	150,000,000	100.00	-	-	150,000,000	100.00
5. CAL Hotel Co., Ltd..	46,500,000	100.00	-	-	46,500,000	100.00
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	70,000,000	100.00	-	-	70,000,000	100.00
7. Mandarin Airlines, Ltd.	387,831,234	96.96	-	-	387,831,234	96.96
8. Sabre Travel Network (Taiwan) Ltd.	13,021,042	93.93	-	-	13,021,042	93.93
9. Tigerair Taiwan Co., Ltd.	313,631,656	78.41	15,433,000	3.86	329,064,656	82.27
10. China Pacific Laundry Services Ltd.	13,750,000	55.00	-	-	13,750,000	55.00
11. Taiwan Air Cargo Terminal Ltd.	135,000,000	54.00	12,500,000	5.00	147,500,000	59.00
12. Kaohsiung Airport Catering Services	21,494,637	53.67	-	-	21,494,637	53.67
12A Delica International Co., Ltd.	-	-	1,020,000	51	1,020,000	51
13. Dynasty Holidays, Inc.	160	20.00	-	-	160	20.00
14. China Pacific Catering Services Ltd.	43,911,000	51.00	-	-	43,911,000	51.00
15. Taoyuan International Airport Services Co., Ltd.	34,300,000	49.00	-	-	34,300,000	49.00
16. Taiwan Airport Service Co., Ltd.	20,626,644	47.35	469,755	1.08	21,096,399	48.43
16A Taiwan Airport Service (Samoa) Co., Ltd.	-	-	5,876,976	100.00	5,876,976	100.00
17. NORDAM Asia Ltd.	3,797,500	49.00	-	-	3,797,500	49.00
18. Global Sky Express Ltd.	250,000	25.00	-	-	250,000	25.00
19. China Aircraft Services Ltd.	28,400,000	20.00	-	-	28,400,000	20.00
20. Jardine Air Terminal Services Ltd.	12,000,000	15.00	-	-	12,000,000	15.00
21. Everest Investment Holdings Ltd.	(Note 3)	13.59	-	-	(Note 3)	13.59
22. Chung-Hwa Express Co., Ltd.	1,100,000	11.00	-	-	1,100,000	11.00

Note 1: This company has not issued any shares.

Note 2: CAL-Asia Investments Inc. directly holds 14% stake, Taiwan Airport Service (Samoa) Co., Ltd. directly holds 14% stake.

Note 3: Includes 1,359,368 shares of common stock and 135,937 shares of preferred stock.

Capital Overview

4.1 Capital and Shares

4.2 Corporate Bonds

4.3 Other Depository Receipts

4.4 Financing Plans and Implementation

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

Mar. 28, 2022 Unit: shares; NT\$

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Approval Date and Document No. by Ministry of Economic Affairs
02/2012	10	5.2 billion	52 billion	5.2 billion	52 billion	Cash increase NT\$5,683,776,490	Jing Shou Shang No. 10101028630, February 20, 2012
05/2015	10	6 billion	60 billion	5.24 billion	52.4 billion	Corporate debt for equity swap NT\$491,665,650	Jing Shou Shang No. 10401079310, May 7, 2015
05/2015	10	6 billion	60 billion	5.37 billion	53.7 billion	Corporate debt for equity swap NT\$1,208,413,350	Jing Shou Shang No. 10401096840, May 28, 2015
09/2015	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap NT\$1,000,652,560	Jing Shou Shang No. 10401186200, September 17, 2015
12/2015	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap NT\$8,169,930	Jing Shou Shang No. 10401250360, December 8, 2015
12/2017	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap, NT\$945,010	Jing Shou Shang No. 10601158980, December 4, 2017
12/2018	10	6 billion	60 billion	5.42 billion	54.2 billion	Treasury Stock Retired NT\$500,000,000	Jing Shou Shang No. 10701157330, December 18, 2018
05/2019	10	7 billion	70 billion	5.42 billion	54.2 billion	Adjustment of authorized capital in accordance with the Articles of Incorporation	Jing Shou Shang No. 10801043180, May 8, 2019
06/2021	10	7 billion	70 billion	5.42 billion	54.2 billion	Corporate debt for equity swap NT\$79,360	Jing Shou Shang No. 11001092210, June 25, 2021
09/2021	10	7 billion	70 billion	5.67 billion	56.7 billion	Corporate debt for equity swap NT\$2,503,251,740	Jing Shou Shang No. 11001152850, September 24, 2021
12/2021	10	7 billion	70 billion	5.74 billion	57.4 billion	Corporate debt for equity swap NT\$691,666,080	Jing Shou Shang No. 11001214770, December 8, 2021

Note: The Company didn't use properties other than cash to return share prices nor did it issue any special shares.

B. Type of Stock:

Mar. 28, 2022 Unit: thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock Inscribed	5,993,543	1,006,457	7,000,000	Listed Stocks

Note: The number of outstanding shares were a total of 5,993,542,732 shares (including common shares 5,740,484,368, and 253,058,364 shares which haven't received the approval of MOE).

4.1.2 Status of Shareholders

Mar. 28, 2022 Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury Stock	Total
Number of Shareholders	3	40	420	865	323,908	0	325,236
Shareholding	519,906,510	104,024,735	2,244,803,912	684,458,226	2,440,349,349	0	5,993,542,732
Percentage	8.67%	1.74%	37.45%	11.42%	40.72%	0.00%	100.00%

4.1.3 Shareholding Distribution Status

Mar. 28, 2022 Unit: shares

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1-999	42,773	12,199,489	0.20%
1,000-5,000	211,280	461,632,310	7.70%
5,001-10,000	36,399	298,958,334	4.99%
10,001-15,000	10,314	134,041,694	2.24%
15,001-20,000	7,924	149,811,770	2.50%
20,001-30,000	5,965	156,460,276	2.61%
30,001-40,000	2,914	106,286,908	1.77%
40,001-50,000	2,026	96,156,717	1.60%
50,001-100,000	3,254	240,647,477	4.02%
100,001-200,000	1,272	183,583,376	3.06%
200,001-400,000	517	148,283,612	2.47%
400,001-600,000	210	104,444,939	1.74%
600,001-800,000	79	55,722,764	0.93%
800,001-1,000,000	60	55,049,795	0.92%
1,000,001 or over	249	3,790,263,271	63.25%
Total	325,236	5,993,542,732	100.00%

4.1.4 List of Major Shareholders

MAR 28, 2022 Unit: shares

Shareholder's Name	Shareholding	Shares	Percentage
China Aviation Development Foundation		1,867,341,935	31.16%
National Development Fund of The Executive Yuan		519,750,519	8.67%
New Labor Pension Fund		96,911,000	1.62%
Zheng, Ya-Pin		57,599,000	0.96%
Chen, Zu-Yuan		48,527,000	0.81%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International		37,721,146	0.63%
China Airlines Ltd. Employee Stock Ownership Trust Plan		37,096,037	0.62%
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		34,894,442	0.58%
UBS Europe SE		33,004,459	0.55%
Japan Securities Finance Co., Ltd.		30,863,000	0.51%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Thousand shares; NT\$

Items		Year	2020 (Distributed in 2021) (Note 10)	2021 (Distributed in 2022) (Note 11)	2022 (As of MAR 28) (Note 9)
Market Price per Share (Note 1)	Highest Market Price		13.15	31.15	31.70
	Lowest Market Price		5.50	9.97	22.80
	Average Market Price		9.46	20.44	27.77
Net Worth per Share (Note 2)	Before Distribution		10.62	12.47	-
	After Distribution		10.62	12.47	-
Earnings per Share	Weighted Average Shares		5,418,776	5,615,684	-
	Diluted Earnings Per Share (Note 3)		0.03	1.67	-
Dividends per Share (Note 8)	Cash Dividends		-	0.83636529	-
	Stock Dividends	Dividends from Related Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		284.33	10.72	-
	Price / Dividend Ratio (Note 6)		NA	21.4	-
	Cash Dividend Yield Rate (Note 7)		NA	4.67%	-

* If shares are distributed in connection to a capital increase out of earnings or capital reserve, further disclosed information on market prices and cash dividends will be retroactively adjusted based on the number of shares after distribution.

Note 1: Annual Average Market Price = Annual Turnover Value/Trading Volume.

Note 2: It is based both on the number of issued shares at the end of the year and on the distribution decided on at the Shareholders' Meeting in the following year.

Note 3: For those requiring retroactive adjustment due to stock grants, both the pre-and post-adjustment EPS should be listed.

Note 4: When issuing equity securities, provisions may be made to accumulate undistributed dividends for the year and to postpone distribution until a year when profit is made. The dividends accumulated over the period ending in the year of distribution should be disclosed.

Note 5: P/E Ratio = Average market price of a share in the current year/EPS.

Note 6: P/D Ratio = Average market price of a share in the current year/cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/average market price of a share in the current year.

Note 8: In accordance with Taiwan Stock Exchange regulations, treasury share effects have already been considered.

Note 9: Net worth per share and EPS are calculated based on the financial statement for the most recent quarter of which has been verified by an accountant. All other fields are based on the data of the current year until the publication date of the annual report.

Note 10: The Company does not have distributable earnings for 2020. It has been decided by the 15th meeting of the 21st Board of Directors on March 18, 2020 that the Company will not pay dividends for 2020.

Note 11: 2020 surplus allocation plan resolution passed at the 4th meeting of the 22nd Board of Directors on March 15, 2022, and it will be sent to the 2022 shareholders' meeting for recognition.

Note 12: The Company's 2021 final daily closing price was NT\$27.55.

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy

The CAL Articles of Incorporation outlines the following dividend policy:

If the Company makes a profit over the year, an amount of no less than 3% of the profit must be distributed as employee compensation. If the Company has accumulated losses, funds must be retained to offset the deficit.

The aforementioned employee compensation is primarily dispersed as stock or cash and the resolution must be approved at a meeting of the Board of Directors with two-thirds of directors in attendance which must receive support from half of participating members.

Should the Company make a profit over the year, said profit must first be used to pay all taxes and offset accumulated losses. Then, 10% of the remaining amount is to be set aside as a legal reserve. After setting aside or reversing a special reserve, any remaining amount along with accumulated undistributed earnings shall be distributed as shareholder dividends and bonuses according to the consensus drawn up by the Board:

- (1) Not less than 50% of the amount shall be distributed as shareholder dividends and bonuses. After pretax profits are deducted as outlined above, should the amount left not be sufficient for distribution, the difference will be made up by accumulated undistributed profit.
- (2) In the event of a yearly loss, depending on the financial, operation, and management considerations, all or part of the legal reserve may be distributed as new stock or cash as prescribed by law and competent authority regulations.
- (3) Dividends and bonuses are distributed as stock or cash with cash dividends making up no less than 30% of the total distributable dividends.

B. Proposed distribution of dividend

The Company's surplus allocation plan resolution has passed at the 4th meeting of the 22nd Board of Directors on March 15, 2021, and it will be sent to the 2022 shareholders' meeting for recognition.

C. No significant change in expected future dividend policy.

4.1.7 Impact of Stock Dividends Issuance on Company's Business Performance and Earnings per Share: Not Applicable.

4.1.8 Employees' Compensation and Directors' Remuneration

A. Articles of Incorporation regulations: See 4.1.6 Dividend Policy and implementation status.

B. The basis for estimating the amount of employee compensation and director bonuses, the basis for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure

As stipulated in the Company's Articles of Incorporation, it will not pay remuneration to the directors. If there is a significant change in the estimated amount of compensation to employees as resolved by the board of directors prior to the date of approval of the annual financial statements, the change is adjusted to the annual expense. If there is still a change in the amount after the date of approval of the annual financial statements, the change is treated as a change in accounting estimate and recorded in the following year.

C. Board approval of employee compensation and director bonus proposal

(1) In terms of the distribution on the amount of employee bonuses (including stock and cash) and director bonuses distributed, if the actual amount distributed differs from the original estimated amount, the difference, reason, and how this was handled is to be disclosed:

In the resolution of the Board of Directors' Meeting on March 15, 2022, the Company resolved to pay employees' compensation in cash in the amount of NT\$366 million for the year 2021. As stipulated in the Company's Articles of Incorporation, it will not pay remuneration to the directors. If there is any difference between the above estimated amount and the actual amount to be paid, the difference is treated as a change in accounting estimate and adjusted in the next year.

(2) The amount of any proposed distribution of employee stock bonuses and the size of such an amount as a percentage of the sum of the net income for the current period and total employee bonuses: Not Applicable.

D. The actual employee compensation and director bonuses distributed for the previous year (2020) (including the number of shares distributed, value, and stock price). Should there be a discrepancy with the proposed amount of employee compensation and director bonuses, the difference, reason, and how this was handled, it should be stated

(1) Employee compensation: None.

(2) Director bonuses: Not Applicable.

4.1.9 Buyback of Treasury Stock: None.

4.2 Bonds

4.2.1 Corporate Bonds

Mar. 28, 2022

Corporate Bond Type		Domestic Unsecured Straight Bond (2017/1)	Domestic Unsecured Straight Bond (2017/2)	Domestic Unsecured Ordinary Corporate Bonds (2018/1)
Issue date		05/19/2017	10/12/2017	11/30/2018
Denomination		NT\$1,000,000	NT\$1,000,000	NT\$1,000,000 per unit
Issuing and transaction location		Republic of China	Republic of China	Republic of China
Issue price		Par	Par	Par
Total price		NT\$2,350,000,000	NT\$3,500,000,000	NT\$4,500,000,000
Coupon rate		Tranche A: 1.20% per annum; Tranche B: 1.75% per annum	Tranche A: 1.14% per annum; Tranche B: 1.45% per annum	Tranche A: 1.32% per annum; Tranche B: 1.45% per annum
Tenor		Tranche A: 3 years (May 19, 2017 to May 19, 2020); Tranche B: 7 years (May 19, 2017 to May 19, 2024)	Tranche A: 3 years (October 12, 2017 to October 12, 2020); Tranche B: 5 years (October 12, 2017 to October 12, 2022)	Tranche A: 5 years (November 30, 2018, to November 30, 2023); Tranche B: 7 years (November 30, 2018, to November 30, 2025)
Guarantee agency		Not applicable	Not applicable	Not applicable
Consignee		Huanan Commercial Bank	Huanan Commercial Bank	Huanan Commercial Bank
Underwriting institution		Masterlink Securities Ltd.	Fubon Integrated Securities Ltd.	Fubon Integrated Securities Ltd.
Certified lawyer		Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law
CPA		Yang, Chen-Hsiu (Deloitte & Touche)	Yang, Chen-Hsiu (Deloitte & Touche)	Yang, Cheng-Hsiu (Deloitte & Touche)
Repayment method		One-time repayment of capital upon maturity.	Tranche A: one-time payment upon maturity; Tranche B: return of 50% of capital on the fourth and fifth year from the starting date, respectively.	Tranche A: Repayment of 50% of the principal at the end of the fourth year and the remaining 50% at the end of the fifth year; Tranche B: Repayment of 50% of the principal at the end of the sixth year and the remaining 50% at the end of the seventh year
Outstanding principal		NT\$1,000,000,000	NT\$1,300,000,000	NT\$4,500,000,000
Terms of redemption or advance repayment		None	None	None
Restrictive clause		None	None	None
Name of the credit rating agency, rating date, and rating of corporate bonds		None	None	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities	Not applicable	Not applicable	Not applicable
	Issuance and conversion (exchange or subscription) method			
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Not applicable	Not applicable	Not applicable
Transfer agent		None	None	None

Mar. 28, 2022

Corporate Bond Type		Domestic Unsecured Ordinary Corporate Bonds (2019-1)	The Seventh Issuance of Domestic Unsecured Convertible Corporate Bonds
Issue date		06/21/2019	04/28/2021
Denomination		NT\$1,000,000 per unit	NT\$100,000 per unit
Issuing and transaction location		Republic of China	Republic of China
Issue price		Par	Issued at 100% of par value
Total price		NT\$3,500,000,000	NT\$450,000,000
Coupon rate		Tranche A: 1.10% per annum; Tranche B: 1.32% per annum	0.00% per annum
Tenor		Tranche A: 5 years (June 21, 2019 to June 21, 2024); Tranche B: 7 years (June 21, 2019 to June 21, 2026)	5 years (April 28, 2021 to April 28, 2026)
Guarantee agency		Not applicable	Not applicable
Consignee		Taishin International Bank	ChinaTrust Commercial Bank Trust Department
Underwriting institution		Fubon Integrated Securities Ltd.	Taishin Integrated Securities Ltd.
Certified lawyer		Ture Honesty International Law Office Kuo, Hui-Chi, Attorney at Law	Handsome Attorney-at-Law Chiu, Ya-Wen, Attorney at Law
CPA		Huang, Jui-chan (Deloitte & Touche)	Not applicable
Repayment method		Tranche A: Repayment of 50% of the principal at the end of the fourth year and the remaining 50% at the end of the fifth year; Tranche B: Repayment of 50% of the principal at the end of the sixth year and the remaining 50% at the end of the seventh year	According to the offering of Domestic Unsecured 7th convertible bond section 6
Outstanding principal		NT\$3,500,000,000	NT\$2,668,700,000
Terms of redemption or advance repayment		None	According to the offering of Domestic Unsecured 7th convertible bond section 18 and 19
Restrictive clause		None	None
Name of the credit rating agency, rating date, and rating of corporate bonds		None	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities	Not applicable	NT\$1,831,300,000 converted
	Issuance and conversion (exchange or subscription) method		According to the offering of Domestic Unsecured 7th convertible bond section 8 and 9
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		Not applicable	(Note)
Transfer agent		None	None

Note: As of March 28, 2022, if the remaining domestic unsecured 7th convertible bonds are fully converted, the maximum dilution ratio will be 2.34%, but there is no significant change in the shareholding structure and the impact on shareholders' equity is not significant.

4.2.2 Corporate Bonds Undergoing Private Placement: None

4.2.3 Convertible Bonds

Unit: NT\$

Types of Corporate Bonds		Domestic Unsecured 6 th convertible bond	
Item	Year	2021	The current year until March 28, 2022
Convertible Bond Market Price	Highest	162.00	167.00
	Lowest	105.00	128.00
	Average	122.95	146.61
Conversion Price		19.00	19.00
Issuance date and conversion price at the time of issue		The convertible bonds were listed on the Taipei Exchange on April 28, 2021; the conversion price upon issuance was NT\$19.00.	
Conversion method		Issue new shares.	

4.2.4 Exchangeable Bond, Shelf Registration, Shelf Registration: None.

4.3 Other Securities-Related Issues

4.3.1 Preferred Shares: None.

4.3.2 Global Depository Receipts: None.

4.3.3 Employee Stock Options: None.

4.3.4 Employee Restricted Stock: None.

4.3.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.4 Financing Plans and Implementation

As of March 28, 2022, the use of funds earned through previously issued securities is progressing as planned and is in accordance with expected results.

Operational Highlights

5.1 Business Activities

5.2 Market and Sales Overview

5.3 Human Resources

5.4 Environmental Protection Expenditure

5.5 Labor Relations

5.6 Important Contracts

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

- (1) Civil air transport: Air passenger transport, regular and irregular contracts of international charter flights business, and training of civil aviation personnel.
- (2) General aviation: In-flight commodity sales.
- (3) Airport ground services: Ground services for civil international airports and transit aircraft.
- (4) Air cargo terminal entrepot: Air cargo transport services.
- (5) Aircraft and parts maintenance and manufacturing: Aircraft body maintenance.
- (6) Inflight catering services: Provision of in-flight catering or other related supplies.
- (7) Laundry, dyeing, printing and finishing, and wholesale and retail of dyeing mills and dyestuff cleaning supplies: Washing cloth and clothing inside the aircraft and general cleaning in the hospitality industry.
- (8) Warehouse and storage: Warehousing services for import, export, and entrepot air cargo.
- (9) Other: All business items that are not prohibited or restricted by law, except for those that are subject to special approval.

B. Revenue Distribution

Unit: NT\$ thousands

Item	Proportion of Overall Business	2021	
		Net Revenue	Proportion of Revenue
Passenger Revenue		6,063,776	4%
Cargo Revenue		124,541,265	90%
Other		8,236,362	6%
Total		138,841,403	100%

C. Main services

- (1) Passenger services: Air passenger transport and regularly scheduled and non-scheduled contract international charter flight services.
- (2) Cargo services: Transport services for cargo, courier, mail, and packages.
- (3) Ground services: Handling of luggage and cargo, aircraft cleaning, and on the ground support equipment.
- (4) In-flight sales: Provisioning of in-flight duty-free sales services.
- (5) Airline catering: Provisioning of meal services to airlines.
- (6) Warehousing and logistics services: Provisioning of airfreight forwarding and logistics services.
- (7) Aircraft maintenance services: Airframe, engine, and aircraft component maintenance.
- (8) Tourism and leisure services: General hotel industry and travel services.
- (9) Investment holding and leasing services: Engagement in real estate investment, building management, and leasing.
- (10) Civil aviation personnel training: Organizing maintenance training courses and developing professional maintenance personnel.

D. Product Development

(1) Cabin of the new A321neo fleet

The first A321neo was delivered in November 2021, featuring a 12-seat full flatbed business class and a spacious 168-seat economy class for a total of 180 seats. The A321neo is equipped with high-speed Internet access and the latest, industry-leading in-flight entertainment systems with 4K monitors and support for passengers' Bluetooth earphones. Besides, with smart control, all passengers can use their cell phones and Bluetooth earphones to connect to the in-flight entertainment system and enjoy the exciting world of audio and video without touching the screen.

The new oriental-themed cabin was designed jointly with a renowned design studio incorporating humanistic aesthetics. Cabin equipment highlights our competitive advantage and strengthens brand differentiation to build a deeper emotional connection with passengers. Moreover, fleet renewal and network refinement foster operational advantages and profit opportunities.

(2) 738 in-flight entertainment system upgrades on regional routes

Starting 2020, the Company has been working on optimizing the in-flight entertainment system of the 738 fleet with the Wireless Entertainment System, allowing in-flight entertainment on mobile devices. This will improve cabin service and reduce the difference in-cabin entertainment. We have therefore gained competitiveness with improved cabin services and narrowed differences in in-flight entertainment. Passengers can safely enjoy the flight in the post-pandemic world as opportunities to touch the equipment are lessened. The platform was completed at the end of 2021 and is expected to be officially launched in the second quarter of 2022.

(3) Travel Information Optimization

Air travel was continuously affected by COVID-19 in 2021. The CAL website focused on pandemic information and maintaining customer relations to better serve passengers. Pandemic information and services were integrated on a single platform, providing passengers with immigration information, PCR testing hospitals, quarantine hotels, quarantine taxis, and other information. As to customer relations, notifications were optimized for pre-departure information and incomplete ticket purchases. Regarding online payment, the website now uses 3D Secure 2.0 from 1.0 in compliance with EU regulations to comprehensively secure the transaction between consumers and sellers.

(4) Digitized and diversified customer service

The customer Relationship Management (CRM) project put passengers' travel experience in mind, and offers pleasurable digitized services. We reviewed each step from tickets, preparation, and checking in, to landing and built comprehensive, digitized, and passenger-oriented services. The services include travel information on the mobile app, friendly airport and in-flight services, and swift support in the event of a flight change. To protect membership rights during the pandemic, CAL continued extending the validity of Dynasty mileage, cabin upgrades, international flight tickets, as well as domestic flight tickets. Additionally, to increase mileage value and applicability, our annual focus was to expand mileage redemption venues, including two-way redemption and collaboration with convenience stores and the hospitality industry, and diversify the variety of low-mileage awards. The Company also improved user experience in terms of membership. Now customers can sign up for membership in 1 minute on our website and A321neos. We integrated cross-platform marketing messaging in 2021 to interact with members, corporate members, and non-members effectively while complying with privacy regulations.

5.1.2 Industry Overview

A. State of the industry and future development

(1) Economic growth

In January 2022, IHS Markit announced a forecast for global economic growth of 5.6% in 2021. The ongoing changes in the global pandemic have triggered a multifaceted transformation process, including the pandemic turning to be influenza, a shift to tighter fiscal and monetary policies, and energy transitions, which are expected to slow economic growth by 4.1% in 2022 based on the announcement in February. In 2021, the progress of recovery in developed economies and developing economies/emerging markets have been affected by the vaccine coverage rate and government policies around the world. In particular, in the Asia Pacific region, many developing economies/emerging markets are way behind Europe and the U.S. in terms of economic recovery due to low vaccine coverage and governments' strict border control measures.

Taiwan's pandemic condition has been stable in the past two years, coupled with the rebound in demand, strong export momentum, recovery in domestic consumer demand, and the industry's investment in Taiwan, etc.; according to the statistics from the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan, the 2021 economic growth rate is 6.45%, which is expected to hit a new high in 11 years. Taiwan's economy will continue to grow in 2022, with domestic and foreign institutions estimating the economic growth rate to be between 3.00% and 4.42% in 2022.

(2) Oil prices

The economic recovery in 2021 will boost demand for crude oil, but the lack of capacity in major oil-producing countries will continue to lead to higher oil prices, although it fell briefly at the end of the year after the discovery of the Omicron variant in South Africa. Overall, in 2022, the existing production capacity of oil-producing countries can no longer cope with the growing demand after the pandemic, and stocks will continue to decline, coupled with the Russia and Ukraine war. The U.S. Energy Information Administration (EIA) estimates in its February 2022 Short-Term Energy Outlook report that the average price of Brent crude oil in 2022 will be approximately \$105.22 per barrel, a significant increase from the average price of \$70.89 per barrel in 2021. The future measures of central banks in each country to cope with inflation will also cause certain volatility to economic growth and oil prices.

(3) Air passenger market

According to IATA, with high vaccine coverage, the global air passenger demand slightly increased in 2021 compared to 2020, with global passenger RPKs reaching 41.6% of 2019 levels in 2021 (compared to 34.2% in 2020). The pace of recovery was different across global regions. Airlines with large domestic and regional short-haul routes improve faster; such as the Airlines in North America have been benefiting from a strong rebound in traffic in the U.S. domestic and North and Central American markets. In terms of the Airlines in the Middle East, which rely on long-haul international connections, or in the Asia Pacific, where travel restrictions are stringent, had a slow recovery relatively. Overall, global international traffic was

sluggish, and although some regions began to improve in June as markets reopened. The international RPKs in 2021 were down 75.5% from 2019, while the RPKs in December has reached 41.6% of 2019 levels, benefiting from the demand for visits to friends and family. The available seat kilometer (ASKs) reached 49.3% of the same period in 2019 (47.5% in November and 43.9% in October) as airlines continue to restore capacity to meet the recovering passenger demand.

(4) Air cargo market

The year 2021 had been a booming year for air cargo, with demand for international air cargo on the Middle East-North America, Asia-Africa, and Asia-North America routes growing strongly by 29-39% compared to 2019, although the demand in some regions declined due to lack of capacity (e.g., South America). According to the IATA report, the freight revenue ton kilometers (FRTKs) increased by 18.7% in 2021 compared to 2019, which is the second-best annual performance since statistics began in 1990 (only lower than 2010), and the international air cargo volumes increased by 7.4% compared to 2019. In the Asia-Pacific region, owing to the strong demand in the manufacturing industry, the international air cargo volumes increased by 3.6% in 2021 compared to 2019. The global air cargo capacity decreased by 10.9% in 2021 compared to 2019, but increase by 13.8% compared to 2020; Asia-Pacific airlines continued to face capacity shortages, seeing a 17.1% decrease in capacity in 2021 compared to 2019. The imbalance between supply and demand still remains unresolved.

B. Relationship between upstream, midstream, and downstream firms

The air transport service industry primarily provides transportation for passengers and cargo. These operations rely on the support and assistance of upstream, midstream, and downstream industries that enable CAL to provide comprehensive services and meet customers' needs.

(1)Upstream industries

Primarily for the manufacturing of aircraft, aircraft engine, and handling on the ground equipment, such as towing vehicles, loading vehicles, and equipment needed on the apron. Currently, in addition to purchasing aircraft, Taiwanese airlines also utilize leasing to add to their fleets, therefore, the aircraft leasing industry is also an upstream industry for air transport providers.

(2)Midstream industries

Primarily for airlines themselves and related supporting industries, such as the oil industry that provides aviation fuel, the aircraft maintenance industry that repairs and maintains airlines' aircraft and components, and the airline catering industry that provides in-flight meals. In response to the changing needs of downstream industries, the air transport industry's strategic adjustments in their operating scale, fleets, or flight networks will also affect the development of upstream industries.

(3)Downstream industries

In passenger transport, the air transport industry primarily serves the public and travel agencies while cargo transport services are provided to the courier and freight forwarding industries. As a member of the air transport industry, the needs of downstream customers are at the core of the CAL's product and services planning. The mission is to provide safe, convenient, and thorough services.

C. Product development trends

(1)Aviation alliance cooperation

With the liberalization of the air-transport market, airports have become increasingly congested. Because resources are becoming limited, airlines provide passenger transportation services as part of alliance teams, with such mechanisms as code-sharing, extended route-agency systems, and combined mileage accumulation frequent flyer programs. Aviation alliance collaborations also include operating in the same terminal at major airports, sharing maintenance facilities and operating equipment, mutual support of personnel, and cooperation in ground handling and inflight catering to reduce costs. This also helps passengers purchase flight tickets at a lower price. As long as passengers fly with alliance airlines, they can earn flight miles. Flight schedules provided by the alliance are more flexible with fewer transits, making it easier for passengers to reach their destination early. At present, there are three major alliances in the aviation industry, namely, SkyTeam, Star Alliance, and One World. The Company is currently one of the 19 member airlines of the SkyTeam. Through extensive global network collaboration, CAL provides transportation services in 175 countries and to 1,150 destinations.

(2)Joint Venture (JV)

For a closer strategic alliance relationship, airlines further share their route network with business partners, share joint marketing, and bear risks together to earn more revenue and route profit. Joint ventures share revenue on cooperative routes, sometimes, including cost sharing. The economies of scale, aviation network revenue, cost reduction, and management efficiency improvements generated through cooperation can effectively improve operational efficiency, surpassing the benefits of alliance association. For example, United Airlines (UA) and All Nippon Airways (ANA / NH) have launched joint ventures since 2012. Passengers can take ANA from Taipei via Tokyo Narita or from Songshan via Tokyo Haneda to gateway cities in the United States or choose United Airlines' daily Taipei - San Francisco direct flights and transfer to major cities in the United States. Under the JV fare structure, due to the unified fare for the same cabin class and greater flight interoperability, the sales process is simpler.

(3)Grasping logistics trends and expanding business territory

During the pandemic, the demand for special cargo continued to rise, such as semiconductor precision machinery, engine components, information and communication technology products, machinery and equipment, and automobiles, as well as vaccines and biotech medicine that require low-temperature cold chain logistics services. However, the grounding of passenger aircraft has led to a reduction in cargo capacity, and airlines are often converting idle passenger aircraft into cargo aircraft in the hope of meeting the demand for cargo driven by the pandemic and compensating for the loss in revenue due to grounding or flight reduction. Though, there are still many restrictions on passenger aircraft carrying cargo in the civil aviation regulations in terms of cargo size and type. As the fifth largest air cargo airlines in the world, with a large fleet of 21 all-cargo aircraft, the industry-leading loading capacity and efficiency, and the advantage of being the first national airline to receive the IATA CEIV Pharma certification, China Airlines provides professional air cargo services and continues to keep abreast of the latest logistics trends and potential markets to develop cargo sources and expand its operations.

(4) Taoyuan International Airport expansion to become the transit hub in East Asia

In recent years, the government has been transforming the Taoyuan Airport as a transit hub in East Asia. Effort has been made not only in software upgrade and freedoms of the air expansion, but also in facilities. In 2010 and 2011, Taiwan Taoyuan International Airport Park Overview Plan and Taiwan Taoyuan International Airport Park Implementation Plan were made to implement the reconstruction of Terminal 1, airside service roads, Terminal 3 satellite terminal, and the third runway, etc. The Company also responded to the government policy by gradually expanding its fleet capacity to build a transit hub in East Asia.

(5) Digital transformation in the aviation industry to rebuild traveler confidence

The pandemic has accelerated the progress of digitalization in the aviation industry, and has also significantly changed the airport service landscape and passenger experience, such as self-service and biometric identification at the airport, or services through in-flight Wi-Fi to strengthen passenger confidence and reduce the risk of infection with zero contact services for pandemic prevention. Taoyuan Airport is committed to promoting a smart airport by introducing the "One ID" concept promoted IATA, which uses biometric technology to speed up the passenger check-in process and will be implemented on a trial basis by the end of 2021, to improve airport operational efficiency. In addition to launching the "One ID Face Recognition System" in Taoyuan Airport, China Airlines is also planning biometric self-check-in services at airports around the world. Moreover, China Airlines has participated in the trial of electronic health certification platforms such as Affinidi and IATA Travel Pass in 2021, and gradually expanded digital health certification on all flights, and actively engaged with other international digital certification platforms to optimize digital services for pandemic prevention. Meanwhile, China Airlines also cooperates with the government's "Digital COVID-19 Certificate Platform" to verify passengers' records of vaccinations and PCR screenings, providing passengers with a safe and convenient travel experience.

D. Product competitiveness

China Airlines mainly provides regular/irregular flights that carry cargoes and passengers as well as charter flight services. The Company will continue to optimize the aviation network and fleet scale to enhance the overall service quality, maintaining its solid role as a leading carrier in Taiwan. According to the IATA's 2019 international passenger and cargo transport volume rankings published in 2020, the Company ranked 34th in the world, with a passenger transport volume of 42.1 million Revenue Passenger Kilometers (RPK). In cargo transport, the Company ranked 12th in the world with a cargo transport volume of 5.3 million Freight Revenue Ton Kilometers (FRTK).

Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo in 2021

Airline	Passenger	Cargo
China Airlines	15.32%	42.11%
EVA Air	31.95%	26.61%
Mandarin Airlines	1.88%	0.27%
UNI Air	1.34%	0.19%
Tigerair Taiwan	0.15%	0.00%
STARLUX Airlines	4.13%	0.17%
Other-Foreign Carriers	45.23%	30.65%

Source: Civil Aeronautics Administration Monthly Statistics from January to December 2021 - Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo

IATA Global International Route Passenger and Cargo Rankings 2020

Passenger (Passenger-Kilometers) Ranking Unit: million			Cargo (Ton-Kilometer) Ranking Unit: million		
1	Emirates	78,746	1	Qatar Airways	13,740
2	Ryanair	64,928	2	Federal Express	10,266
3	Qatar Airways	57,171	3	Emirates	9,569
4	Air France	45,619	4	Cathay Pacific Airways	8,137
5	Turkish Airlines	42,973	5	Korean Air	8,091
6	United Airlines	39,469	6	Cargolux	7,345
7	British Airways	37,852	7	United Parcel Service	7,017
8	Lufthansa	36,107	8	Turkish Airlines	6,958
9	KLM	33,873	9	China Airlines	6,317
10	Delta Air Lines	32,086	10	China Southern Airlines	5,595

Passenger (Passenger-Kilometers) Ranking Unit: million			Cargo (Ton-Kilometer) Ranking Unit: million		
11	American Airlines	29,267	11	Air China	5,283
12	easyJet	28,564	12	AeroLogic	4,870
13	Wizzair	26,772	13	Lufthansa	4,827
14	Singapore Airlines	21,906	14	AirBridgeCargo Airlines	4,609
15	Air Canada	20,016	15	Atlas Air	4,374
16	Etihad Airways	19,747	16	Kalitta Air	4,221
17	Cathay Pacific Airways	18,371	17	Singapore Airlines	4,156
18	LATAM	17,349	18	EVA Air	3,888
19	Korean Air	17,316	19	Asiana Airlines	3,586
20	Ethiopian Airlines	16,001	20	Polar Air Cargo	3,438
21	Aeroflot Russian Airlines	15,492	21	Ethiopian Airlines	3,393
22	Saudi Arabian Airlines	14,328	22	United Airlines	3,263
23	Iberia	14,165	23	KLM	3,025
24	Thai Airways International	13,346	24	All Nippon Airways	2,890
25	Air India	12,638	25	Silk Way West Airlines	2,876
26	Qantas Airways	12,531	26	Etihad Airways	2,722
27	Norwegian	11,857	27	Air France	2,633
28	All Nippon Airways	11,857	28	Southern Air	2,630
29	TAP Portugal	11,215	29	LATAM	2,622
30	Air China	10,730	30	British Airways	2,578
31	EVA Air	10,696	31	Nippon Cargo Airlines	2,577
32	China Southern Airlines	10,177	32	China Cargo Airlines	2,471
33	Philippine Airlines	10,051	33	Japan Airlines	2,067
34	China Eastern Airlines	9,918	34	American Airlines	1,718
35	SWISS	9,757	35	Saudi Arabian Airlines	1,648
36	Japan Airlines	9,539	36	Air Canada	1,444
37	Transavia	9,482	37	China Eastern Airlines	1,422
38	Asiana Airlines	9,268	38	Virgin Atlantic Airways	1,414
39	Copa Airlines	8,828	39	Avianca	1,226
40	Aeromexico	8,627	40	ASL Airlines Belgium	1,201
41	Avianca	8,514	41	Martinair	1,160
42	Air New Zealand	8,209	42	Qantas Airways	1,113
43	Pegasus Airlines	8,201	43	Delta Air Lines	1,067
44	Eurowings	8,192	44	European Air Transport	935
45	Virgin Atlantic Airways	8,141	45	SWISS	906
46	China Airlines	7,924	46	Cargolux Italia	846

Source: IATA WATS 2021

E. Intellectual property

The Company has internal regulations governing the management of a corporate identity system and has a brand-management platform for control and management. The scope includes the Company's office buildings and airport terminals (indoor and external signboards, marks and signs, etc.), transportation, advertisements, printing matters, inflight and ground service supplies, logos, products, other installations, publishing, and broadcasting with the application of corporate identity covered by the Corporate Identity System Guideline (hereinafter referred to as the "CIS Guideline"). By managing the Company's corporate identity, application, and authorization of corporate logos (i.e., trademarks), and through reviewing the plan, CAL maintains the consistency of corporate identity exposure, unifies the Company's visual identity, and strengthens the Company's corporate image. According to the corporate identity and enterprises in units in Taiwan and abroad, the Company will discuss and report the implementation method every two years and notify the units to be audited by e-mail or memo. The units that have to be audited need to be uploaded as audit samples on the brand- management platform to the concerned unit for review (or for an on-site audit) to protect the Company's trademark rights under the protection of law.

5.1.3 Research and Development (R&D)

A. Costs of R&D investment and successfully developed technologies or products

From January 1, 2021, the Company has invested approximately NT\$70.34 million in research and development. The following table summarizes the technologies and products developed:

Project	R&D Project Description
e-Shopping	The "e-Shopping Duty-free Website" has been in use since the first project revision in 2013, it will continuously observe the development trend of the industry's online shopping platform to optimize the website's functions. To uphold the Company's service spirit through continuous innovation and optimization while keeping up with today's trend of smart technology, plans to revise and optimize the website will be implemented. This will provide a novel shopping experience that will in turn increase sales. The first phase has completed in March 2021 and the second phase (full project) will be completed in March 2022.
iCabin Service 2.0, iCS 2.0	The cabin team leader/manager/head attendant can obtain information about passengers/flights/team members right away through mobile devices. They can write up cabin reports with flexibility. In addition, the cabin manuals will be made available electronically for team members to access the latest version at any time to enhance the quality of passenger service, and the system has been completed in April 2021.
New Attendance System	The Company has integrated multiple sets of internal attendance systems, strengthened the back-end management mechanism and front-end user interface, integrated the visual design of the website to provide a consistent visual experience across all platforms (e.g., mobile devices, desktop computers, etc.), optimized the system interface platform to enhance the convenience of information usage. The new system also has more stability for multiple users, and the system has been completed in April 2021.
Maintenance Management System	To improve the efficiency of the maintenance of safety related cases, through a single platform and data visualization, the Company has effectively sped up the processing of maintenance expiration cases, improved maintenance safety management operations, and achieve maintenance safety management goals. The system has been completed in June 2021.
Aircraft Rental and Return Management Platform	This project streamlines the return and sale of aircraft by the China Airlines Group, and builds a rental and return document management platform that allows real-time control and review of reports, reducing labor for document consolidation and data inquiry to improve the operational efficiency of rental and return. The platform has been completed in July 2021.
Replacement of Core Optical Fiber Storage Network Switches	Through analysis, China Airlines adopted high-speed (32GB) Storage Area Network (SAN) and All Flash Storage devices to build a high-performance, high-reliability storage network. This reduced the downtime risks and improved the information efficiency of SAN. The replacement has been completed in August 2021.
Optimization of Team Member Scheduling System	The new version adopts mainstream browsers, reduces the resources of terminal equipment, and improves the response speed and smooth operation of the system. A total of 15 items of upstream and downstream peripheral system interfacing, system testing, and online conversion were completed to continuously improve the quality of the team member scheduling. The optimization has been completed in November 2021.
Ground Service Staff Evaluation System	The Company conducts evaluation, reward and punishment for the ground service staff of our airport operation unit, aggregates the calculations every period and reports the results to the human resources division to strengthen management and reduce the workflow of our staff. The system has been completed in November 2021.
CRM-Phase I	To establish the Company's consistent customer relationship service system and to expand business opportunities through data analysis in integrated systems. The primary goal is to serve passengers. We plan to consolidate data platforms such as membership, ticket files, reservations, in-flight duty-free products, and customer feedback. Through one single platform, data visualization and other operations, we can effectively accelerate customer service processing and improve service quality. Phase I has been completed in December 2021.
Mail System Integration	To keep the Company's email system up to date, China Airlines strengthens the system information security mechanism, enhances the compatibility of mobile devices, integrates the existing e-mail system, upgrades the platform by taking into account subsequent maintenance costs and technical support, so as to provide a safer and more stable email service and a high-quality office environment. The integration has been completed in December 2021.
Information System for the New A321neo Fleet	For the China Airlines' A321neo fleet introduction project, this project has completed 20 information systems and 68 management reports. The Company's first A321neo arrived in Taiwan and obtained the B-18101 airworthiness certificate. The system has been completed in December 2021.
Cabin Defects and Monitoring System	In order to improve cabin maintenance operations and to enhance the availability of seats, personal audio-visual systems, and other facilities, a cabin defect inspection and monitoring system was built to facilitate quick control of aircraft conditions and advance preparation of materials to improve aircraft maintenance efficiency and cabin service quality. The system has been completed in December 2021.
China Airlines App Optimization	In order to enhance the experience of mobile device users, the Company has been continuously optimizing the functions of the China Airlines App. The refined items include the addition of Wallet to the membership card, the addition of airport check-in counters and lounge information, seat selection, electronic health declaration, e-baggage exception reporting, and flight updates. These functions have been available from January to December 2021.

B. Future R&D projects

To meet future developmental needs, China Airlines will continue to invest in R&D. A total of NT\$190.92 million into R&D is being planned for investment. The following table summarizes the future projects:

Project	Future R&D Project Description	Estimated Completion Date
Log System for Operation Control	Through the application of new technologies and structures, strengthening the existing processes and optimizing the operation interface, the project plans to build a new version of the log system for operation control for the System Operation Control Div. with to edit of daily operation logs and a complete description of the event handling process by the management units online, to continuously improve the performance of the operation control. The system has been completed in February 2022.	February 2022 (Implementation progress was 100% as of the annual report printing date)
Catering Trolley Management System	This project utilizes the convenience and mobility of mobile app devices to accurately grasp the number and flow of catering trolleys through scanning, to effectively control the status of catering trolleys and the inventory of catering trolleys in real-time, and to provide the best configuration of catering trolleys in time to continuously improve the efficiency of catering trolley management operations, and the project is expected to be completed in April 2022.	April 2022 (Implementation progress was 90% as of the annual report printing date)
Quality Document Management System Optimization	Optimize the existing "Quality Document Management System", including back-end management functions and front-end user interface, as well as auditing the personnel information system, company organization system and e-document system, etc. The development of a new flexible "Quality Document Management System" can be flexibly adjusted to meet future needs to improve the user environment, strengthen the system stability for multiple compatible environments and browsers, and conform to the current system design and the Company's information strategy.	April 2022 (Implementation progress was 78% as of the annual report printing date)
CRM- Phase II (marketing enhancement and process improvement)	The second phase of the CRM project is to focus on "marketing enhancement" and "process improvement", extending from member to every passenger's service and product planning. The project includes the continuous expansion of Customer 360, the optimization of Marketing Cloud, the automation of customer journey notification and the automation of e-commerce travel marketing.	May 2022 (Implementation progress was 81% as of the annual report printing date)
Major Broadband Construction for Enhanced Online Service	According to the infrastructure plan for communication, China Airlines has replaced 10Gb internet routers in the park control room, floor control rooms, terminals, and cargo stations (60 routers in total. Speeds came to 10/40/100Gb) to enhance the online service.	June 2022 (The implementation progress was 67% as of the annual report printing date)
Promotion of Digital Authorized Release Certificate	China Airlines has been approved by CAA to use electronic documents and signatures to replace manual signatures for authorized release certificates. The project will be extended to the U.S. and European civil aviation authorities for reducing paper consumption, and continuing to improve environmental protection and sustainable operation. The project is expected to be completed by June 2022.	June 2022 (The implementation progress was 80% as of the annual report printing date)
Local Network and Protection Mechanism Establishment for Foreign Stations	Currently, all the PCs in the offices of foreign stations are connected to the Internet from the head office. However, the foreign stations in Europe and the U.S. are far away from the head office. It takes longer transmission time to access the Internet, which causes a slow response from the foreign stations in Europe and the U.S. to access local banks and other websites. Therefore, we intend to introduce a cloud information security service to access the Internet from the nearest nodes to improve the efficiency of Internet access.	July 2022 (The implementation progress was 85% as of the annual report printing date)
Customer Service System Improvement	To optimize the customer service process, existing interface, and data security mechanism, China Airlines strengthens the automatic and digital process. Financial and human resource systems are interlinked to get a full picture of customers' consumption patterns, enhancing service efficiency.	August 2022 (Implementation progress was 49% as of the annual report printing date)
Access Control System Upgrade Project	The Company's access control machines are being replaced to improve the speed of updating the staff list of the access control machines, to enhance access control and attendance evaluation, and to improve the overall performance of ground security.	October 2022 (The implementation progress was 10% as of the annual report printing date)
Big Data Platform Conversion Project	In order to properly maintain the Company's big data platform, we have carefully evaluated and started the conversion project in 2022 to transfer the data operations to other platforms for successive services, so as to save the overall data storage and operation maintenance cost, and to achieve the integrated system management and maintenance efficiency.	December 2022 (Implementation progress was 27% as of the annual report printing date)
Digital Health Passport Integration	In response to the Ministry of Health Services' plan to launch the digital health certificate for vaccines in 2021, a verification app will be built for airport operators to check the digital health certificates presented by passengers to verify the correctness of the digital health certificate information and to speed up the process of passenger check-in.	December 2022 (Implementation progress was 10% as of the annual report printing date)

ORACLE Database Upgrade Operations (Version 19C)	The main goal of this project is to upgrade the database version accordingly. In view of the fact that the main version (11) of ORACLE database has entered market driven support phase, we plan to complete the database version (19C) upgrade operation before the end of the original market driven support. A total of 15 important databases, including Exadata X7 and DR, are planned to be upgraded to version 19C by outsourced vendors.	December 2022 (Implementation progress was 59% as of the annual report printing date)
Server Room Refinement Project	The main objectives of this project are to replace old equipment in the server room, improve hardware, reduce hardware failure risk, and strengthen monitoring software information security capabilities. The implementation projects include the renewal of computer service desk TV walls, optimization of server room cabinets/electricity/network cables/raised floors, optimization of server KVM management mechanism, optimization of new generation monitoring mechanism, optimization of server room environmental control, and promotion of face recognition multi-factor access control system.	December 2022 (Implementation progress was 21% as of the annual report printing date)
New Cargo Operation and Management System	The system aims to improve the management of cargo revenue. By introducing an external cargo operation and management system, China Airlines replaced current systems, CCNet and CIRAS. It is expected that the implementation can support the cargo business in the next ten to twenty years to achieve an efficient revenue forecast and price management.	December 2023 (Implementation progress was 19% as of the annual report printing date)
Domestic Telephone Exchange Replacement	Domestic telephone exchanges have been replaced with AVAYA systems since 2005, and AVAYA systems are very stable. In order to effectively maintain and improve the stability of telephone systems, the replacement is necessary.	December 2024 (Implementation progress was 7.94% as of the annual report printing date)

5.1.4 Long-term and Short-term Development

To promote sustainable operations and strengthen international competitiveness, CAL has planned the following short- and long-term passenger and cargo transport developments:

A. Short-term Development

(1) Passenger

- Make short-term adjustments to ASK in response to the impact of the COVID-19 pandemic
In the middle of 2021, the tightening of border regulations in many countries on the prevention of COVID-19 pandemic have continued to have a huge impact on the overall airline and tourism industry. The Company will continue our “rolling-wave” management for managing our routes based on the market conditions and border restrictions in each country. The China Airlines Group will continue to review market demand trends, adjust ASK accordingly, and reduce operational costs to minimize losses.
- Strive for providing Charter flight services to increase revenue
During the pandemic, charter flights became an important source of revenue for the Company. In 2021, the Company undertook charter flights for the passengers to get back to Taiwan, such as Palau charter flights, round-trip flights for Taiwanese businessmen and foreign patients. In the post-pandemic era, the demand for air travel is still very low. The Company continues to strive for various special types of charter flights (for students, enterprises, and Taiwanese businessmen), such as special flights for the winter Olympics in Japan, in order to increase revenue.
- Open up new routes and explore market potential
In order to grasp the market opportunities, China Airlines Group expects to develop new routes after the pandemic is over. At the same time, the schedules of these flights are arranged alongside the existing North America aviation network so that passengers can be connected to flights going to Los Angeles, Ontario, San Francisco, Vancouver, New York, and vice versa. This way, more convenient and comfortable services are provided to passengers traveling between Southeast Asia and North America.

(2) Cargo

Actively utilize the Boeing 747-400F aircraft to provide differentiated services, supplemented by the Boeing 777F aircraft with significant fuel-saving benefits to build an aviation network for better revenue management; leverage the advantages of IATA's cold chain certification for medical products to secure business opportunities; continue to strive for medium and long-term charter flights and promote customized scheduled and unscheduled charter flights.

B. Long-term Development

(1) Passenger

- Roll out fleet plans.
In order to improve operational efficiency, in 2019, the Company finished its plans to replace the old cargo fleet and the old narrow-body fleet. Between 2021 and 2023, twenty-five new A321neo aircraft will be

introduced, which will gradually replace the narrow-body aircraft currently in operation. The new cabin design will enhance passenger service quality and strengthen product competitiveness.

- Efficient establishment of aviation networks and deepened inter-airline cooperation to increase revenue
CAL will utilize new-generation, long-haul aircraft, 777 and A350, to proactively maximize the benefits of its aviation network in California (North America) and to expand its customer base for long-haul flights. It will provide a more interconnected and convenient aviation network in Europe to secure China Airlines' leading position in the market of flights flying from Taiwan to Europe. Other expansions will be continued, covering bi-directional transfers in routes between New Zealand/Australia, Europe, and Northeast Asia to strengthen China Airlines' travel services. Furthermore, flight destinations will increase and expand to major cities and tourist destinations around the world through inter-airline cooperation. As a result, this may increase the overall earnings generated by the aviation network by increasing flight frequencies and interconnectivity.
- The optimization of cabin products and strengthened brand marketing to enhance passenger experience and increase loyalty.

China Airlines will continue to improve personnel services and cabin hardware while providing passengers with the best flight quality and pleasant in-flight services. Brand positioning and a marketing direction that is in line with the brand improvement plan will be established and based on the corporate philosophy, enhancing brand recognition of China Airlines. This will further ensure the consistency of passenger experience and strengthen brand loyalty passengers have for China Airlines' products.

(2) Cargo

- Enhance project-based revenue and e-commerce goods delivery
China Airlines will continue to improve revenue management. Regarding the different transportation needs of special cargo, such as time limit, volume, and special loading procedures, we will continue to enhance price differentiation and increase the added value of transportation services by utilizing the advantages of large cargo loading and professional services of our Boeing 747-400 all-cargo aircrafts. In addition, we will continue to promote the bidding mechanism for cargo space in order to increase unit revenue. With the Boeing 777 freighter's fuel-efficient and high-performance advantages, it will further enhance the cargo operations for creating more revenue.
- Airline alliance for cargo information exchange
Since its launch in Shenzhen in 2015, the Company has been working closely with UPS, DHL, FedEx, and SF Express on fixed seats of American chartered flights. In addition, the cooperation with NCA and NH has been continuing. China Airlines currently works with 165 cargo service companies by creating a win-win situation in airline alliances and aviation networks. In addition, China Airlines also promoted the digitalization of freight forwarding and the upgrade of the information system of freight operation/services, which are also key points of the Company's strategic development. Through the integration of various systems and the provision of real-time information of mobile devices, the Company not only improved the efficiency of internal operations, but also enhanced the quality and satisfaction of customer services.
- New cargo operation and management system
China Airlines will replace the existing cargo management system and introduce the industry's latest digital solutions based on SaaS architecture and API communication. The introduction of the new-generation digital system will significantly improve the efficiency of decision making, real-time information exchange and mobility, as well as enhance the overall customer experience and deepen our global brand leadership in cargo transportation. We also hire professional consultant from the International Air Transport Association (IATA) to assist us in selecting the most suitable future system vendor. The whole project is expected to confirm the system vendor and carry out system implementation in 2022, and the new system will be built and fully launched according to the schedule.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Main Sales (Service) Region

An overview of Company passengers/cargo (RPK/FRTK, REV) by region as well as passenger and cargo transport market share over the past two years:

(1) Passenger Routes

Area	Item	2020			2021	
		No. of Passengers	No. of Passengers	No. of Passengers	No. of Passengers	RPK (Million)
Trans-Pacific		235,264	2,499	4,601	29,137	310
Europe		122,553	1,157	2,615	8,406	78
South-East Asia		725,449	1,836	4,713	70,583	174
Domestic		1,729,624	397	2,688	1,114,817	254
Hong Kong/ Macau		243,329	194	944	9,442	7
North-East Asia		1,039,218	1,900	6,303	4,669	9
Oceania		149,571	906	1,948	4,342	32
Mainland China		247,045	208	1,892	48,545	32
Total		4,492,053	9,097	25,704	1,289,941	896

Note 1: Revenue passenger kilometers (RPK) is equal to the total number of revenue passengers multiplied by the flight distance traveled (kilometers).

Note 2: The above data includes scheduled flights, charter flights, and extra flights.

Note 3: The above data includes Mandarin Airlines and Tigerair Taiwan.

(2) Cargo Routes

Area	Item	2020		2021	
		FRTK (Million)	FRTK (Million)	FRTK (Million)	Revenue (NT\$ Million)
Trans-Pacific		4,182	47,940	5,109	77,673
Europe		603	7,085	706	9,941
South-East Asia		952	15,380	997	20,414
North-East Asia		221	4,121	261	6,029
Oceania		234	2,420	293	3,468
Mainland China		176	4,972	186	7,016
Total		6,368	81,918	7,552	124,541

Note 1: Freight revenue ton-kilometer (FRTK) is equal to the revenue cargo load (tons) multiplied by the flight distance traveled (kilometers).

Note 2: The above data includes scheduled flights, charter flights, and extra flights.

Note 3: The above data includes Mandarin Airlines and Tigerair Taiwan.

B. Market Share (%) of Major Product Categories in the Last Two Years

Airline	Year	Passengers		Cargo	
		2020	2021	2020	2021
China Airlines		25.01%	15.32%	42.86%	42.11%
EVA Air		26.31%	31.95%	26.56%	26.61%
Mandarin Airlines		1.44%	1.88%	0.26%	0.27%
UNI Air		1.10%	1.34%	0.21%	0.19%
Far Eastern Air Transport		3.94%	0.15%	0.01%	0.00%
Tigerair Taiwan		0.4%	4.13%	0.07%	0.17%
Other-Foreign Carriers		41.80%	45.23%	30.03%	30.65%

Source: Civil Aeronautics Administration Monthly Statistics from January to December, 2020 and 2021-Taiwan National Airlines International and Cross-Straits Market Share for Passengers and Cargo.

C. Market Analysis of Major Product Categories

(1) Passenger

After the most severe impact of the COVID-19 pandemic in 2020, the global passenger transportation has gradually recovered in 2021, but the Asia Pacific region is lagging behind the world due to border restrictions and low vaccination coverage. The volume and capacity of the passenger have negative growth. According to the data released by IATA, in 2022, as driven by the domestic demand and the continuous recovery of international markets, the revenue passenger kilometer (RPKs) will increase by 51.0% and the available seat kilometer (ASKs) will increase by 34.9% annually. In the Asia Pacific region, the annual growth rates for RPKs and ASKs are 53.9% and 39.0%, respectively. Compared to the data before the pandemic, RPKs have recovered to 40.3% of the 2019 level in 2021 and it is expected to recover to 60.8% in 2022. It is expected to fully recover to the level before the pandemic in 2024. As for the Asia Pacific region, it is expected to recover only 34.2% in 2021 and 52.7% in 2022 compared to 2019.

(2) Cargo

IATA estimates that due to the recovery in the economy and low inventory-to-sales ratio, the strong demand from the downstream manufacturers has driven FRTKs to surpass those before the pandemic (2019) by 7.9% and 13.2% in 2021 and 2022, respectively. The cargo business is seeing a positive outlook, and for many airlines, it will remain an important source of revenue in 2022. Air cargo demand will grow at an annual rate of 4.9% in 2022, while the global air cargo capacity will grow by 25.2% with the resumption of passenger flights. The higher capacity growth rate may ease the imbalance between supply and demand during the pandemic. However, freight rates are expected to decline and affect unit revenue, which is expected to decrease by 8% in 2022 compared to the 15.0% annual growth rate of unit revenue in 2021. The uncertainty and future changes in the supply chain of the industry, port congestion, inflation, and changes in consumer behavior may have a more profound impact on the air cargo business.

D. Competitive Niche

(1) The new-generation fleet to help enhance service quality

Even during the pandemic, the Company continues its existing fleet retirement plan to gradually replace Boeing 738s with new Airbus A321neo aircraft from the end of 2021, preparing for the aviation network development strategy and the post-pandemic recovery. In the future, the Company will continue to deploy regional routes in line with the recovery of passenger traffic in order to strengthen the competitiveness of regional routes. In terms of cabin design, the A321neo features a luxury business class, an inflight entertainment system with intelligent remote control, and high-speed wireless Internet to provide passengers with a comfortable and quality flight experience. The A321neo's design also reflects the Company's detail-oriented planning for the zero contact services and high standards in pandemic prevention.

(2) Highly-efficient cargo aircraft to be introduced

Three Boeing 777F freighters have completed the delivery as scheduled from December, 2020 to January, 2021, and the other three will be delivered by 2023. Another four 777Fs have been purchased in January 2022 and will be delivered in 2023 and 2024. The new 777F twin-engine all-cargo aircraft, with its fuel-saving and high-efficiency advantages, it will be the driving force of the Company's fleet in the post-pandemic era. With the existing 18 747-400 all-cargo aircraft, the Company will have a capacity of 21 freighters in 2021. As the demand for vaccine delivery and cargo becomes urgent, these freighters will generate more cargo revenue for the Company. The advantage of 777F freighter's twin-engine is that it can save approximately 20% in fuel consumption, and it is suitable for flying long-range trans-Pacific routes than the existing 747 freighter. With fewer payload restrictions, it is more space efficient. The main cargo compartment has been equipped with a pallet suppression system for semiconductor equipment and engines to prepare for the transportation of high value cargo such as precision equipment and high value temperature-controlled cargo goods

(3) CEIV pharma certification

China Airlines is the first CEIV-certified Taiwanese airline. With years of experience in temperature-controlled cargo transportation, a comprehensive passenger and cargo aviation network, and professional staff and agents, China Airlines has undertaken numerous missions to carry Taiwan's vaccines in 2021, and has successfully secured opportunities for transporting vaccines, playing a pivotal role in international vaccine distribution. As global cargo demand rises, the demand for cold chain logistics has doubled. The number of temperature-controlled containers carried by China Airlines from January to July 2021 has increased by 220% compared to the same period in 2020, and the demand will continue to rise.

E. Corporate Policies

(1) Corporate human rights policy

To enforce human rights, CAL has established human rights policies and management mechanisms in accordance with the UN Guiding Principles on Business and Human Rights, international trends, and local human rights-related laws & regulations. The scope of application covers the members of the China Airlines Group and their suppliers, and the Talent Value Task Force under the Company's Corporate Sustainability Committee is responsible for human rights management. China Airlines sees its employees as its family and aspires to communicate and reach a mutual understanding with the union through equal and respectful negotiation procedures. The goal is to create a more harmonious and friendly working environment based on a mutually beneficial situation for both labor and management. The Company and the union shall maintain an equal, cooperative, and respectful relationship. It is its core attitude to promote rational communication through open and transparent negotiations so that labor and management can reach consensus and achieve the common good. This allows two-way friendly communication on collective agreement issues to be possible. China Airlines believes that employees are the Company's most important assets. The Company gradually strengthens and optimizes the working conditions and environments of colleagues to ensure they have employment safety and room for growth. The Company will treat each union with empathy and communicate and negotiate with them on their individual needs. It will give priority to fair protection of the labor rights of every employee with the obligation to stay neutral according to the law, showing the unions consistent respect and providing them with equal resources.

(2) Sustainable supply chain management

The Company has a corporate vision of "becoming the top airline in Taiwan". As a company based in Taiwan and flying around the world, it is committed to pursuing the business goal of corporate sustainable

development. It is strongly felt that only by cooperating with business partners can corporate sustainable development and sustainable value be created and implemented. Therefore, the Company has been promoting sustainable supply-chain management since the beginning of 2014. Subsequently, it established a Joint Creation Value Team for important procurement categories, including “aviation materials, aviation fuel, in-flight meals, service procurement, and general business affairs”. It formulated both long-term sustainability goals based on the United Nations’ Sustainable Development Goals (SDGs) and the China Airlines’ Sustainable Supply Chain Management Policy Statement and Supplier Code of Conduct with reference to the Global Reporting Initiative (GRI), ISO 26000, United Nations Global Compact (UNGC), International Labour Organization (ILO), and other international standards. In addition, the Company has also implemented various measures, i.e., the development of a risk investigation mechanism, performing audit operations, organizing supplier meetings to enhance the effectiveness of engagement, and others. It has regularly reported the management outcomes to the Corporate Sustainability Committee for follow-up inspection on a quarterly basis.

(3) Environmental sustainability management

The Company believes in environmentally sustainable management and regards the environment as one of the key elements in the implementation of sustainable management. Since 2007, we have incorporated a conceptual foundation for environmental and energy management. In 2011, a dedicated environmental department and Environmental Committee were established. Every quarter, the president reviews the Company’s environmental and energy-management performance and sets incentive measures. In 2013, an environmental and energy policy statement was issued. The Company became the first domestic airline to establish a dedicated environmental organization with formulated policies. While pursuing business development, China Airlines recognizes the value and irreversibility of the global environment. The corporation’s responsibility and obligation for protecting natural resources and the environment is well understood. Based on this understanding, the Company established four environmental and energy-management concepts and six environmental and energy policies according to the codes of practice for “Sustainable Environment Development” in the China Airlines Corporate Social Responsibility and Sustainable Development Best Practice Principles of the Board of Directors. The Company also referred to the UN’s SDGs while devising instructional strategies to ensure that the business operation heads towards sustainable development, namely, environmental friendliness, low-carbon emissions, and energy conservation. In response to the international trend, China Airlines became the first and only airline in Taiwan to publicly sign and implement the TCFD initiative in 2018, actively implementing the TCFD operation into the Company’s management mechanism.

(4) Corporate social responsibility

CAL’s success today stands based on social support. Upholding a core philosophy of “giving back to society what we take from society”, social contributions made are aimed at creating love while fulfilling its corporate responsibility in Taiwan. As a leader in Taiwan’s aviation industry and a corporate citizen of Taiwan, the Company takes “continuous social value creation” as an important commitment for sustainable development. In 2021, the global aviation industry was severely impacted by COVID-19. China Airlines followed the pandemic prevention measures set out by the central government by reducing corporate interaction, educational sharing, and charity events. As the leading carrier in Taiwan, China Airlines is committed to social sustainable development and utilizes available resources. China Airlines sticks to three main social strategies: internationalize local education, enhance Taiwan’s visibility on the global stage, and promote equal opportunity for the disadvantaged, all of which implement SDG3, SDG4, and SDG8 of the United Nations. China Airlines hopes to enhance the education quality in Taiwan, strengthen Taiwan’s visibility in the world, assist disadvantaged groups in overcoming difficulties, and create a sustainable society.

(5) Enterprise risk management architecture and process

China Airlines is aware of the importance of risk management, and puts emphasis on the impacts it may bring. CAL’s risk management framework complies with the Enterprise Risk Management (ERM) model where a multi-level organizational approach is adopted to manage and control overall risks to CAL. The model emphasizes possible correlations between different risks to reduce their overall impacts and achieve corporate sustainability. China Airlines’ risk management is based on the materiality principle, which identifies traditional risks and mid- to long-term strategic risks. By following four main steps, identification, analysis, assessment, and control, China Airlines analyzes and assesses the impact of risk events on the Company. The Risk Committee and the Corporate Sustainability Committee were established to conduct regular follow-ups and revisions. For risk identification, the aviation industry has its industrial specialty. Considering the operating environment and daily operation, the impacts, severity, and areas of the risk events are different. If a single mechanism is used for monitoring, the results of risk control may be impacted. Therefore, China Airlines categorizes the risks in two levels: mid- to long-term strategic risks and traditional short-term risks, which are monitored under two different systems: operating strategy management and annual sales plan/operational risk management. China Airlines also developed a new risk identification process. New risks are identified through risk metrics. Regular revisions of risk are conducted to formulate countermeasures in order to lower the impacts of new risks on the aviation industry.

F. Favorable and Unfavorable Factors in the Long Term

(1) Favorable factors

- International air cargo continues to boom: The pandemic has accelerated the change in end-consumer lifestyle and work patterns, such as the stay-at-home economy driven by the lockdown, which has increased the demand for vaccines, e-commerce, sports and fitness, communication equipment, and semiconductors, etc. After the lifting of the lockdown, customer capacity has significantly increased in Europe and the U.S. The inventory replenishment prompted a rebound in demand for raw materials, machinery and equipment, and automobiles, driving a surge in air cargo volume. Besides, the demand for air freight caused by the recurring pandemic, the spillover effects caused by port congestion, labor shortage, container shortage, and pandemic prevention measures have led to a transfer from sea freight to air freight for which the air freight can ensure timeliness with reasonable prices.
- Companies pay more attention to supply chain stability: Taiwan plays an important role in OEM in the global supply chain and is under pressure from possible chain breakage in the upstream and the downstream. In particular, the supply chain chaos caused by the economic and trade friction between the US and China and the pandemic, such as the change of production bases, production line shutdowns and congestion in maritime logistics, has prompted companies to abandon their previous cost-efficiency-oriented mindset and instead they transfer to air logistics services for supply chain safety and stability, which is more efficient and cost-controlled. With several supply chain disruptions in 2021 due to the pandemic, air cargo has become the priority for those seeking supply chain stability. Companies are shifting their cargo from sea to air freight and have chartered flights to ensure inventory stability, and the demand for air cargo will continue to grow.
- Health certification systems are becoming more complete: UNWTO notes that the EU Digital COVID Certificate will be effective in improving traveler mobility within the EU since its launch in July 2021. Europe's international passengers from July to September decreased by only 53% compared to the same period in 2019, outperforming the rest of the world, indicating that the establishment of mutual trust and uniform health certification standards across countries has helped restore traveler confidence. Currently, the airline industry is widely participating in various digital health certification platforms (such as IATA Travel Pass) in order to recover from the decline in passengers. It is hoped that in the future, after the uneven distribution of vaccines, information security, and cross-country data verification issues are resolved, it is expected that a global system will be used to speed up customs officers and airlines to verify the health information of passengers from various countries to improve travel quality and efficiency.

(2) Unfavorable factors

- Mutant virus threat: Delta and Omicron variants have emerged in 2021 and spread rapidly around the world, causing countries to tighten their border control measures. Although the WHO has repeatedly stated that travel bans would not stop the spread of the virus and it would have a negative impact on the economy. IATA has confirmed with statistical data that travel bans have not helped prevent the spread of the pandemic, the high transmission of the Omicron variant has caused the governments of the UK, US, Japan and other countries to resume travel restrictions and related border control policies to slow the spread of the virus, seriously disrupting the recovery of the aviation industry. The World Health Organization says the virus continues to mutate and that using existing vaccines as boosters is not a viable way to combat new variants and could cause the uncertainty of resuming international travel and economic development.
- Other airlines are actively deploying: The new pandemic has caused more than 40 airlines to bankruptcy or reorganization, and in the face of new competition, the existing airlines need to respond with more flexible strategies. A growing number of studies point out that during the pandemic, low-cost carriers (LCCs) have demonstrated a high degree of flexibility in fleet and aviation network deployment, effectively reducing operating costs and offering more competitive fares to passengers, helping LCCs with point-to-point, regional routes to expand their market share and, which, in turn, posing a threat to full-service airlines. In addition, many airlines in Taiwan and neighboring countries in the Asia-Pacific region have established or reorganized themselves during the pandemic, and are actively laying out their aviation networks based on their brand positioning to strengthen their competitiveness at the bottom line of passenger traffic.
- The volatility of the external environment: The pandemic has already brought a huge impact on the airline industry, but global geopolitical conflicts and trade frictions, coupled with the rise of protectionism, rising supply chain risks, and worsening inflation, have caused continued turmoil in the global economy and the rising of oil prices, adding uncertainty to the recovery of the airline industry.

(3) Response measures

- Optimization of fleet operations and revitalization of aircraft assets:
China Airlines has been optimizing the fleet team by retiring Boeing 747-400 and introducing next-gen passenger aircraft, Airbus A321neo in 2021. For cargo aircraft, six Boeing 777F are planned to be delivered before 2024. New aircraft feature low fuel consumption. They are more environmentally friendly as less CO₂ is emitted. Their higher quality lowers the unit cost, improves airline performance, and strengthens overall competency.
- Maintain inter-airline collaboration for promoting contactless services together:
China Airlines is the first airline in Taiwan to join the global aviation alliance. Currently, we have cooperated

with 23 airlines in code-sharing, ranking first among all Taiwanese airlines. In addition to self-owned routes, China Airlines actively penetrates the market through aviation alliances, providing more convenient and complete services. In response to the new services trend for the pandemic, we continue to work with SkyTeam to develop contactless services to optimize the airport check-in process and reduce human contact during the transfer process, creating a safer journey and enhancing passengers' confidence in air travel.

- Flexible sales strategy for passenger and cargo flights to increase revenue:

Depending on the overall economy, market demand and the pandemic condition, China Airlines can flexibly adjust the capacity of passenger and cargo aircraft to maximize operational efficiency. The regional routes will be operated by the new A321neo aircraft to improve the competitiveness of the product, and we will gradually restart or add new destinations or flights and adjusts, depending on the pace of lifting border control. As the cooperation with joint ventures has been deepened in long-haul routes, we continue to strengthen the network layout and maintain the leading position in the market.

Cargo flights are powered by fuel-efficient 777F and the world's largest fleet of 747F. We continue to improve cargo capacity and revenue management to increase cargo revenue, and flexibly adjust our capacity and pricing strategies, leveraging our advantage in Taiwan to seize transshipment opportunities.

- Improve revenue management and charter flight business and promote high growth cargo source:

We will continue to improve revenue management. Regarding the different transportation needs of special cargo, such as time limit, volume, and special loading procedures, we will continue to enhance price differentiation and increase the added value of transportation services by utilizing the advantages of large cargo loading and professional services of our Boeing 747-400 all-cargo aircrafts. In addition, we will also strengthen the promotion of bidding mechanisms for shipping space to enhance unit revenue. With Boeing 777F freighter, the fuel saving and high-performance advantages of the freighter will further enhance the cargo business and create more revenue.

- Deepening cooperation with inter-airline express delivery companies:

China Airlines has maintained cooperation with UPS, DHL, FedEx, and other international express delivery companies to strengthen partnerships with Japanese and American airlines in the Asian region, deepening cooperation with inter-airline express delivery companies to expand our business scale.

- Continue to promote cold chain cargo:

Temperature-controlled containers play a critical role in the transportation of vaccines and various pharmaceuticals. In 2021, China Airlines carried more than 1,200 temperature control cabinets, with a total weight of about 1,900 tons. Due to the impact of the pandemic, flights were drastically reduced and freight seats were relatively limited. However, after the Covid-19 vaccines were introduced, cold chain transportation became the target of the airlines in various countries. In 2021, the number of China Airlines' temperature-controlled containers was up by 53% compared to the same period in the previous year. Not only did we undertake many donations from the United States and self-purchased vaccine delivery missions in Taiwan, but we also successfully completed many trans-shipments of COVID-19 vaccines to Southeast Asian countries (the Philippines, Malaysia). Excluding the number of vaccines donated by various countries, more than 80% of the COVID-19 vaccines purchased by Taiwan are carried by us.

- Digitalization to be the benchmark in the industry:

China Airlines encourages customers to sign multilateral environmental agreements (MEAs) and continues to promote the e-air waybill, exchanging information with contractors through EDI (Electronic Data Interchange), which could reduce the operating costs of airlines and contractors and avoid delays caused by input errors and missing documents.

- Continue to optimize cargo delivery system:

For the convenience of customers, several manufacturers have developed tracking devices attached to the cargo that can transmit messages such as location, and temperature/humidity in real time. In light of this trend, since 2016, China Airlines has actively assisted our suppliers to apply for equipment verification from the CAA. On March 31, 2021, the CAA agreed to add three devices, CalAmp SC1004, and Tive TT-7000/TT-7100. For high-priced, sensitive cargoes, the entire delivery process is effectively monitored and owners can receive real-time information about their goods, which is then tracked by the industry's IoT network to provide a full record of the entire process.

- New cargo operation and management system:

China Airlines will replace the existing cargo management system and introduce the industry's latest digital solutions based on SaaS architecture and API communication. The introduction of the new-generation digital system will significantly improve the efficiency of decision making, real-time information exchange and mobility, as well as enhance the overall customer experience and deepen our global brand leadership in cargo transportation. We also hire a professional consultant from the International Air Transport Association (IATA) to assist us in selecting the most suitable future system vendor. The whole project is expected to confirm the system vendor and carry out system implementation in 2022, and the new system will be built and fully launched according to the schedule.

5.2.2 Procedures followed in the Production of Main Products

A. Major Products and Their Main Uses

Major Products	Main Uses
Passenger services	International passenger air transport and scheduled, non-scheduled, and charter flights.
Cargo services	International cargo, courier, mail, and package transport.
In-flight sales	Provisioning passengers with in-flight duty-free sales services.

B. Major Products and Their Production Processes

The Company is a member of the airline industry and not a manufacturer, therefore, there is no production process in its operations.

5.2.3 Supply Status of Main Materials

CAL is a member of the airline industry and not a manufacturer. Therefore, there is no need to produce raw materials. Aviation fuel makes up the largest proportion of operating costs. In addition to aviation fuel supplied at Taiwan Taoyuan Airport by CPC Corporation and Formosa Petrochemical Corporation, the Company also purchases fuel from large oil companies around the world at the various destinations served, and therefore, fuel supplies are very fragmented.

5.2.4 Major Suppliers and Clients

A. Major Clients in the Last Two Calendar Years

CAL is a member of the airline industry and clients are members of the public.

B. Major Suppliers in the Last Two Calendar Years

CPC Corporation, Chevron Corporation, and Formosa Petrochemical Corporation, etc.

Unit: NT\$ thousands

Item	2020				2021			
	Company Name	Amount	%	Relationship with the Issuer	Company Name	Amount	%	Relationship with the Issuer
1	CPC Corporation	7,927,738	7.55%	None	CPC Corporation	10,276,502	8.90%	None
2	Chevron Corporation	3,315,153	3.16%	None	Chevron Corporation	3,684,286	3.19%	None
3	Formosa Petrochemical Corporation	2,466,270	2.35%	None	Formosa Petrochemical Corporation	3,668,246	3.18%	None
	Other	91,322,188	86.94%		Other	97,857,912	84.73%	
	Net Total	105,031,349	100.00%		Net Total	115,486,946	100.00%	

Reasons for changes:

Fuel is the Company's primary operating expense. Overall, purchases have remained stable.

5.2.5 Production in the Last Two Years

Unit: thousand kilometers

Capacity and Traffic	Year	2020	2021	Rate of Increase (or Decrease)
Available Seat Kilometers (ASK)		16,116,497	4,209,667	-73.88%
Revenue Passenger Kilometers (RPK)		9,097,129	896,496	-90.15%
Load Factor (%)		56.45%	21.30%	-35.15 ppt
Freight Available Ton Kilometers (FATK)		8,830,722	10,004,250	13.29%
Freight Revenue Ton Kilometers (FRTK)		6,367,751	7,551,792	18.59%
Load Factor (%)		72.11%	75.49%	3.38 ppt
Available Ton Kilometers (ATK)		10,278,085	10,383,076	1.02%
Revenue Ton Kilometers (RTK)		7,184,503	7,632,460	6.24%
Load Factor (%)		69.90%	73.51%	3.61 ppt

Note 1: The above data includes scheduled flights, charter flights, and extra flights.

Note 2: The above data includes Mandarin Airlines and Tigerair Taiwan.

Reasons for Changes:

In 2021, the outbreak of the new variants, Delta and Omicron continued to rage, and there were still border controls implemented by various countries, resulting in a sudden drop in demand for business and transit passengers. The ASK and RPK continued to decline compared to 2020. Due to the slow recovery of transcontinental flights by airlines, the Company continued to adjust its cargo operations with passenger belly hold and cargo freighter, and introduce three new 777F freighters from November 2020 to January 2021. Thus, the FATK and FRTK increased compared to 2020.

5.2.6 Shipments and Sales in the Last Two Years

Unit: thousand kilometers; NT\$ thousands

Item	2020		2021	
	RPK/FRTK	Amount	RPK/FRTK	Amount
Passenger Revenue	9,097,129	25,704,367	896,496	6,063,776
Cargo Revenue	6,367,751	81,917,976	7,551,792	124,541,265
Other Operating Revenue	-	7,628,207	-	8,236,362
Total	-	115,250,550	-	138,841,403

Note 1: The above data includes scheduled flights, charter flights, and extra flights.

Note 2: The above data includes Mandarin Airlines and Tigerair Taiwan.

Reasons for Changes:

In 2021, passenger traffic was still supported by rigid demand due to the impact of the pandemic and tighter border control, resulting in lower passenger revenue. Cargo capacity was affected by a significant reduction in the supply of passenger cabin capacity and continued port congestion in the sea freight market, resulting in an imbalance between supply and demand. The freight rates have significantly increased. To pursue the best revenue model, the Company will continue to expand its cargo market with all-cargo aircraft and passenger belly hold. Therefore, the cargo revenue has increased by 52% in 2021 compared to 2020.

5.3 Human Resources

Year		2020	2021	Mar. 28, 2022
Number of Employees	Male	5,885	5,828	5,575
	Female	5,505	5,423	5,268
	Total	11,390	11,251	10,843
Average Age		42.72	42.97	43.92
Average Years of Service		15.35	15.59	16.56
Education level	PhD	0.11%	0.11%	0.11%
	Master's Degree	12.02%	12.15%	12.46%
	Bachelor's Degree	82.81%	82.74%	82.60%
	Senior High School	4.83%	4.78%	4.66%
	Below Senior High School	0.24%	0.22%	0.17%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties: None.

5.4.2 Company Countermeasures to Future Environmental Protection Issues

A. ISO 14001 Environmental Management System and ISO 50001 Energy Management System

To integrate environmental protection operations into the daily operational risk management operations of the enterprise, China Airlines has introduced several international standard management systems (ISO 14064-1, ISO 14001, and ISO 50001) since 2009. It has also established and improved operational mechanisms of the enterprise's environmental management, covering risk issues, such as greenhouse gases, environmental management, and energy management. In addition, the Company has formulated management strategies and action measures for relevant risks and opportunities identified in various aspects of the environment.

(1) Management system operations

In 2017, CAL completed the revision of the ISO 14001: 2015 standard, incorporating "life cycle thinking", "stakeholder engagement", "risk and opportunity management", and other aspects into the operations of the Corporate Environmental Management System (EMS). Following that, in 2019, CAL then completed the ISO 50001:2018 revised version, strengthening the identification and operation control of energy use, comprehensively reviewing and optimizing energy performance indicators. These changes enabled CAL to fit into the international enterprise benchmark mode of thinking on sustainable development and governance.

(2) Value chain and outstation environmental management

In order to fully understand global operational risks, the Company has initiated outstation risk/opportunity investigations and evaluation operations since 2018. These operations strengthened the appreciation of international environmental-protection control trends, and ensured the identification and handling of environmental and energy-related risks and opportunities in operation. In 2019, CAL further focused on the current operational status of

various issues of concern and used best-case sharing to assist each station in seeking room for continuous improvement and implementing any related operations.

In addition to continually building its own capacity in environmental sustainability management, the Company also actively increases the sustainability value of the overall industrial chain. In 2018, it started a value chain of environmental management operations and asked group partners to set up environmental protection seeds. It held an environmental/energy/carbon management workshop to promote group partners' understanding of the meaning and benefits of environmental/energy/carbon management. In 2019, it further improved the group's corporate environmental and energy risk management capacity through environmental risk/opportunity investigations and communication meetings. In 2020, China Airlines further asked its value chain partners to promulgate appropriate policies on the environment and energy. Management measures and monitoring tasks have been undertaken on key environmental impacts. Additional operational information was added (e.g., power/oil consumption) to reinforce the control and survey of emissions. The Environmental Risk Analysis Result Briefing was held as an event where the representatives of partner companies and managers were invited and informed on the results of the analyses and surveys. It was an event where they could also exchange good practices. Since 2021, the Company requires partners in the value chain to set corporate environmental policies and energy resource management goals, continue to deepen environmental management and internal and external communication practices, and encourage the establishment of an environmental sustainability page to reveal the companies' environmental policies, annual operational goals and performance.

(3) Green maintenance operations and pollution prevention

To reduce the environmental impact of the pollution from maintenance operations, the Company implements and continuously improves the aforementioned risk management operations. The EMO (park maintenance) Environmental Management Committee, under the Company's Corporate Environmental Committee, tracks and inspects on a quarterly basis the results of the environmental management of the maintenance plant area. These actions are taken in order to comply with environmental regulations, international trends, headquarters policies, and corporate environmental sustainability obligations. For example, heating boilers and spray-painting operations are done at maintenance facilities, and therefore, air pollutants emission tests are carried out annually in accordance with relevant regulations, while air pollution prevention fees are reported quarterly. Meanwhile, on a yearly basis, its operating unit deals with the necessary documentation and permits and arranges fee payments that are in accordance with the regulations, water pollution prevention measures plans, and waste disposal plans. The unit actively adheres to the principles of source reduction, toxin reduction, and end-of-pipe recycling, continuously improving and enhancing environmental performance and ecological benefits.

Every year, the Company performs a third-party audit of ISO 14001 and ISO 50001. The audit for 2021 was completed on December 17, 2021. The Company is the second airline in the world and the first Taiwanese airline to obtain a certification for both ISO14001 and ISO50001 at the same time. The scope of certification is also the most complete in the domestic service industry.

B. Set short-term, mid-term and long-term targets for SDGs

Short-term Target (2023)	Mid-term Target (2025)	Long-term Target (2030)
1. Achieve an average annual improvement of 1.5% in aviation fuel efficiency and CORSIA Carbon-Neutral Growth (CNG) by 2020 (net zero carbon emissions by 2050)	1. Achieve an average annual improvement of 1.5% in aviation fuel efficiency and CORSIA CNG by 2020 (net zero carbon emissions by 2050)	1. Achieve an average annual improvement of 1.5% in aviation fuel efficiency and CORSIA CNG by 2020 (net zero carbon emissions by 2050)
2. 41% reduction in carbon emissions over 2009 from ground operations	2. 44% reduction in carbon emissions over 2009 from ground operations	2. 50% reduction in carbon emissions over 2009 from ground operations (net zero carbon emissions by 2050)
3. Strengthen decision-making mechanism integrated with climate-related financial information	3. Implement and optimize internal carbon pricing	3. Formulate a sustainable aviation fuel strategy in Taiwan
4. 5% reduction in non-recyclable waste over 2018 from ground operations	4. 7% reduction in non-recyclable waste over 2018 from ground operations	4. 12% reduction in non-recyclable waste over 2018 from ground operations
5. 43% recycle rate in operational waste	5. 45% recycle rate in operational waste	5. 50% recycle rate in operational waste
6. 14% reduction in paper consumption over 2018	6. 30% reduction in paper consumption over 2018	6. 50% reduction in paper consumption over 2018
7. 5% reduction in water consumption over 2009 from ground operations	7. 7% reduction in water consumption over 2009 from ground operations	7. 10% reduction in water consumption over 2009 from ground operations
8. Prohibit the transportation of protected animals and ban ingredients from protected animals	8. Prohibit the transportation of protected animals and ban ingredients from protected animals	8. Prohibit the transportation of protected animals and ban ingredients from protected animals
9. 25% reduction in air service waste over 2018	9. 50% reduction in air service waste over 2018	9. 65% reduction in air service waste over 2018
10. 50% reduction in disposable plastic supplies	10. 90% reduction in disposable plastic supplies	10. Stop using any disposable plastic supplies
11. 5% reduction in meal loss of flight crew over 2020	11. 10% reduction in meal loss of flight crew over 2020	11. 25% reduction in meal loss of flight crew over 2020

C. Environmental KPI Controls

The Company has followed the United Nations' SDGs and has several short-, medium-, and long-term environmental protection and energy conservation objectives, including those for aviation fuel efficiency, ground carbon emissions, water consumption, domestic waste, business waste, and photocopy paper consumption. The five major environmental management committees and the aviation fuel management task force develop and implement annual environmental protection KPI. The Corporate Environmental Committee chaired by the President conducts the annual audit and review. The Company completed a total of 71 KPIs in 2021 and reduced carbon emissions by 58,464 tons CO₂e. Sixty-nine KPIs are further planned in 2022, and it is expected emissions will be reduced by 7,952 tons of CO₂e. Please refer to the Corporate Social Responsibility Report for more information (<https://calec.china-airlines.com/csr/report.html>).

D. Strengthening adaptability to climate risks and opportunities

In order to deepen our understanding of climate-related risks and opportunities, in 2018, the Company signed an initiative to support the international Task Force on Climate-Related Financial Disclosures, TCFD, and launched project operation through interviews, questionnaires, workshops, high-level forums, and other engagement processes. Current or future climate risks and opportunities faced by business operations in different climate scenarios are explored as well as their potential impacts and corresponding costs. These measures gradually establish the Company's climate risk and opportunity management mechanism. In 2020, the Climate-Related Financial Disclosure Report, the first-ever in the aviation industry, was made and reported to the Board of Directors. For other relevant activities, please refer to China Airline's CSR website/focus on climate change (<https://ppt.cc/fTsUJx>).

E. Solidifying environmental management supervision mechanism

The Company promotes mechanisms for the supervision of environmental management. Each unit independently implements the first-level audit of environmental management, whereas the second-level audit of environmental management is implemented by the headquarters. The double-audit mechanism ensures that environmental management is implemented at basic level operations at all units.

The Company has completed the second-level audit in the second and fourth quarter of 2020. In addition to the audit items, the audit components also include improving the previous audit findings, incorporating the extent of redressal of external stakeholders' concerns, and a review of annual KPI implementations.

F. Environmental education and training for all employees

The Company has a corporate environmental and energy philosophy of "implementing environmental and energy conservation education to foster employees' environmental awareness" as well as a goal to achieve "environmental protection by all employees". As a result, the Company has implemented an annual "environmental protection education campaign" for online or classroom environmental management education and training in Taiwan. The outcomes of this campaign are as follows:

- (1) New employee and outstation supervisor environmental education and training implementation rate is 100%.
- (2) A total of 5,296 participants had completed the environmental management training in 2021.
- (3) The implementation rate of professional knowledge training on environmental/energy/carbon management systems is 100%.
- (4) A total of 207 employees participated in the environmental protection forum s on the theme of the conservation of marine ecosystems.
- (5) A total of 2,779 participants attended interactive activities made for employees.
- (6) A total of 18 promotional articles were published on the internal communication platform. "Green footprint" stickers were attached and posters were put up in the headquarters and maintenance park to convey information on 21 environmental protection measures. In addition, labels were tied to plants for plant identification.

G. Carbon Inventory and Reduction Project

(1) Annual organizational greenhouse gas emission inventory

According to the ISO/CNS 14064-1 standard, the Company has conducted a greenhouse gas inventory each year since 2009, covering aviation, ground services, and office administration operations, of which a third-party verification operation must take place in order to be in accordance with the requirements of "Reasonable Assurance".

The greenhouse gas emissions from Scope 1-2 were 5,895,125 tons CO₂e and from Scope 3-6 were 3,174,662 tons CO₂e in 2021.

(2) EU ETS (European Emission Trading Scheme) operations

According to the EU regulations, China Airlines' intra-EU flights emitted 62 tonnes of CO₂ in 2020. After considering the operational conditions and compliance, the financial unit sold its EU Emission Aviation Allowances (EUAA) in the account in 2019 and 2020, respectively. There are still 928 tonnes of CER (Certified Emission Reductions) available to partially offset the EUAA emission right. Further trading will be based on market demand and carbon pricing trends.

H. Improving business eco-efficiency

The Company has continued to strengthen its fuel efficiency improvement strategy, and has formulated four major fuel saving strategies including "fleet renewal", "airframe weight reduction", "flight service optimization" and "maintenance improvement." From 2021, the Company has accelerated the introduction of A321neo energy-efficient aircraft, which will effectively improve the

efficiency of flight fuel consumption and add Sustainable Aviation Fuel (SAF) to the aircraft's flight, reducing carbon emissions from flights.

For ground operations, the Company actively promotes various energy saving and carbon reduction programs. After the headquarters of CAL Park obtained the "Diamond Green Buildings Label" certification in 2017, the Company continued to promote equipment renewal, optimize operational processes, and improve the overall energy efficiency of its buildings. In 2019, in response to the government's green-energy policy, 99 kWh of solar photovoltaic facilities with grid-connected power generators were installed on the rooftop of the simulator training building. As of December 31, 2021, these facilities had generated 126,000 kWh of electricity and reduced CO₂e emissions by approximately 64.1 tons, which led CAL to receive the National Renewable Energy Certificate(T-REC). These acts earned CAL three awards, (1) the Energy Conservation Benchmark -- Silver Award of the Ministry of Economic Affairs, Bureau of Energy, (2) Energy Conservation Leadership Award of Taipei City, and (3) No. 1 in Carbon Reduction and Electricity Conservation Reward Competition of Taoyuan Airport.

Moreover, to reduce the risk of water shortages, the Company has successively set up water meters at important water route nodes to track and analyze the flow direction of water resources and water-consumption hot spots. Water-reduction and recycling measures were promoted, which include purchasing water-conservation label products, water-conservation advocacy, setting up a rainwater-recovery system, promoting cooling-water recycling, and introducing Eco-Shine and Callington environment-friendly cleaning solutions. The quantum of tap water used dropped from 126.77 kilotons in 2020 to 112.77 kilotons in 2021, a decrease of about 11%. Data relevant to this has been disclosed in the Company's 2021 CSR report and authenticated by third parties.

In terms of waste management, the Company manages waste based on five main principles: refuse, reduce, reuse, recycle, and repair. Moreover, with the goal of 100% waste-resource recovery, the Company is increasing its waste reuse rate year by year. In addition, considering that waste management in aviation services involves a wide range of businesses, the Company has constituted a waste management team in 2019. Service and supply, planning and quality assurance units as well as aviation catering, cabin cleaning, and other suppliers and partners are invited to form a periodical communication platform where all parties come together to analyze the trends in international aviation service waste management to discuss response strategies. Domestic waste output from employees in 2020 and 2021 were 462,897 kg and 463,517 kg, respectively, showing an increase of approximately 0.1%. Data relevant to this has been presented in the Company's 2021 CSR report and authenticated by a third party.

I. Promote Green Consumption

The Company actively shares its environmental philosophy and its implementations through different platforms, such as social networks and inflight magazines, to establish and promote the awareness of green consumption. In 2017, in a further effort to follow international trends, the Company started promoting a voluntary carbon-offsetting program for passengers, the "ECO TRAVEL - Carbon Offsetting" service. Diversified electronic-friendly service platforms, including the official website, ticket-purchasing system, and travel reminders, are used to invite passengers to practice "zero-carbon" flying. In 2020, a total of 180 people took part in the carbon-offsetting program, in which a total of 293.93 metric tons of carbon was offset. Such performance exceeded all other Taiwanese companies in the same industry during the same period. Other actions to elevate and promote green consumption include:

- (1) Selecting 12 environmental films to play on airplanes.
- (2) Presenting 4 posts about environmental topics and reports on social media.
- (3) Interactive educational work, such as promoting to close windows in summer.
- (4) Adding environmental products in the catalog of home-delivery duty-free goods and including China Airlines' sustainability logo.

J. Continue to Support International Environmental Protection Research Projects

The Company is working with several environmental-protection organizations, including the Environmental Protection Administration, National Central University, and the European Union's IAGOS-ERI in the implementation of the Pacific Greenhouse Gases Measurement (PGGM) project. In June 2012, July 2016, and July 2017, IAGOS instruments were installed on the Company's B-18806, B-18317 and B-18316 aircraft, respectively. Since then, atmospheric gas data has been automatically collected during flights. The data is observed by important Taiwanese and foreign research organizations to gain an understanding of the changes in high-altitude gasses. This facilitates the understanding of environmental quality changes and provides reference material for important decision-making platforms, such as for the UNFCCC. During July 1, 2012 to December 31, 2020, atmospheric data collected from a total of 12,810 flights was collected, contributing to the understanding of ecosystem effects on Earth and enhancing Taiwan's image in environmental-related fields.

K. Transparent Disclosure of Environmental Protection Response and Performance

Since 2012, the Company has been publishing its Corporate Social Responsibility (CSR) Report every year (former titles include Environmental Sustainability Report and Corporate Sustainability Report). The Company has also been establishing and updating the CSR network. It publicly and transparently discloses its sustainability governance strategies as well as the results and performances in environmental, social, and financial aspects of its operations. The reports are an important tool and channel that facilitate discussion with stakeholders. The official Facebook page will be used to publicize the results of the overall operation and serve as an important tool and channel to negotiate with stakeholders. In 2021, the promotion themes include releasing TCFD reports, participating in Earth Hour and World Earth Day activities, and announcing the 2050 net-zero carbon emissions target, reaching a total of about 200,000 people.

5.4.3 Countermeasures

Unit: NT\$ thousands

Year \ Item	2021	2022	2023	2024
Environmental protection equipment and maintenance costs (does not include depreciation)	19,114	14,000	14,000	14,000
Calling inspection agencies for regular sampling of wastewater equipment and permit fees	124	100	100	100
Waste disposal costs	4,107	4,000	4,000	4,000
Air pollution management costs	589,356	1,200	1,200	1,200
Aviation noise control fees (paid to the terminal based on airplane model and number of flights)	136,136	139,404	139,404	139,404
Fees for the establishment of an environmental control system and strategic research project	1,889	4,000	4,000	4,000
Green procurement	6,455	20,000	20,000	20,000

The Company's Engineering Maintenance Organization and Taoyuan International Airport Services Co., Ltd. were awarded the Taoyuan City 2020 Green Procurement Excellence Award in the private enterprises and organizations category.

5.4.4 Effect of Environmental Expenditure on Earnings

Energy-saving equipment and improved management expenditure reduce Company energy use and its operating costs, also the risk of loss and non-compliance, enhance operational efficiency, brand value, customer recognition and sustainable competitiveness.

5.4.5 Effect of Environmental Expenditure on Competitiveness

Environmental performance has already become an important benchmark in achieving corporate social responsibility. With the rise in green consumers, actively investing in environmental improvements can positively improve the Company's competitive position and improve brand image.

5.5 Labor Relations

5.5.1 Employee Benefits, Training, Retirement Programs, Status of Implementation, Labor-management Agreements, and Protection of Employee Rights and Interests

A. Good Labor-Management Relations

On May 4, 1988, the China Airlines Union was established. In accordance with revisions to the Labor Union Act, on July 29, 2011, it was renamed as “China Airlines Employee Union”. In 2002, a collective agreement was signed between labor and management, which is regularly negotiated and renewed.

B. Retirement Program and Pension Preparations

(1) Labor standards act for old-age pension system

The Labor Pension Reserve Supervisory Committee of the Company was established in June 1987 in compliance with letter Bei-Shi-She-II-Zi No. 43791 from the Taipei City Government. In the past years, the appropriation and payment of pensions in the old system of Labor Standards Act were handled according to the Labor Standards Act. In 2021, employees who could claim from the old system pension account constituted approximately 48.5% of employees (36.2% of Company employees were subject to both new and old systems). The monthly appropriation rate of the old system of pensions has been increasing year by year since 2014 and has risen to 15% since January 2016, reaching the statutory limit. For employees who meet the retirement qualifications of the Labor Standards Act and whose retirement has taken effect, the concerned unit will take the initiative to get the pension and apply to the local government for expenditure approval and reference, or submit to the Taiwan Bank for payment application according to relevant regulations of the government. It will notify the employees to receive the payment once the check is prepared. The deposit of pension reserve funds is supervised by the Labor Pension Reserve Supervisory Committee of the Company. The business unit regularly holds a pension supervision committee meeting once every three months to report on the use of the pension reserve funds to the members, including the estimated result of the next year's appropriation, number of retirements each quarter, designated pension reserve funds account balance, and exchanging retirement-related issues.

(2) Labor pension act new pension system

According to the Labor Pension Statutes promulgated by the government on June 30, 2004, in the order Zong-Tong-Hua-Zong-(I)-Yi-Zi No. 09300121821, for employees who are subject to statutes, new system pensions shall be appropriated monthly to the Bureau of Labor Insurance according to statutes starting from July 2005. In 2021, employees who could claim from the new system pension account constituted approximately 51.5% of employees (34.2% of Company employees could avail benefits from both new and old systems). The new system pension appropriation rate is 6% per month, and is deposited into the employee's designated personal pension account at the Bureau of Labor Insurance. After the retirement conditions are met, the employee has to apply to the Bureau of Labor Insurance for payment.

C. Labor-Management Communications

(1) Units in the Company with a relatively large number of employees, such as the maintenance facility, Ground Services Division, Cabin Crew Division, Flight Operations Division, and Taipei and Kaohsiung branches hold regular communication meetings.

In addition, elected union representatives attend regular company-wide labor-management conferences to improve understanding and communication.

(2) The establishment of an employee complaint mechanism and channels to ensure proper response:

When employee rights have been violated or a situation is improperly handled, as mentioned in the Regulations Governing Employee Complaints, a complaint can be lodged with the responsible operating unit or the Human Resources Division. If the employee is not satisfied with the response, he or she can appeal to the Human Resources Division. Fifteen written complaints from employees were handled in 2021.

D. Benefits

(1) Employee care

Employee care includes pension appropriation, labor and health insurance, employer liability insurance, group insurance, employee physical examination, and providing nursing rooms.

(2) Employee stock ownership trust

In August 1998, the Company created an employee stock ownership trust, in which employees are free to participate. The amount, depending on the employee position, is deducted directly from their monthly salary. By the end of 2021, a total of 1,779 employees participated in this trust.

(3) Profit sharing

According to the Company's charter, if the Company records a profit in a given year, it must set aside no less than three percent as employee bonuses. However, if the Company still has accumulated losses, it shall first retain a sum of money to make up for the shortage.

(4) Welfare system

The Company's Employee Welfare Committee was set up in December 1967. As stipulated by law, the Committee distributes multiple benefits. It handles the disbursement of: wedding allowances, funeral allowances, disaster allowances, employee children excellence scholarships, birthday bonuses, and birth allowances. It arranges visits to nursing homes, holds recreational sports activities, distributes meals and holiday gift certificates, and offers distress or purchase loans.

(5) Employee leisure

Leisure includes employee group activity subsidies, employee group travel subsidies, discounted tickets for current and former employees.

(6) Working environment

The workplace is in compliance with occupational safety standards and gender equality.

E. Signing of Collective Agreement

In order to stabilize labor relations and protect the rights and interests of employees, the Company signed a group agreement with the China Airlines Employees Union on December 16, 2021 (the sixth renewal of the agreement between the two parties) and another group agreement with the Taoyuan Pilots Union on December 29 of the same year, both of which are valid for three years.

F. Counseling

To take care of our colleagues' needs and participate in employees' personal growth, the Company has employed professional counselors and psychiatrists to provide counseling services to employees. In 2021, there were a total of 36 employees accounting for a total of 67 counseling visits.

G. In addition to the promotion of employee education and training to enhance staff knowledge and skills, knowledge continues to be accumulated and exchanges encouraged within the Company to build an organization for learning. Through the management personnel training program and the "China Airlines Lecture Hall" training system, the Company holds courses to improve employees' strategic, management, professional, and general workplace skills

- (1) To encourage employees' participation in various courses and self-study opportunities provided by the ROC Workforce Development Agency under the Ministry of Labor, the self-pay portions of

the costs for such courses will be subsidized by the Company if work-related courses are completed by an employee.

- (2) The Company participated in the "Enterprise Human Resource Enhancement Program" of the Workforce Development Agency, Ministry of Labor and received a training subsidy of NT\$625,225 in 2021.
- (3) Popularize courses on strategy, management, professional and general skills.
 - Marketing training:
This includes marketing strategies, customer operations, freight business and related OJT training. A total of 290 in-person classes and 139 e-classes were held with a total of 27,509 employees trained.
 - Professional technique courses:
This includes enterprise safety/inspection work, flight services, joint management and EMO. A total of 2,106 in-person classes and 637 e-classes were held with a total of 87,639 employees trained.
 - Service:
This includes service quality assurance, introduction to public relations, service industry, ground-service operations, and inflight products. A total of 313 in-person classes and 273 e-classes were held with a total of 53,170 employees trained.
 - Other:
This includes operations in investment management units, law and insurance, finance, information technology, and human-resources management. A total of 86 in-person classes and 53 e-classes were held with a total of 70,225 employees trained.

5.5.2 CAL has an employee code of conduct or ethical codes and arranges pre-employment Employee Rights and Responsibilities classes for new recruits. The main content of the Company's Employee Code of Conduct is as follows:

The Company's Employee Code of Conduct mainly consists of: workplace ethics, privacy, occupational safety, discrimination and harassment, moral integrity, media and public image, conflict of interest avoidance, anti-trust and fair competition, exchanging gifts and anti-corruption, CAL asset and intellectual property protections, reporting responsibilities, respect for human rights, and commitment to environmental protection. The Company includes an assessment and consideration of these items of workplace behavior in its annual evaluation. Employees unable to respect or who violate these regulations governing workplace behavior are penalized as per the Company's regulations governing rewards and penalties and on the severity of the offense.

5.5.3 Implementation of Work Environment and Employee Personal Safety Protection Measures

In response to the ever-changing pandemic and the variants from Alpha, Delta to Omicron, the Company has made the protection of employees' health the top priority. In addition to closely cooperating with relevant government measures, we have established a cross-unit hierarchical mobilization mechanism, a command system, and operational procedures to integrate relevant units to respond together and remind employees to raise their alertness with strict control of all pandemic prevention information. Besides, we have established the health management reporting system for employees with a higher risk level of exposure (crew), and a vaccine registration system has been set up to control the Covid-19 vaccination status of all employees to help the management understand the situation immediately and take appropriate countermeasures. Moreover, for the self-health management implementation of high-risk groups such as those who might encounter confirmed patients, identified potential contacts by CDC, and family members living with them who have returned home from abroad, and for the COVID-19 rapid tests results for those who have not fully vaccinated before they work, we have established a pandemic management system to fully grasp the health situation of our employees and provide necessary

assistance as appropriate to prevent the expansion of the pandemic. Furthermore, we actively promote the pandemic prevention through staff training, such as strengthening the knowledge of the prevention of biological pathogens and self-protection skills. China Airlines has always adhered to high standards in every prevention and control process. Through various risk management mechanisms and risk classification management according to each type of operation and job category, we have been certified by ISO45001 and TOSHMS for many years, providing our employees with a safe, healthy, secure workplace in the pandemic era.

5.5.4 The estimated value of any losses or potential future losses due to labor disputes (from the most recent year up to the date of publication)

From 2021 to March 28, 2022, the Company was fined a total of NT\$1 million by the government labor authorities for labor disputes (please refer to P.89 for diversification). This case was filed after a legal proceeding against the penalty imposed in 2018, and the penalty was reinstated in 2021. The case is now under the administrative remedy process.

5.6 Major Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease	SASOFIV Aviation Ireland DAC	02/2006-02/2022	Aircraft Type: A330-300/ No.: B-18351	-
Lease	SASOFIV Aviation Ireland DAC	02/2007-02/2023	Aircraft Type: A330-300/ No.: B-18352	-
Lease	AerCap Ireland Ltd.	05/2008-05/2024	Aircraft Type: A330-300/ No.: B-18353	-
Lease	Bluesky Magical 1001 Leasing Co.	11/2010-11/2022	Aircraft Type: A330-300/ No.: B-18355	-
Lease	MSN 1272&1278 Aircraft Leasing (Cayman) Ltd.	12/2011-12/2023	Aircraft Type: A330-300/ No.: B-18356	-
Lease	MSN 1272&1278 Aircraft Leasing (Cayman) Ltd.	01/2012-01/2024	Aircraft Type: A330-300/ No.: B-18357	-
Lease	AS Air Lease 83 Ireland Ltd.	10/2012-10/2024	Aircraft Type: A330-300/ No.: B-18358	-
Lease	AS Air Lease 83 Ireland Ltd.	12/2012-12/2024	Aircraft Type: A330-300/ No.: B-18359	-
Lease	Dianbao Aviation Leasing Ltd.	12/2013-12/2025	Aircraft Type: A330-300/ No.: B-18360	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	04/2013-04/2021	Aircraft Type: 737-800/ No.: B-18651	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	05/2013-05/2021	Aircraft Type: 737-800/ No.: B-18652	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	06/2013-06/2021	Aircraft Type: 737-800/ No.: B-18653	-
Lease	Avolon Aerospace AOE 73 Ltd.	03/2014-03/2022	Aircraft Type: 737-800/ No.: B-18655	-
Lease	Avolon Aerospace AOE 78 Ltd.	05/2014-05/2022	Aircraft Type: 737-800/ No.: B-18656	-
Lease	SMBC Aviation Capital (UK) Ltd.	06/2014-06/2022	Aircraft Type: 737-800/ No.: B-18657	-
Lease	Jade Aviation (Ireland) AOE 5 Ltd.	06/2014-06/2026	Aircraft Type: A330-300/ No.: B-18361	-
Lease	FPG Amentum	10/2014-09/2026	Aircraft Type: 777-300ER/ No.: B-18051	-
Lease	Oriental Leasing 4 Company Ltd.	10/2014-10/2026	Aircraft Type: 777-300ER/ No.: B-18052	-
Lease	Zeus Aircraft Owner 1 Ltd.	11/2014-11/2026	Aircraft Type: 777-300ER/ No.: B-18053	-
Lease	Korea Investment & Securities (KIS)	01/2015-01/2027	Aircraft Type: 777-300ER/ No.: B-18055	-
Lease	Sky High XXXVII Leasing Company Ltd.	05/2015-05/2027	Aircraft Type: 777-300ER/ No.: B-18001	-
Lease	Sky High XXXVII Leasing Company Ltd.	06/2015-06/2027	Aircraft Type: 777-300ER/ No.: B-18002	-
Lease	Sky High XXXVII Leasing Company Ltd.	08/2015-08/2027	Aircraft Type: 777-300ER/ No.: B-18003	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	09/2015-09/2023	Aircraft Type: 737-800/ No.: B-18658	-
Lease	ALC Blarney Aircraft Ltd.	10/2015-10/2023	Aircraft Type: 737-800/ No.: B-18659	-
Lease	Sky High XXXVII Leasing Company Ltd.	10/2015-10/2027	Aircraft Type: 777-300ER/ No.: B-18005	-
Lease	Zeus Aircraft Owner 2 Ltd.	01/2016-01/2028	Aircraft Type: 777-300ER/ No.: B-18006	-
Lease	UMB Bank N.A.	03/2016-03/2024	Aircraft Type: 737-800/ No.: B-18660	-
Lease	Zeus Aircraft Owner 3 Ltd.	05/2016-05/2028	Aircraft Type: 777-300ER/ No.: B-18007	-

Agreement	Counterparty	Period	Major Contents	Restrictions
Lease	Chilli Leasing LLC	09/2016-09/2024	Aircraft Type: 737-800/ No.: B-18661	-
Lease	Pacific Triangle Leasing Ltd.	09/2016-09/2024	Aircraft Type: 737-800/ No.: B-18662	-
Lease	BOC Aviation Ltd.	10/2016-10/2024	Aircraft Type: 737-800/ No.: B-18663	-
Lease	BOC Aviation Ltd.	11/2016-11/2024	Aircraft Type: 737-800/ No.: B-18665	-
Lease	BOC Aviation Ltd.	01/2017-01/2025	Aircraft Type: 737-800/ No.: B-18666	-
Lease	BOC Aviation Ltd.	02/2017-12/2025	Aircraft Type: 737-800/ No.: B-18667	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-09/2024	Aircraft Type: A330-300/ No.: B-18301	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-09/2024	Aircraft Type: A330-300/ No.: B-18302	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-09/2024	Aircraft Type: A330-300/ No.: B-18303	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-09/2024	Aircraft Type: A330-300/ No.: B-18305	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-09/2024	Aircraft Type: A330-300/ No.: B-18306	-
Lease	ZF Oriental 15 Limited	06/2021-04/2025	Aircraft Type: A330-300/ No.: B-18307	-
Lease	ZF Oriental 14 Limited	06/2021-07/2025	Aircraft Type: A330-300/ No.: B-18309	-
Lease	ZF Oriental 16 Limited	06/2021-09/2025	Aircraft Type: A330-300/ No.: B-18310	-
Lease	ZF Oriental 17 Limited	09/2021-05/2025	Aircraft Type: A330-300/ No.: B-18308	-
Lease	ZF Oriental 18 Limited	09/2021-12/2025	Aircraft Type: A330-300/ No.: B-18311	-
Lease	ALC Blarney Aircraft Limited	11/2021-11/2033	Aircraft Type: A321neo/ No.: B-18101	-
Lease	ALC Blarney Aircraft Limited	12/2021-12/2033	Aircraft Type: A321neo/ No.: B-18102	-
Lease	ALC Blarney Aircraft Limited	02/2022-02/2034	Aircraft Type: A321neo/ No.: B-18103	-
Loan	Hua Nan Commercial Bank	06/2016-06/2021	Unsecured Loan	-
Loan	E.SUN Commercial Bank	02/2020-02/2022	Unsecured Loan	-
Loan	Bank of Taiwan	07/2020-06/2022	Unsecured Loan	-
Loan	Land Bank of Taiwan	10/2021-09-2023	Unsecured Loan	-
Loan	Bank of Taiwan	10/2016-10/2028	Aircraft Type: A350-900/ No.: B-18901	-
Loan	Bank of Communications	01/2017-01/2029	Aircraft Type: A350-900/ No.: B-18902	-
Loan	Agricultural Bank of Taiwan	04/2017-04/2029	Aircraft Type: A350-900/ No.: B-18905	-
Loan	Taiwan Business Bank	04/2017-04/2029	Aircraft Type: A350-900/ No.: B-18905	-
Loan	Hua Nan Commercial Bank	06/2017-06/2029	Aircraft Type: A350-900/ No.: B-18906	-
Loan	China Construction Bank Corporation	11/2017-11/2029	Aircraft Type: A350-900/ No.: B-18903	-
Loan	Bank of Taiwan	04/2018-04/2030	Aircraft Type: A350-900/ No.: B-18907	-
Loan	Hua Nan Commercial Bank	06/2020-06/2032	Aircraft Type: A350-900/ No.: B-18917	-
Loan	Land Bank of Taiwan	06/2020-06/2032	Aircraft Type: A350-900/ No.: B-18918	-
Bills	China Bills Finance Corporation	04/2020-04/2023	FRCP	-
Bills	International Bills Finance Corp.	03/2020-03/2025	FRCP	-
Bills	China Bills Finance Corporation	05/2020-05/2023	FRCP	-
Bills	China Bills Finance Corporation	09/2021-09/2026	FRCP	-
Bills	International Bills Finance Corp.	09-2021-09/2024	FRCP	-
Bills	China Bills Finance Corporation and syndicate	10/2017-04/2022	FRCP Joint Underwriting,	-
Bills	Mega Bills and syndicate	11/2017-05/2021	FRCP Joint Underwriting,	-
Bills	International Bills Finance Corp. and syndicate	07/2019-08/2024	FRCP Joint Underwriting,	-
Surface Rights Registration Contract of Taipei CAL Building	Northern Region Branch of National Property Administration of the Ministry of Finance	12/31/2016-12/30/2026	Renew lease period for 10 years according to the original contract. Rental price adjustments are based on the assessment of the Announced Land Current Value and publicly announced land value.	-
Taipei CAL Building Lease Contract	FX Hotels Taiwan	09/01/99-12/30/2026	Rental subject: Located at No.131, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, CAL Building. Part of B1F 560.7 ㎡, 1F 365.3 ㎡, 10-13F 7,091 ㎡. Total: 8,016.9 ㎡. 9 parking space at B1F	-
Taipei CAL Building Lease Contract	OEC Freight Worldwide Co., Ltd. of the OEC Group	03/01/2016-12/31/2026	Rental subject: Located at No.131, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, CAL Building. 7F 1,796.8 ㎡, part of B1F 50.4 ㎡.	-

Agreement	Counterparty	Period	Major Contents	Restrictions
			1 parking space at B1F, 12 parking spaces at B2F.	
Nankan CAL Park Land Lease Contract	Costco President Taiwan Inc.	Inception of the lease: 08/30/2012 Period of leasing: 20 years from the start of the lease	Rental subject: Land located at No.705 and No.705-1 Jinzhong part, Lujhu Dist., Taoyuan City. Total: 27,709.21 ㎡	In accordance with notarized text
Kaohsiung CAL Building Lease Contract	FX Hotels Taiwan	12/31/2012-12/30/2032	Rental subject: Located at No.81, Zhonghua 3rd Rd., Qianjin Dist., Kaohsiung City. B1F 383.2 ㎡, 1F 336.8 ㎡, mezzanine 79.4 ㎡, 2F-12F 3,583.3 ㎡, roof protrusion 117.2 ㎡. Total: 4,499.9 ㎡	-
CAL Park Building Lease Contract	CAL Park Co., Ltd.	01/01/2019-12/31/2021 The contract will be automatically renewed for one year on the expiration of this period and contract renewal is every two years.	Rental subject: Administration Center Building, Crew Center Building, Flight Training Center Building, Basement Parking Lot. Total: 83107.4 ㎡.	-
Engineering consulting company commissioned with technical service	T.Y.Lin Taiwan Consulting Engineers. Inc.	03/01/2019-11/30/2020	Renewal of the lease period for 10 years according to the original contract. Rental price adjustments are based on the assessment of the Announced Land Current Value and publicly announced land value.	-
Technical Cooperation Contract	Pratt & Whitney	Effective from 12/18/2020 with no expiry date.	Became a member of GTF Engine Repair Alliance and undertook the GTF-1100G engine maintenance business.	-
Engine Maintenance Contract	ROLLS-ROYCE PLC	01/22/2008-09/30/2031	A350 Fleet Engine Maintenance	-
Engine Maintenance Contract	GE ENGINE SERVICES, LLC	10/01/2014-05/15/2028	777 Fleet Engine Maintenance	-
Engine Maintenance Contract	SOCIETE AIR FRANCE	06/01/2021-03/31/2041	777F Fleet Engine Maintenance	-

Financial Information

6.1 Five-Year Financial Summary

6.2 Five-Year Financial Analysis

**6.3 Consolidated Financial Statements for the Year's
End and Independent Auditors' Report**

**6.4 Parent Company-Only Financial Statements for the
Year's End and Independent Auditors' Report**

6.5 Audit Committee's Review Report

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2017 (Note 2)	2018 (Note 3)	2019 (Note 4)	2020 (Note 5)	2021 (Note 6)
Current assets		47,411,834	52,827,560	51,822,342	61,872,468	85,849,590
Property, plant and equipment		153,617,531	163,107,718	145,886,971	141,481,694	129,632,046
Intangible assets		1,019,345	1,210,796	1,182,692	1,076,351	1,008,992
Other assets		23,850,922	12,990,508	94,155,974	79,763,571	78,230,453
Total assets		225,899,632	230,136,582	293,047,979	284,194,084	294,721,081
Current liabilities	Before distribution	60,289,113	60,949,892	76,351,527	62,649,715	53,239,105
	After distribution	61,482,783	62,086,170	76,351,527	62,649,715	-
Non-current liabilities		106,453,000	109,139,606	156,564,335	160,832,796	164,276,958
Total liabilities	Before distribution	166,742,113	170,089,498	232,915,862	223,482,511	217,516,063
	After distribution	167,935,783	171,225,776	232,915,862	223,482,511	-
Equity attributable to shareholders of the parent		57,023,237	57,081,572	56,553,772	57,559,483	74,043,573
Capital stock		54,709,846	54,209,846	54,209,846	54,209,846	59,412,243
Capital surplus	Before distribution	799,999	1,241,214	2,488,907	1,187,327	2,694,529
	After distribution	799,999	1,241,214	1,191,065	836,746	-
Retained earnings	Before distribution	1,664,405	1,615,661	(1,297,842)	(350,581)	9,253,848
	After distribution	470,735	479,383	-	-	-
Other equity interest		(107,641)	58,223	1,196,233	2,543,766	2,713,828
Treasury shares		(43,372)	(43,372)	(43,372)	(30,875)	(30,875)
Non-controlling interest		2,134,282	2,965,512	3,578,345	3,152,090	3,161,445
Total equity	Before distribution	59,157,519	60,047,084	60,132,117	60,711,573	77,205,018
	After distribution	57,963,849	58,910,806	60,132,117	60,711,573	-

Note 1: Annual financial information from 2017-2022 was verified by Deloitte & Touche.

Note 2: In relation to the distribution of surplus earnings in 2017, after the approval by the general meeting on June 27, 2018, the legal reserve appropriated was NT\$145,831,000, the special reserve appropriated was NT\$118,810,000, and the cash dividend distributed was NT\$1,193,670,000.

Note 3: In relation to the distribution of surplus earnings in 2018, after the approval by the general meeting on June 25, 2019, the legal reserve appropriated was NT\$ 114,493,000, the cash dividend distributed was NT\$1,136,278,000, and a reversal of special reserves of NT\$105,843,000.

Note 4: The 2019 Deficit Compensation Proposal was passed at the shareholder meeting held on June 23, 2020, with legal reserve bonds of NT\$466,416,000, a special reserve of NT\$12,967,000, and a capital reserve of NT\$1,297,843,000 to make up for the losses.

Note 5: The 2020 deficit compensation plan was approved by the general meeting on March 18, 2021, Capital surplus of \$350,581 thousand was used to cover the loss; capital surplus decreased from \$1,187,327 thousand to \$836,746 thousand.

Note 6: The distribution of the surplus earnings in 2021 was approved in the 4th meeting of the 22nd Board of Directors on March 15 2022, though it has yet to be approved at the shareholders' general meeting.

6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands; EPS (net) = NT\$

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Revenue		156,121,785	170,711,607	168,444,160	115,250,550	138,841,403
Gross profit		21,972,411	17,207,531	16,686,928	10,219,201	23,354,457
Operating profit		8,826,160	4,022,383	2,665,821	2,184,416	14,968,035
Non-operating income and expenses		(5,302,197)	(941,134)	(2,762,638)	(2,838,213)	(3,841,430)
Pretax profit (loss)		3,523,963	3,081,249	(96,817)	(653,797)	11,126,605
Income from operations of continued segments - after tax		2,490,792	2,272,684	(675,002)	(279,814)	8,956,664
Income from discontinued operations		-	-	-	-	-
Net income (loss)		2,490,792	2,272,684	(675,002)	(279,814)	8,956,664
Other comprehensive income (income/loss after taxes)		(1,113,176)	(578,363)	462,758	864,072	30,581
Total comprehensive gain (loss) for the year		1,377,616	1,694,321	(212,244)	584,258	8,987,245
Net income attributable to shareholders of the parent		2,208,066	1,790,361	(1,199,798)	140,000	9,379,905
Net income attributable to non-controlling interest		282,726	482,323	524,796	(419,814)	(423,241)
Comprehensive income attributable to Shareholders of the parent		1,240,677	1,258,035	(647,085)	966,968	9,429,042
Comprehensive income attributable to non-controlling interest		136,939	436,286	434,841	(382,710)	(441,797)
Earnings (Loss) per share		0.40	0.33	(0.22)	0.03	1.67

Note 1: 2017-2021 annual financial information was verified by Deloitte & Touche.

6.1.3 Condensed Balance Sheet – Based on IFRS (Parent Company Only)

Unit: NT\$ thousands

Item		Financial Summary of the Last Five Years (Note 1)				
		2017 (Note 2)	2018 (Note 3)	2019 (Note 4)	2020 (Note 5)	2021 (Note 6)
Current assets		37,933,696	42,932,859	40,989,612	51,858,785	73,846,790
Property, plant, and equipment		142,265,548	149,029,054	131,029,886	126,414,462	115,174,548
Intangible assets		989,327	979,708	971,298	867,453	754,349
Other assets		30,729,421	21,972,600	95,885,709	81,769,065	80,875,029
Total assets		211,917,992	214,914,221	268,876,505	260,909,765	270,650,716
Current liabilities	Before distribution	54,925,364	55,179,834	68,000,173	56,740,010	45,666,704
	After distribution	56,119,034	56,316,112	68,000,173	56,740,010	-
Non-current liabilities		99,969,391	102,652,815	144,322,560	146,610,272	150,940,439
Total liabilities	Before distribution	154,894,755	157,832,649	212,322,733	203,350,282	196,607,143
	After distribution	156,088,425	158,968,927	212,322,733	203,350,282	-
Equity attributable to shareholders of the parent		57,023,237	57,081,572	56,553,772	57,559,483	74,043,573
Capital stock		54,709,846	54,209,846	54,209,846	54,209,846	59,412,243
Capital surplus	Before distribution	799,999	1,241,214	2,488,907	1,187,327	2,694,529
	After distribution	799,999	1,241,214	1,191,065	836,746	-
Retained earnings	Before distribution	1,664,405	1,615,661	(1,297,842)	(350,581)	9,253,848
	After distribution	470,735	479,383	-	-	-
Other equity interest		(107,641)	58,223	1,196,233	2,543,766	2,713,828
Treasury shares		(43,372)	(43,372)	(43,372)	(30,875)	(30,875)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	57,023,237	57,081,572	56,553,772	57,559,483	74,043,573
	After distribution	55,829,567	55,945,294	56,553,772	57,559,483	-

Note 1: Annual financial information from 2017-2021 was verified by Deloitte & Touche.

Note 2: In relation to the distribution of surplus earnings in 2017, after the approval by the general meeting on June 27, 2018, the legal reserve appropriated was NT\$145,831,000, the special reserve appropriated was NT\$118,810,000, and the cash dividend distributed was NT\$1,193,670,000.

Note 3: In relation to the distribution of surplus earnings in 2018, after the approval by the general meeting on June 25, 2019, the legal reserve appropriated was NT\$ 114,493,000, the cash dividend distributed was NT\$1,136,278,000, and a reversal of special reserve of NT\$105,843,000.

Note 4: The 2019 Deficit Compensation Proposal was passed at the shareholder meeting held on June 23, 2020, with legal reserve bonds of NT\$466,416,000, a special reserve of NT\$12,967,000, and a capital reserve of NT\$1,297,843,000 to make up for the losses.

Note 5: The 2020 deficit compensation plan was approved by the general meeting on March 18, 2021, Capital surplus of \$350,581 thousand was used to cover the loss; capital surplus decreased from \$1,187,327 thousand to \$836,746 thousand.

Note 6: The distribution of surplus earnings in 2021 was approved at the 4th meeting of the 22st Board of Directors on March 15 2022, though it has yet to be approved at the shareholders' general meeting.

6.1.4 Condensed Statement of Comprehensive Income – Based on IFRS (Parent Company Only)

Unit: NT\$ thousands; EPS (net) = NT\$

Item \ Year	Financial Summary for the Last Five Years (Note 1)				
	2017	2018	2019	2020	2021
Revenue	139,815,211	150,264,792	146,372,401	106,327,123	132,140,248
Gross profit	17,966,397	12,649,836	11,364,235	11,136,944	25,910,694
Operating profit	7,358,114	1,847,567	80,235	4,884,855	19,320,396
Non-operating income and expenses	(4,269,911)	468,064	(1,267,561)	(4,713,760)	(7,346,456)
Pretax profit (loss)	3,088,203	2,315,631	(1,187,326)	171,095	11,973,940
Income from operations of continued segments - after tax	2,208,066	1,790,361	(1,199,798)	140,000	9,379,905
Income from discontinued operations	-	-	-	-	-
Net income (loss)	2,208,066	1,790,361	(1,199,798)	140,000	9,379,905
Other comprehensive income (income/loss after tax)	(967,389)	(532,326)	552,713	826,968	49,137
Total comprehensive gain (loss) for the year	1,240,677	1,258,035	(647,085)	966,968	9,429,042
Net income attributable to shareholders of the parent	0.40	0.33	(0.22)	0.03	1.67

Note 1: Annual financial information from 2017-2021 was verified by Deloitte & Touche.

6.1.5 Condensed Balance Sheet – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.1.6 Condensed Statement of Comprehensive Income – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.1.7 Auditors' Opinions from 2017 to 2021

Year	Accounting Firm	Name of CPA	Audit Opinion
2017	Deloitte & Touche	Yang, Chen-Hsiu; Chen, Li-Chi	Unqualified Opinion
2018	Deloitte & Touche	Yang, Chen-Hsiu; Huang, Jui-chan	Unqualified opinions and other matters (Note)
2019	Deloitte & Touche	Huang, Jui-chan; Cheng, Shiu-Ran	Unqualified opinions and other matters (Note)
2020	Deloitte & Touche	Huang, Jui-chan; Cheng, Shiu-Ran	Unqualified opinions and other matters (Note)
2021	Deloitte & Touche	Huang, Jui-chan; Cheng, Shiu-Ran	Unqualified opinions and other matters (Note)

Note: The financial statements and relevant information of some subsidiaries have not been audited by Deloitte & Touche since 2018; they have been audited by other accountants. The information on how the Company's equity-accounted investments and overall gains are affected is explained in the paragraphs on "other matters".

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item (Note 2)		Year	Financial Summary of the Last Five Years (Note 1)				
			2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio		73.81	73.91	79.48	78.64	73.80
	Ratio of long-term capital to property, plant, and equipment		107.81	103.73	148.54	156.59	186.28
Solvency (%)	Current ratio		78.64	86.67	67.87	98.76	161.25
	Quick ratio		59.46	67.50	54.57	84.18	144.08
	Interest earned ratio (times)		369.02	338.05	103.79	74.92	566.29
Operating performance	Accounts receivable turnover (times)		18.40	18.30	18.13	12.64	11.98
	Average collection period		19.84	19.95	20.13	28.87	30.46
	Inventory turnover (times)		-	-	-	-	-
	Accounts payable turnover (times)		-	-	-	-	-
	Average days in sales		-	-	-	-	-
	Property, plant, and equipment turnover (times)		1.06	1.08	1.09	0.80	1.02
	Total assets turnover (times)		0.69	0.75	0.64	0.40	0.48
Profitability	Return on total assets (%)		1.60	1.48	0.76	0.75	3.76
	Return on stockholders' equity (%)		4.26	3.81	(1.12)	(0.46)	12.99
	Pre-tax income to paid-in capital (%)		6.44	5.68	(0.18)	(1.21)	18.73
	Profit ratio (%)		1.60	1.33	(0.40)	(0.24)	6.45
	Earnings per share (NT\$)		0.40	0.33	(0.22)	0.03	1.67
Cash flow	Cash flow ratio (%)		47.35	44.34	49.15	15.52	93.70
	Cash flow adequacy ratio (%)		351.58	366.94	518.33	579.28	825.91
	Cash reinvestment ratio (%)		8.82	8.17	12.24	2.98	15.20
Leverage	Operating leverage		3.16	6.00	14.20	16.28	3.11
	Financial leverage		1.18	1.52	(3.95)	(2.50)	1.19

Analysis of financial ratio differences of the last two years. (Not required if the difference does not exceed 20%.)

1. Solvency ratios: Mainly due to the increase in current assets such as cash and accounts receivable from the increasing demand in the international freight market in 2021 compared to the previous period.
2. Operating and profitability ratios: Mainly due to the increase in freight revenue, operating income and net profit after tax from the increasing demand in the international freight market in 2021 compared to the previous period.
3. Cash flow ratios: Mainly due to the increase in cash flow from operating activities from the increasing demand in the international freight market in 2021 compared to the previous period.
4. Financial leverage: Mainly due to the increase in operating income from the increasing demand in the international freight market in 2021 compared to the previous period.

6.2.2 Financial Analysis – Based on IFRS (Parent Company Only)

Item (Note 2)		Financial Summary of the Last Five Years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	73.09	73.44	78.97	77.94	72.64
	Ratio of long-term capital to fixed assets	110.35	107.18	153.31	161.51	195.34
Solvency (%)	Current ratio	69.06	77.81	60.28	91.40	161.71
	Quick ratio	49.03	57.87	45.87	76.90	142.97
	Interest earned ratio (times)	350.56	292.02	60.78	99.48	660.63
Operating performance	Accounts receivable turnover (times)	16.62	16.57	16.72	12.34	11.83
	Average collection period	21.96	22.46	21.83	29.57	30.86
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Fixed assets turnover (times)	1.03	1.03	1.05	0.83	1.09
	Total assets turnover (times)	0.66	0.70	0.61	0.40	0.50
Profitability	Return on total assets (%)	1.54	1.33	0.51	0.89	4.18
	Return on stockholders' equity (%)	3.91	3.14	(2.11)	0.25	14.25
	Pre-tax income to paid-in capital (%)	5.64	4.27	(2.19)	0.32	20.15
	Profit ratio (%)	1.58	1.19	(0.82)	0.13	7.10
	Earnings per share (NT\$)	0.40	0.33	(0.22)	0.03	1.67
Cash flow	Cash flow ratio (%)	47.41	43.61	48.16	24.19	109.78
	Cash flow adequacy ratio (%)	357.86	381.09	557.30	610.31	708.23
	Cash reinvestment ratio (%)	8.48	7.68	11.34	4.50	16.38
Leverage	Operating leverage	3.46	11.25	396.38	7.15	2.46
	Financial leverage	1.21	3.45	(0.03)	2.32	1.13

Analysis of financial ratio differences of the last two years. (Not required if the difference does not exceed 20%.)

- Solvency ratios: Mainly due to the increase in current assets such as cash and accounts receivable from the increasing demand in the international freight market in 2021 compared to the previous period.
- Operating ratios: Mainly due to the increase in freight revenue, operating income and net profit after tax from the increasing demand in the international freight market in 2021 compared to the previous period.
- Cash flow ratios: Mainly due to the increase in cash flow from operating activities from the increasing demand in the international freight market in 2021 compared to the previous period.
- Leverage ratios: Mainly due to the increase in operating income from the increasing demand in the international freight market in 2021 compared to the previous period.

Note 1: Annual financial information from 2017-2021 was verified by Deloitte & Touche.

Note 2: The calculations of the above financial ratios are based on the following formulas:

- Financial structure
 - Debt ratio = total liabilities / total assets
 - Ratio of long-term capital to property, plant, and equipment = (total shareholders' equity + non-current liabilities) / net property, plant, and equipment
- Solvency
 - Current ratio = current assets / current liabilities
 - Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
 - Interest earned ratio (times) = earnings before interest and taxes / interest expenses
- Operating performance
 - Accounts receivable turnover (including accounts receivable and notes receivable arising from business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable arising from business activities)
 - Average collection period = 365 / average accounts receivable turnover
 - Inventory turnover = cost of goods sold / average inventory
 - Accounts payable turnover (including accounts payable and notes payable arising from business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from business activities)
 - Average inventory turnover days = 365 / inventory turnover ratio
 - Property, plant, and equipment turnover = net sales / net property, plant, and equipment
 - Total asset turnover = net sales / average total assets
- Profitability
 - Return on total assets = [net income + interest expense x (1 - effective tax rate)] / average total assets
 - Return on stockholders' equity = net income / average stockholders' equity
 - Net margin = net income / net sales
 - Earnings per share = (net income attributable to owners of the parent – preferred stock dividends) / weighted average number of shares outstanding
- Cash flow
 - Cash flow ratio = net cash flows from operating activities / current liabilities
 - Cash flow adequacy ratio = five-year sum of net cash flows from operating activities / (five-year sum of capital expenditures + increase in inventory + cash dividends)
 - Cash flow cash reinvestment ratio = (net cash flows from operating activities – cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital)
- Leverage
 - Operating leverage = (net sales – variable operating costs and expenses) / operating profit
 - Financial leverage = operating profit / (operating profit – interest expenses)

6.2.3 Consolidated Financial Analysis – Based on ROC GAAP: Not Applicable.

6.2.4 Financial Analysis – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.3 Consolidated Financial Statements for the Year's End and Independent Auditors' Report: Please refer to Appendix 1.

6.4 Parent Company-Only Financial Statements for the Year's End and Independent Auditors' Report: Please refer to Appendix 2.

6.5 Audit Committee's Report

Audit Committee's Report

The Board of Directors shall prepare and send (1) the 2021 consolidated financial statement and individual financial statement that have been jointly audited by Deloitte CPAs Huang, Jui-Chan and Cheng, Shiu-Ran, who released an official unqualified opinion by March 15, 2022, and (2) the 2021 business report and Earnings Distribution Statement after having found to have no discrepancies by this audit committee and, thereupon, issue a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee: Huang, Hsieh-Hsing

March 15, 2022

Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

7.2 Analysis of Financial Performance

7.3 Analysis of Cash Flow

7.4 Major Capital Expenditure Items

7.5 Investment Policy during the Last Year, Main reasons for Profits/Losses, Improvement Plans, and Investment Plans for the Coming Year

7.6 Analysis of Risk Management

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status (Consolidated)

Analysis of Changes in Assets, Liabilities, and Equity Over the Past Two Years

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Current assets	85,849,590	61,872,468	23,977,122	38.75
Property, plant and equipment	129,632,046	141,481,694	(11,849,648)	(8.38)
Intangible assets	1,008,992	1,076,351	(67,359)	(6.26)
Other assets	78,230,453	79,763,571	(1,533,118)	(1.92)
Total assets	294,721,081	284,194,084	10,526,997	3.70
Current liabilities	53,239,105	62,649,715	(9,410,610)	(15.02)
Non-current liabilities	164,276,958	160,832,796	3,444,162	2.14
Total liabilities	217,516,063	223,482,511	(5,966,448)	(2.67)
Capital stock	59,412,243	54,209,846	5,202,397	9.60
Capital surplus	2,694,529	1,187,327	1,507,202	126.94
Retained earnings	9,253,848	(350,581)	9,604,429	2739.57
Other equity	2,713,828	2,543,766	170,062	6.69
Treasury shares	(30,875)	(30,875)	-	-
Non-controlling interests	3,161,445	3,152,090	9,355	0.30
Total equity	77,205,018	60,711,573	16,493,445	27.17

Analysis of changes in financial ratios:

- Assets: Mainly due to the increase in current assets such as cash and accounts receivable from the increasing demand in the international freight market in 2021 compared to the previous period.
- Equity: Mainly due to the increase in freight revenue, and net profit after tax from the increasing demand in the international freight market in 2021 compared to the previous period.

Future response actions: The above changes do not significantly affect the Company.

7.2 Analysis of Financial Performance (Consolidated)

Financial Performance Analysis Table

Unit: NT\$ thousands

Item \ Year	2021	2020	Difference	
			Amount	%
Revenue	138,841,403	115,250,550.00	23,590,853	20.47
Cost	115,486,946	105,031,349.00	10,455,597	9.95
Gross profit	23,354,457	10,219,201.00	13,135,256	128.54
Operating expenses	8,386,422	8,034,785.00	351,637	4.38
Operating income (loss)	14,968,035	2,184,416.00	12,783,619	585.22
Non-operating income and expenses	(3,841,430)	(2,838,213.00)	(1,003,217)	(35.35)
Pretax profit (loss)	11,126,605	(653,797.00)	11,780,402	1801.84
Income tax expense	2,169,941	(373,983.00)	2,543,924	680.22
Net income (loss)	8,956,664	(279,814.00)	9,236,478	3300.93
Other comprehensive income	30,581	864,072.00	(833,491)	(96.46)
Total comprehensive gain (loss) for the year	8,987,245	584,258.00	8,402,987	1438.23

Analysis of changes in financial ratios:

- Operating revenue, gross profit, costs, expenses, and profit or loss before tax: Mainly due to the increase in freight revenue, operating income and net profit after tax from the increasing demand in the international freight market in 2021 compared to the previous period.
- Income tax and post-tax profit or loss: Income tax expense arising from earnings in 2021.
- Other comprehensive income (net): Mainly due to the changes in the fair value of financial assets and hedging instruments measured by fair value through other comprehensive income.
- Total comprehensive income for the period: The combined effects of the descriptions of 1, 2, and 3.

7.3 Analysis of Cash Flow (Consolidated)

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item	Year	2021	2020	Difference	
				Amount	%
Cash and Cash Equivalents, Beginning of the Year		27,125,937	28,459,528.00	(1,333,591)	(4.69)
Net Cash Flow from Operating Activities		49,885,130	9,723,475.00	40,161,655	413.04
Net Cash Flow from Investing Activities		(16,665,149)	(25,048,173.00)	8,383,024	33.47
Net Cash Flow from Financing Activities		(15,267,259)	13,869,177.00	(29,136,436)	(210.08)
Exchange Rate Adjustment		191,207	121,930.00	69,277	56.82
Cash and Cash Equivalents, End of Year		45,269,866	27,125,937.00	18,143,929	66.89

Analysis of change in cash flow in the current year:

1. The difference in cash flow from operating activities was mainly due to the increase in demand in the international cargo market in 2021, which resulted in a significant increase in cargo revenue and net profit before tax compared to the previous period.
2. The difference in cash flow from investment activities was mainly due to the final settlement of 777F delivery and the maturity of the designated USD time deposit as a hedging instrument.
3. The difference in cash flow from financing activities was mainly due to repayments of long-term and short-term loans

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: None.

7.3.3 Cash Flow Analysis for the Coming Year

The cash balance at the beginning of the period was approximately NT\$35.9 billion. The expected net cash inflow from operating activities for the coming year will be approximately NT\$23.9 billion. Cash outflow from investing activities was NT\$40.7 billion. The cash on hand for the year was sufficient. It is expected that air cargo will continue to thrive in the coming year. As the freight rates remains high, the Company's cash flow remains stable.

7.4 Major Capital Expenditure Items (Parent Company-Only)

Major capital expenditures primarily include purchases of new airplanes as part of the operational expansion, which does not have a significant impact on the Company's financial operations.

7.5 Investment Policy during the Last Year, Main Reasons for Profits/Losses, Improvement Plans, and Investment Plans for the Coming Year

To support our primary airline operations and enhance the competitiveness of the CAL Group, investments are made primarily in airline industry-related companies. Currently, these include air transport, ground services, logistics and warehousing, air cargo terminals, airline catering, laundry, information networks, aeronautics, tourism services, and investing and leasing industries to create a comprehensive air service network and wide-ranging services. Due to the year-long impact of the COVID-19 epidemic in 2021, the Company's loss on investments was accounted for using the equity method which amounted to approximately NT\$3.585 billion.

In the coming year, the Company will continue to evaluate potential investments in passenger, cargo, aircraft maintenance, and aviation training.

7.6 Analysis of Risk Management

7.6.1 Impacts on Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

- A. Impacts on changes in interest rates, foreign exchange rates, and inflation on Company income
Although changes in interest and foreign exchange rates have an impact on Company income, effective control on the impact is limited.
- B. Response measures to changes in interest rates, foreign exchange rates, and inflation
To prevent changes in interest rates, foreign exchange rates, and inflation from creating risks to the Company's overall finances, regular meetings are held by the Board of Directors Risk Committee, and remain alert to economic and financial developments both in Taiwan and overseas to develop a hedging

strategy, evaluate the performance of derivatives, and set an appropriate hedge ratio. These controls help prevent changes by utilizing financial hedging instruments in the financial environment and oil prices from creating systemic financial risks and enable CAL to properly manage risk.

7.6.2 Policies, Main reasons for Gain/Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

- A. The Company does not involve itself in high-risk, highly-leveraged investments.
- B. The Company has developed the Operational Procedures for Lending Funds to Others and Operational Procedures for Endorsements/Guarantees. Risks of such operations are controlled through strict assessment. Therefore, loans and endorsements/guarantees do not bring profits nor cause losses to the Company.
- C. The Company's derivative products include forward foreign exchange and foreign exchange options contracts and oil options contracts, which are primarily to hedge against the risk of fluctuations in oil prices, interest rates, and foreign exchange rates. Transactions are performed in accordance with the Company's Operational Procedures for Derivatives Trading and are regularly evaluated to ensure effective risk controls.

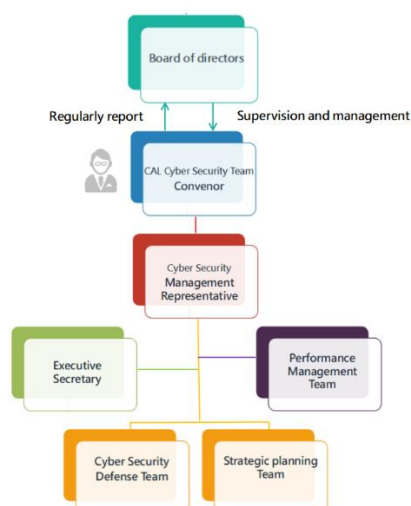
7.6.3 Future Research & Development Projects and Corresponding Budgets: Please refer to page 114-116.

7.6.4 Impacts on and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

7.6.5 Impacts on and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

A. Cyber Security Risk Management Structure

In order to strengthen cyber security, establish a solid cyber security management system, and in compliance with international information security standards and domestic information security regulations, the "Information and Communication Security Promotion Team" of China Airlines was set up, in which the Vice President of the Information Management Division acts as the convener and reports matters on information and communication security to the Board annually. Chairman Hsieh, Su-Chien is well qualified and has wide experience in management and cybersecurity. He has earlier served as the chairman of Sabre (Taiwan) Ltd., is quite conversant with cybersecurity governance and monitors information operations promptly.



B. Cyber Security Policies

To ensure the smooth the Company's business operation, to prevent unauthorized access, use, control, leakage, destruction, tampering, destruction, or other infringement of information or information systems, and to ensure confidentiality, integrity, and availability, the Company has established the following policies for all of all employees to follow:

- (1) Establish a risk management mechanism for cyber security and regularly review the effectiveness of cyber security risk management based on the changes in the internal and external cyber security situation.
- (2) Avoid unauthorized access and data tampering to ensure the confidentiality and integrity of the sensitive information and information system.
- (3) Strengthen the resilience of the core information and communication system to ensure the continuous operation of the Company's business.
- (4) The vendors and suppliers shall follow these policies and related procedures and shall not use or misuse the Company's information assets without authorization, and shall sign a security agreement and a confidentiality agreement.
- (5) In response to changes in the cyber security threat situation, the Company shall conduct cyber security education and training to enhance the cyber security awareness of the Company's employees, who shall also participate in the training.
- (6) Establish information security management indicators to be followed, and ensure that the objectives are measurable and follow the appropriate information security requirements.
- (7) Do not open any emails from unknown or unidentifiable senders.
- (8) For identification and accountability purposes, prohibit multiple users from sharing a single account (e.g., top authority or system administrator account). The system's default account with the top authority shall also be disabled. Exceptions shall be approved by the supervisor and submitted to the management representative for approval.

C. Cyber Security Management Practices

(1) Information System's Cyber Security Maintenance

The major directions of the Company's information security strategy have been focused on three aspects, including information security governance, daily maintenance and operation, and infrastructure protection, in which there are contained risk management, legal compliance, and corporate policies; the strategy fully enhances the Company's information security protection capabilities from internal systems to external regulations, and from the level of personnel to that of organization.

In response to various external attack methods, the Company has adopted relevant defense mechanisms. Every year, the Company commissions external information security experts to assist in penetration testing and information security assessment (e.g., network architecture review, network malicious activity review, etc.). The Company also regularly stays informed of information security issues and plans responses accordingly. In addition, the Company performs information security incident reporting and carries out response drills on its own. These are performed to examine the effectiveness of defense and the ability to respond to incidents. In each stage of system development and maintenance, weakness identification and repair are performed with various testing technologies to ensure the safety of service usage.

(2) Regular Evaluations and Exercises

In accordance with the Cyber Security Management Act, the Company conducts a risk assessment of information and information and communication systems every year, and evaluates the cyber security responsibility levels of the core information and communication systems in aspects of confidentiality, integrity, availability, and compliance. The Company also develops a business continuity plan for the core information and communication systems and conducts a business continuity drill at least once every six months for the major network equipment. This ensures timely and effective recovery of operational conditions to minimize possible losses in the event of disruptions. In addition, operational continuity plans are re-examined and evaluated periodically to ensure availability and integrity.

(3) Cyber Security Training:

Every year, every cyber security and information personnel receives at least 12 hours of professional training or functional training on cyber security; other employees receive at least 3 hours of general cyber security education and training to enhance information security awareness. In 2021, there were a total of 54,996 participants in the information security-related training sessions. In addition, to strengthen all employees' information security awareness, recognition ability, and alertness, the Company conducted five random social engineering drills in 2021, and the rate of opening emails and clicking on URLs for the fifth time was 0.12% (domestic 0.09%, foreign 0.29%, and Mandarin Airlines 0.11%), which is a significant improvement compared to the previous four times of 12.33%, 6.82%, 1.2%, and 0.7%. Besides, except promoting information security through various methods, the Company has also incorporated integrity management into employee performance evaluation and human resources policies, and has established a clear and effective reward and punishment system to comply with the workplace code of conduct.

(4) Notification of Cyber Security Incidents:

The cyber security incident notification and response mechanism are initiated based on the level of cyber security incidents, vulnerability reports, and emergency preparedness; notification and response procedures are in place to control their impact and post-incident recovery. The dedicated personnel will determine whether there is immediate danger, and will take immediate notification measures if necessary, and notify each unit to take relevant precautions and share relevant information in the meeting of aviation safety and corporate safety accordingly. To strengthen the emergency response procedures and plans, a cyber security incident notification and response drill plan is formulated at the beginning of each year, and the organization's internal information security drills are completed by the end of the year to confirm the effectiveness of the incident notification mechanism and procedures, and that the drill results meet the expectations. In 2021, the Company has established an "Information Security Threat and Vulnerability Report" team to conduct immediate reporting, risk assessment, and correction of various threats.

(5) Information Security Verification and Audit:

In order to maintain the validity of the certification and establish a more complete management system, the Company implemented ISO27001:2013 for core information security management system and ISO27701:2019 for privacy information management system in 2021, and complied with the requirements and implementation of international standards, and obtained the certificate in December. In addition, the Company's Information Management Division conducts self-audits and compliance assessments on a semi-annual basis, and independent audits are conducted by the auditing unit to implement monitoring and audits to ensure the operation of the overall mechanism. Moreover, the CAA of the Ministry of Transportation and Communications (MOTC) conducted the annual security inspection of the Company's airline network in August, 2021, and found no deficiencies and no security measures or procedures that should be enhanced. the Company's information security system was highly recognized by the CAA.

(6) Resources Devoted to Cyber Security Management (total number of personnel devoted, number of relevant meetings held or insurance coverage):

The Company assigns the Vice President of the Information Management Division, who is responsible for information security policy promotion and resource allocation, as the Chief Information Security Officer. In addition, the Company has set up a dedicated unit, director and staff for information security to facilitate the cyber security management, and the director of information security provides a summary of information security highlights in the business meeting every week.

(7) Losses, Possible Impacts and Responses to Major Information and Cyber Security Incidents:

None.

D. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

The Company continues to pay attention to the changes in external cyber security-related technology, grasp the trend of technology, continue to refine the multi-layer protection mechanism, introduce international information security certification standards and comply with laws and regulations, and evaluate the impact on the Company's operations to reduce the overall cyber security risk. For the most recent year and up to the date of the annual report, technological changes (cyber security risks) and

industry changes have not had a significant impact on the Company's operations.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management and the Company's Response Measures

The Company has established a long-term safety management system and complied with standard operating procedures. It continued to improve aviation and aircraft maintenance and implemented the highest standard of flight safety. In the spirit of SOP+, various services were implemented, which were recognized by major domestic and overseas awards. The Company also actively invested in social welfare, fulfilled corporate responsibilities, and incorporated environmental management into its operational focus. If there are any false or negative news, messages, or incidents that affect the Company's image, a response will be acted upon immediately with an explanation and clarification given to the public. Posts will be written with explanations on the website or social media platform, if necessary, to reduce negative effects.

At the time of the spread of COVID-19, the global aviation industry was hit and epidemic safety became another focus of operational management. The Company disseminates correct information on pandemic prevention and management both internally and externally, and strengthens brand communication to prevent the spread of misinformation. The Company keeps track of the global market dynamics and effectively integrates passenger and cargo aircraft capacity allocation, actively pursues urgent cargo, cold chain goods, and high-priced charter flights, etc. to seize cargo opportunities and increase revenue through a multi-faceted sales strategy. Meanwhile, we continue to improve our passenger transportation products and services and strengthen our pandemic prevention efforts to lay a solid foundation for the recovery of the passenger transportation market.

7.6.7 Expected Benefits from, Risks Relating to, and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits from, Risks Relating to, and Response to Factory Expansion Plans: None.

7.6.9 Risks Related to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.

7.6.10 Effects of, Risks Relating to, and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%: None.

7.6.11 Effects of, Risks Relating to, and Response to the Changes in Management Rights: None.

7.6.12 Litigation or Non-litigation Matters

Any Major Litigation, Non-litigation, or Administrative Disputes Involving the Company That Are Already Finalized or Still Pending.

No.	Case Name	Summary	Disputed Amount (NT\$)	Litigants	Current Status
1	Litigation for refunding overpayment on aircraft rental	1. In 2002, the Civil Aeronautics Administration (CAA) unilaterally terminated an aircraft rental contract with the Company for six aircraft, resulting in early termination of the contract, which changed the nature of the lease and the rent calculation	More than 1.2 billion	Plaintiff: China Airlines Defendant: Civil Aeronautics Administration	On November 27, 2019, the entire case was appealed in the third instance. The Supreme Court affirmed that the Company's proposal to exclude the offsetting amount of the final rental payment was an important method of attack and therefore the original decision

No.	Case Name	Summary	Disputed Amount (NT\$)	Litigants	Current Status
		<p>basis and which resulted in rent overpayment by the Company.</p> <p>2. In 2010, the CAA resolved that the Civil Aeronautics Administration should pay the Company more than NT\$1.5 billion, and, in 2015, the Supreme Court revoked the arbitration judgment, which resulted in the Company filing a civil lawsuit against the CAA to recoup the aforementioned rent overpayment.</p> <p>3. This case has gone through the First and Second Instance trials. The court agreed that there was an overpayment of rent. However, due to incorrect logic used in the calculation, it mistakenly recognized that the Company had offset the final rent payment, so it was judged that the Company had no reason to request the CAAC to return the overpayment of rent.</p>			<p>was vacated and remanded to the Taiwan High Court.</p> <p>On March 16, 2022, the Supreme Court ruled in the Company's favor in a partial victory, that the CAA should pay China Airlines NTD 178,728,146, plus interest at 5% per annum from March 3, 2011 to the date of settlement. The Company will make an appeal for the partial defeat.</p>

7.6.13 Other Major Risks:

1. CAL fully understands the importance of risk management and the potential for interactions resulting from different types of risk. CAL formed a Risk Committee directly under the supervision of the Board of Directors to improve risk management and require subordinate units to control for each major risk category.

The CAL Risk Management Organization and Units Responsible for Implementation

Type of Risk	Responsible Department	Risk Management Measures
Operating Risk	Corporate Development Office	The operating environment for the aviation industry is ever changing. Major political and economic events as well as unexpected internal or external events can have a huge impact on the company's operations. The Corporate Development Office analyzes potential political, economic, aviation industry, and internal company situations that could affect the Company, and proposes concrete response plans to reduce their impact on China Airlines' strategic direction and annual business plan.
Safety Risk	Corporate Safety Office	Safety is the most basic principle and core value of China Airlines' business operation as well as its responsibility and commitment to each customer. According to the Safety Management System (SMS), the Company constructs safety risk management. In relation to internal and external operation risks, such as navigation, maintenance, air service, and ground operation, the Company maintains operational risk within an acceptable range through continuous hazard identification and risk management, and proposes improvement measures to effectively enhance the overall safety performance of the Company.
Financial Risk	Finance Div.	Both domestic and global economies affect the operating results of the Company. Primary operating costs for airlines include interest rates, exchange rates, fuel, and outside factors that can result in significant volatility. Therefore, the Finance Division utilizes financial hedging instruments to adjust the above factors within a certain range, regularly monitors financial risk, and develops relevant strategies and measures to effectively manage financial risk.

2. Business strategy improvement measures in response to the impact of COVID-19 in 2021 are as follows:
 - (1) Monthly rolling review and shift scheduling to reduce losses.
 - (2) Seek business opportunities for various types of charter flights (student, corporate, Taiwanese businessman, theme, and type of charter flights) during the pandemic period to increase revenue.
 - (3) Conduct a comprehensive review and timely revision of various fares, keep abreast of the news of inter-airline and the industry, strengthen member and e-commerce relationships, and visit and develop potential corporate customers.

- (4) At the beginning of the year, for flights with rigid demand, the Company will refer to inter-airline's pricing and space allocation arrangements, instead of using the previous forward control method, in order to increase passenger revenue.
- (5) After the middle of the year, the Company will flexibly adjust our flights and refer to inter-airline's selling prices, marketable selling prices, and seat allocation arrangements.
- (6) Enhance passenger reservation and ticketing service training courses to strengthen the professional skills of our employees.

7.7 Other Important Matters: None.

Special Disclosure

8.1 Summary of Affiliated Companies

**8.2 Private Placement Securities in the Most Recent
Years**

**8.3 Shares in the Company Held or Disposed of by
Subsidiaries in the Most Recent Years**

8.4 Special Notes

**8.5 Matters Having Major Impacts on Shareholder
Equity or Share Prices**

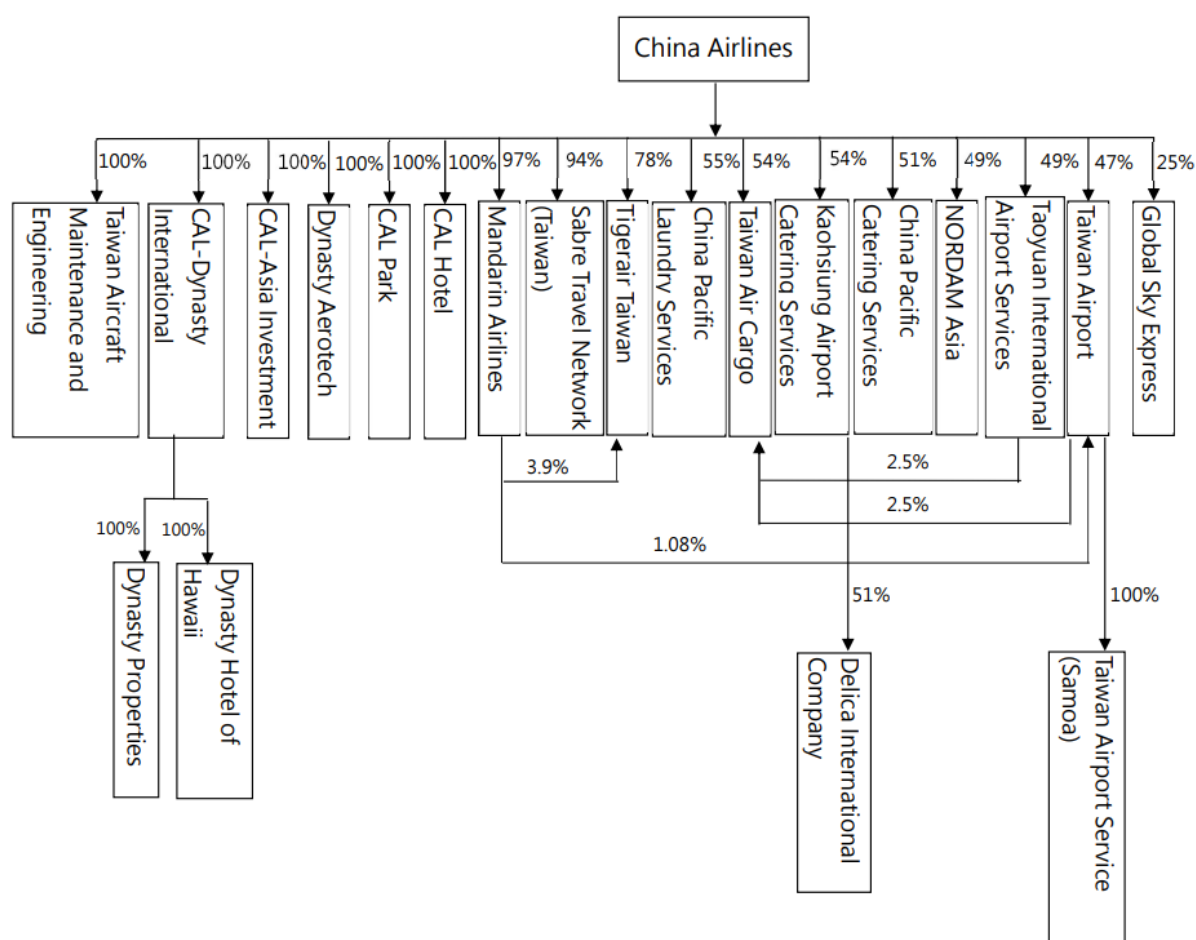
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Basic information of Affiliated Companies

A. Affiliated Companies Chart

Dec. 31, 2021



Note: The affiliates listed above are companies in which the company has invested in and have a 50% or higher voting share, or the means to control, either directly or through a subsidiary company. China Pacific Laundry Services, China Pacific Catering Services, and Nordam Asia are joint ventures.

B. Basic information of Affiliated Companies

Dec. 31, 2021/Unit: NT\$ thousands

Company	Date Founded	Address	Capital (Note)	Principal Activities
1. CAL-Dynasty International, Inc.	07/01/1991	200 Continental Blvd. Suite #101 El Segundo, CA90245, U.S.A.	775,241	Holding & investing
1A Dynasty Properties Co., Ltd.	08/15/1973	200 Continental Blvd. Suite #101 El Segundo, CA90245, U.S.A.	14,826	Real estate investing & property leasing
1B Dynasty Hotel of Hawaii, Inc.	12/10/1973	1830 Ala Moana Blvd. Honolulu, Hawaii 96815, U.S.A.	118,606	Hotel service
2. CAL-Asia Investment Inc.	06/29/1995	Mandar House, 3rd Floor, P.O. Box 2196, Johnson's Ghut, Tortola, VG1110, Virgin Islands, British	212,671	Holding & investing
3. Dynasty Aerotech International Corp.	05/11/1989	No.6, Hangqin S. Rd., Dayuan District, Taoyuan City	77,270	Aviation ground handling service & cleaning service
4. CAL Park Co., Ltd.	09/06/2006	No.1, Hangzhan S. Rd., Dayuan District, Taoyuan City	1,500,000	Real estate leasing & parking lot management
5. CAL Hotel Co., Ltd.	01/03/2007	No.1-1, Hangzhan S. Rd., Dayuan District, Taoyuan City	465,000	Hotel business
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	01/16/2015	No.15, Hangqin S. Rd., Dayuan District, Taoyuan City	1,350,000	Aircraft maintenance and repair
7. Mandarin Airlines, Ltd.	04/29/1991	2F, No.3, Alley 123, Lane 405, Dunhua N. Rd., Songshan District, Taipei City	2,001,825	Civil air transport
8. Sabre Travel Network (Taiwan) Ltd.	10/09/1990	15F, No.57, Fuxing N. Rd., Songshan District, Taipei City	138,618	IT service & GDS
9. Tigerair Taiwan Co., Ltd.	04/21/2014	No.3, Alley 123, Lane 405, Dunhua N. Rd., Songshan District, Taipei City	2,800,000	Civil air transport
10. China Pacific Laundry Services Ltd.	09/08/1997	No.7, Lane 54, Sande Street, Luzhu District, Taoyuan City	250,000	Laundry service
11. Taiwan Air Cargo Terminal Ltd.	12/22/1999	No.10-1, Hangqin N. Rd., Dayuan District, Taoyuan City	2,500,000	Air cargo and storage service
12. Kaohsiung Airport Catering Services Ltd.	09/27/1999	No.2-10, Zhongshan 4th Rd., Xiaogang District, Kaohsiung City	400,500	Catering service
12A Delica International Co., Ltd.	05/24/2016	No.2-10, Zhongshan 4th Rd., Xiaogang District, Kaohsiung City	20,000	Catering service
13. China Pacific Catering Services Ltd.	08/19/1994	No.22, Lane 156, Section 2, Haishan Rd., Luzhu District, Taoyuan City	861,000	Catering service
14. NORDAM Asia Ltd.	12/07/2017	No.15, Hangqin S. Rd., Dayuan Dist., Taoyuan City	77,500	Aircraft maintenance and repair
15. Taoyuan International Airport Services Co., Ltd.	11/08/1978	No.15, Hangqin N. Rd., Dayuan District, Taoyuan City	700,000	Aviation ground handling service
16. Taiwan Airport Service Co., Ltd.	07/19/1966	3F, No.340, Dunhua N. Rd., Songshan District, Taipei City	435,600	Aviation ground handling service
16A Taiwan Airport Service (Samoa) Co., Ltd.	03/22/2004	TrustNet Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	174,262	Holding & investing
17. Global Sky Express Ltd.	09/29/1994	8F-3, No.186, Section 4, Nanjing East Rd., Songshan District, Taipei City	10,000	Air freight forwarder

Note: Capital was calculated using the exchange rate at the end of 2021: 1 TWD = 0.0361 USD.

C. Overall Description of the Industries in which Affiliated Companies Operate (Including Subsidiaries and Other Invested Companies)

China Airlines' affiliated companies can be divided into seven categories, each of which is highly dependent on the Company's operations, and include airlines, ground services, air transport support, aerospace technology, logistics and warehousing, tourism and leisure, and investment holdings and leasing. The categories are described below:

Classification	Description
Airlines	Mandarin Airlines provides domestic and international passenger and cargo air transport services to further capitalize on CAL's competitive advantage in the cross-strait market. Tigerair Taiwan is tasked with operating in the Asian low-cost carrier market to develop new business opportunities.
Ground Handling Services	Ground services at Taiwan Taoyuan and Taitung Airports are provided by Taoyuan International Airport Services Co., Ltd., while those for Kaohsiung Airport and all other domestic airports are served by Taiwan Airport Service Co., Ltd. Overseas, the Company has invested in Jardine Aviation Services in Hong Kong, which serves as China Airlines' ground handling agent in Hong Kong. Cleaning and repair ground services are provided by Dynasty Aerotech International Corp.
Air Transport Support	The Company has invested in domestic airline reservation system operations and maintenance provider, Sabre Travel Network (Taiwan) Ltd. Overseas, the Company has invested in Singapore's Everest Company. In-flight catering services are provided for northern Taiwan by China Pacific Catering Services Ltd. and by Kaohsiung Airport Catering Services in the South. Delica International Co., Ltd. is the subsidiary of Kaohsiung Airport Catering Services. China Pacific Laundry Services Ltd. provides laundry services for textiles and clothing used aboard aircraft and general laundry services for the hospitality industry.
Logistics and Warehousing	Domestically, Taiwan Air Cargo Terminal Ltd. is responsible for providing warehousing services at Taiwan Taoyuan Airport and Kaohsiung International Airport. In Mainland China, the Company made indirect investments in Airport Air Cargo Terminal (Xiamen) Co., Ltd. and Airport Air Cargo Service (Xiamen) Co., Ltd. Logistics services are provided domestically by invested companies, Global Sky Express Ltd. and Chung Hwa Express Corp. Overseas, the Company has indirectly invested in Hong Kong's Eastern United International Logistics.
Aerospace Technology	In the aerospace technology industry in Taiwan, the Company has invested in Taiwan Aircraft Maintenance and Engineering Ltd., which is responsible for all aspects of maintenance and repair services for Boeing 777 and 737 and Airbus A320 and A350 models. NORDAM Asia provides thrust reverser and composite material maintenance services in the Asian region. Overseas, the Company invested in Xiamen Taiko Landing Gear Co. in Mainland China, which provides and maintains landing gear, and HAECO Composite Structures (Jinjiang) Co. Ltd., which provides composite material maintenance. In Hong Kong, the Company invested in China Aircraft Services Ltd., which provides aircraft maintenance capacity.
Tourism and Leisure	Domestic investment includes CAL Hotel Co., Ltd. Overseas investments include an indirect investment in Dynasty Hotel of Hawaii, Inc. in the USA and investment in Japan's Dynasty Holidays.
Investment Holdings and Leasing Business Group	The established CAL-Dynasty International, Inc., which makes indirect investments in Chinese and American companies, is engaged in real estate investments and leasing management. CAL-Asia Investment Inc. and Taiwan Airport Service (Samoa) Co., Ltd. are engaged in general investment holdings.

D. Directors, Supervisors, and Presidents of Affiliated Companies

Dec. 31, 2021
Units: Shares; %

Company	Title	Name	Shareholding	
			Shares	%
1. CAL-Dynasty International, Inc.	Chairman	Hsieh, Su-Chien (Note 1)	2,614,500 (USD10, share)	100
	Director	Kao, Shing-Hwang (Note 1)		
	Director (President)	Hsu, Pao-Chieh (Note 1)		
1A Dynasty Properties Co., Ltd.	Chairman (President)	Hsu, Pao-Chieh (Note 2)	7,000 (USD100, share)	100
	Director	Kao, Shing-Hwang; Wang, Ching-Ting (Note 2)		
1B Dynasty Hotel of Hawaii, Inc.	Chairman	Hsu, Pao-Chieh (Note 2)	400,000 (USD10, share)	100
	Director	Yen, Yang (Note 2)		
	Director (President)	Pan, Wen-Tsung (Note 1)		
2. CAL-Asia Investment Inc.	Chairman	Hsieh, Su-Chien (Note 1)	7,172,346 (USD1, share)	100
	Director	Kao, Shing-Hwang (Note 1)		
	Director (President)	Wang, Chen-Min (Note 1)		
3. Dynasty Aerotech International Corp. (Note 3)	Chairman	Sun, Jia-Min (Note 1)	77,270	100
	Director	Liu, Der-Chuan; Huang, Hui Na; Tsai, Chih Hung (Note 1)		
	Supervisor	Wang, Wei (Note 1)		
	Director (President)	Lin, Ruey Jye (Nominated By China Airlines)		
4. CAL Park Co., Ltd.	Chairman	Hsieh, Su-Chien; (Note 1)	150,000,000	100
	Director	Huang, Hui Na (Note 1)		
	Supervisor	Fang, Juo-Ling (Note 1)		
	Director (President)	Kao, Shing-Hwang (Note 1)		
5. CAL Hotel Co., Ltd.	Chairman	Hsieh, Su-Chien; (Note 1)	46,500,000	100
	Director	Wang, Chen-Min; Kao, Shing-Hwang; Wang, Houng; Lai, Ming-Hui (Note 1)		
	Supervisor	Fang, Juo-Ling; Wang, Ching-Ting (Note 1)		
	President	Eric Rimbeuf Garnier		
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Chairman	Wang, Houng (Note 1)	70,000,000	100
	Director	Chen, I-Chieh ; Sun, Jia-Min; Tsai, Chih Hung ; Wang, Chen-Min (Note 1)		
	Supervisor	Fang, Juo-Ling; Wang, Ching-Ting (Note 1)		
	President	Chang, Hsu Yu (Nominated By China Airlines)		
7. Mandarin Airlines, Ltd.	Chairman	Kao, Shing-Hwang (Note 1)	387,831,234	96.96
	Director	Chen, I-Chieh ; Lai, Ming-Hui ; Wang, Houng; Wang, Chen-Min; Peng, Pao-Chu (Note 1)		

Company	Title	Name	Shareholding	
			Shares	%
	Independent Director	Hsieh,Yung-Ming (Independent Directors Undertaking Public Welfare)		
	Supervisor	Wang,Wei		
	Director (President)	Lee,Jung-Hui (Note 1)		
8. Sabre Travel Network (Taiwan) Ltd.	Chairman	Chung,Ming-Jyh (Note 1)	13,021,042	93.93
	Director	Chen,Pei-Ti ; Peng, Pao-Chu (Note 1)	609,000	4.39
	Director	Brett Scott Thorstad (Represent Sabre Travel Network Asia Pacific)		
	Supervisor	Ho, Hui-Fen		
	President	Lee,Hsien-Kuang (Nominated By China Airlines)		
9. Tigerair Taiwan Co., Ltd.	Chairman	Chen,Han-Ming (Note 1)	313,631,656	78.41
	Director	Lee,Jung-Hui; Wang,Wei ; Wang, Chen-Min; Chang, Cheng-Hao; Chen, I-Chieh; (Note 1)		
	Director	Hsiao, Po Jen; Hsu, Yang Che; Jao, Shihchen; Yen, Sin-Hui		
	Independent Director	Chen, I-Heng(Independent director undertaking public welfare); Fan, Hung-Shu; Yang, David		
	President	Chang,Ming-Wei		
10. China Pacific Laundry Services Ltd.	Chairman	Tsao,Jyh-Fen (Note 1)	13,750,000	55
	Director	Hong, Tsu-Kuang; Chu, Te-Hsiu; (Note 1)		
	Director	Chan, Derrick (Represent Hendriz Holding)	3,750,000	15
	Director	Yeung, Maggie (Represent Heathlee Int'l)	3,750,000	15
	Supervisor	Caho,Wen-Kan (Represent Merton Lake)		
	Supervisor	Huang,Hui Na	3,750,000	15
	President	Lin,Chun-Nan (Nominated By China Airlines)		
11. Taiwan Air Cargo Terminal Ltd.	Chairman	Wang, Chen-Min (Note 1)	135,000,000	54
	Deputy Chairman	Charles C. Y. Chen (Represent Eyon Industrial Co.)	6,000,000	2.4
	Director	; Chang, Cheng-Hao; Liu, Der-Chuan (Note 1)		
	Director (President)	Mao,Li-Chung		
	Director	UPS	20,000,000	8
	Director	Michael Shea (Represent Hsin Feng Corp.)	7,000,000	2.8
	Supervisor	Ho, Hui-Fen		
	Supervisor	Chen, Jyi-Fu (Represent Express Container Terminal Corp.)	15,000,000	6
12. Kaohsiung Airport Catering Services Ltd.	Chairman	Wang, Houng (Note 1)	21,494,637	53.67
	Director	Chen,I-Chieh ; Tsao,Jyh-Fen (Note 1)		
	Director	Lin, Jyh-Jong; Tsai, Ta-Wei (Nominated By Uni Airways Corporation)	16,178,945	40.4
	Supervisor	Han, Lan-Ping (Nominated By Evergreen International Corporation)	10,000	0.02
	Supervisor	Yen, Yang		
	President	Guo, Hou-Li		
12A. Delica International Co., Ltd	Chairman	Lee, Ho-Yuan (Nominated By Kaohsiung Airport Catering Services)	1,020,000	51
	Director	Lin, Jyh-Jong (Nominated By Kaohsiung Airport Catering Services)		
	Director	Tokuyama, Keiichi; Tokuyama, Keisuke (Nominated By F. TEC Co., Ltd)	980,000	49
	Supervisor	Lai, Li Chao; Araki, Osamu		
	President	Eguchi, Kenichi		
13. China Pacific Catering Services Ltd.	Chairman	Yeh, Chu-Lan (Note 1)	43,911,000	51

Company	Title	Name	Shareholding	
			Shares	%
	Director	Hong, Tsu-Kuang; Tsao, Jyh-Fen (Note 1)	21,045,500	24.5
	Director	Wu, Hsiu-Lan; Mao, Chi-Chiung (Represent Aldeburgh Limited)		
	Supervisor	Fang, Juo-Ling	21,045,500	24.5
	Supervisor	Caho, Wen-Kan (Represent Deli Holdings Limited)		
	President	Chen, Jo-Ching (Nominated By China Airlines)		
14. NORDAM Asia Ltd.	Chairman	T. Hastings Siegfried (Nominated By The NORDAM Group)	3,952,500	51
	Deputy Chairman	Wang, Houng (Note 1)	3,797,500	49
	Director	Sun, Jia-Min (Note 1)		
	Director	J. Terrell Siegfried · Jamie Lane (Nominated By The NORDAM Group)		
	Supervisor	Ralph McDavid		
	Supervisor	Ho, Hui-Fen		
	President	Jose Bernal		
15. Taoyuan International Airport Services Co., Ltd.	Chairman	Wang, Chen-Min (Represent Motc)	31,500,000	45
	Director	Hsu, Cheng-Chang; Chang, Chang-Chi; Hu, Di-Qi ; Lee, Chun-Hsiung (Represent Motc)	34,300,000	49
	Director	Chen, I-Chieh ; Chang, Young; Wang, Houng; Chu, Te-Hsiu; Lu, Shih-Ming (Note 1)		
	Director (President)	Chen, Ting-Ming		
	Director	He, Jing-Yi (Represent UPS)	4,200,000	6
	Supervisor	Wang, Wei		
	Supervisor	Li, Shen-Yi		
16. Taiwan Airport Service Co., Ltd.	Chairman	Chen, I-Chieh (Note 1)	20,626,644	47.35
	Director (President)	Peng, Long-Min (Note 1)		
	Director	Lu, Shih-Ming (Note 1)	7,085,300	16.27
	Director	Li, Li-Yu (Representing juridical person shareholder Rih Hsin Asset Management Company)		
	Director	Chang, Chieh-Tang (Represent Goldsun Building Materials)		
	Supervisor	Fang, Juo-Ling	7,405,200	17
	Supervisor	Chen, Yao-Ming		
16A Taiwan Airport Service (Samoa) Co., Ltd.	Authorized Signatory	Chen, I-Chieh (Represent Taiwan Airport Service Co.)	5,876,976 (USD1, share)	100
17. Global Sky Express Ltd.	Chairman	Li, Chung-Hui	50,000	5
	Director	Liu, Der-Chuan; Shann, Da-Sin; Chang, Cheng-Hao (Note 1)	250,000	25
	Director	Pao, Hsueh-Chao	40,000	4
	Director	Huang, Nan-Sheng	50,000	5
	Director	Wei, Ching-Li	20,000	2
	Director	Hsiao, Yu-Hsin	20,000	2
	Director	Chung, Mei-Chih (Represent Leader Mutual Freight System)	20,000	2
	Supervisor	Huang, Hui-Na	10,000	1
	Supervisor	Yeh, Chien-Tien		
	Supervisor	Chiang, Ming-Fang (Represent Morrison Express)		
	Supervisor	Chiang, Ming-Fang (Represent Morrison Express)	50,000	5
	President	Hwang, Chun-Chyuan (Nominated By China Airlines)		

Note 1: Representative of juridical person shareholder, China Airlines.

Note 2: Representative of juridical person shareholder, CAL-Dynasty International, Inc.

E. Affiliated Company Business Overview

Dec. 31, 2021

Unit: NT\$ thousands; EPS=NT\$

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
1. CAL-Dynasty International, Inc.	724,238	1,274,453	107,082	1,167,372	206,749	10,346	10,237	3.92
1A Dynasty Properties Co., Ltd.	19,391	613,923	113,871	500,052	81,592	19,487	14,861	2123.06
1B Dynasty Hotel of Hawaii, Inc.	110,803	452,939	109,679	343,260	123,648	(10,810)	(8,251)	(20.63)
2. CAL-Asia Investment Inc.	198,680	514,963	0	514,963	0	52,065	50,554	7.05
3. Dynasty Aerotech International Corp.	77,270	239,368	91,789	147,579	383,590	59,134	48,620	629.22
4. CAL Park Co., Ltd.								
5. CAL Hotel Co., Ltd..	1,500,000	4,935,716	3,412,866	1,522,849	321,379	73,505	17,182	0.11
6. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	465,000	663,382	328,982	334,400	246,723	(100,290)	(70,040)	(1.51)
7. Mandarin Airlines, Ltd.	700,000	3,046,728	2,488,811	557,918	214,232	(106,446)	(141,846)	(2.03)
8. Sabre Travel Network (Taiwan) Ltd.	4,000,000	8,751,784	6,851,484	1,900,300	2,424,462	(1,330,280)	(1,565,065)	(3.91)
9. Tigerair Taiwan Co., Ltd.	138,618	248,379	45,362	203,017	19,853	(61,188)	(44,817)	(3.23)
10. China Pacific Laundry Services Ltd.	4,000,000	13,437,641	9,667,729	3,769,912	244,225	(2,779,298)	(2,269,379)	(5.67)
11. Taiwan Air Cargo Terminal Ltd.	250,000	363,912	144,137	219,775	78,367	(75,623)	(53,487)	(2.14)
12. Kaohsiung Airport Catering Services Ltd.	2,500,000	5,574,982	2,441,936	3,133,046	2,621,263	700,260	542,748	2.17
12A Delica International Co., Ltd.	400,500	1,013,637	403,983	609,654	1,075,667	(180,683)	(70,287)	(1.75)
13. China Pacific Catering Services Ltd.	20,000	15,660	219	15,441	0	0	7	0.00
14. NORDAM Asia Ltd.	861,000	3,464,241	2,418,651	1,045,590	348,473	(456,318)	(338,326)	(3.93)
15. Taoyuan International Airport Services Co., Ltd.	77,500	399,193	340,345	58,849	0	(16,281)	(18,227)	(2.35)
16. Taiwan Airport Service Co., Ltd.	700,000	2,510,856	1,258,414	1,252,443	2,058,975	(297,333)	40,319	0.58
16A Taiwan Airport Service (Samoa) Co., Ltd.	435,600	1,199,017	908,884	290,133	234,855	(260,555)	(125,763)	(2.89)
17. Global Sky Express Ltd.	162,797	406,340	0	406,340	0	0	32,736	5.57
	10,000	48,869	18,349	30,520	249,119	9,683	7,748	7.75

Note 1: Capital, total assets, total liabilities, total equity were calculated using the exchange rate at the end of 2021.

Note 2: Operating revenue, operating profit, and income for the period were calculated using the 2021 quarterly average exchange rates.

Note 3: Exchange rates at the end of 2020 were 1 TWD = 0.0361 USD; 0.2301 CNY.

Note 4: Quarterly average exchange rates in 2020 were as follows:

Q1 : 1 TWD = 0.0354 USD; 0.2298 CNY.

Q2 : 1 TWD = 0.0357 USD; 0.2306 CNY.

Q3 : 1 TWD = 0.0359 USD; 0.2319 CNY.

Q4 : 1 TWD = 0.0360 USD; 0.2304 CNY.

- (2) Affiliated Companies' Consolidated Financial Statements: Information requiring disclosure regarding affiliated companies' consolidated financial statements is included in Appendix 1 Consolidated Financial Statements. The Company will no longer prepare a separate consolidated financial statement for affiliated companies.
- (3) Relationship Report: China Airlines is not the subsidiary of any company, and therefore, a relationship report is not required.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

Mar. 28, 2022
Units: NT\$; shares; %

Company	Capital	Source of Funds	Stake in Subsidiary (%)	Date of Acquisition or Disposal	Number of Shares and Value of Stocks Acquired	Number of Shares and Value of Stocks Disposed	Investment Gain/Loss	Number of Shares and Value of Stock Held as of the Publication Date of this Report	Amount of Company Endorsement /Guarantee of Subsidiary
Mandarin Airlines, Ltd.	4,000,000,000	Equity Fund	96.96%	-	-	-	-	2,074,628 shares NT\$56,326,000	-

Note: No subsidiary has a company stock pledge nor has the Company lent money to any subsidiary.

8.4 Special Notes: None.

8.5 Matters Having Major Impact on Shareholder Equity or Share Prices:

8.5.1 Changes in the Chairman of the Board, General Manager, or One-third or More of the Directors of the Company.

- A. On March 18, 2021, the Company's Board of Directors approved the dismissal of Mr. Hsieh, Su-Chien and appointed Mr. Kao, Shing-Hwang as the President.
- B. Due to the expiration of the term of office of the directors, the Company hold an election of directors at the annual general meeting on August 12, 2021.

8.5.2 Signing of Major Memoranda, Strategic Alliances or Other Plans for Business Cooperation or Major Contracts

- A. In order to strengthen the capital structure of the subsidiary, Tigerair Taiwan Co., Ltd., a cash capital increase was approved by the board of directors on August 5, 2021.
- B. In order to strengthen the capital structure of the subsidiary, Mandarin Airlines, Ltd., a cash capital increase was approved by the board of directors on August 26, 2021.
- C. On September 1, 2021, the Company entered into an agreement to lease additional housing space with Taiwan Air Cargo Terminal Ltd.
- D. On November 2, 2021, the Company renewed the land lease contract with Taiwan Air Cargo Terminal Ltd.
- E. On November 16, 2021, the Company renewed its housing lease contract with Taiwan Air Cargo Terminal Ltd.
- F. On November 29, 2021, the Company entered into a new land contract with Novotel Taipei Taoyuan International Airport.

8.5.3 Lawsuits, non-contentious matters, administrative actions, administrative disputes, injunctive procedures, or compulsory enforcement matters

- A. The Company was fined NT\$1,000,000 by the Ministry of Transportation and Communications on May 11, 2021, in accordance with the Civil Aviation Law for failing to implement the "Operational Principles for R.O.C. (Taiwanese) Airlines Air Crewmembers to Implement Health Control Measures for Epidemic Prevention". In response to this incident, the Company has continued to strengthen its measures to prevent the pandemic among flight crews and has been actively handling the situation under the latest regulations of the Central Epidemic

Command Center and the Civil Aviation Administration of the Ministry of Transportation and Communications.

- B. The Company was fined NT\$2,000,000 by the Ministry of Transportation and Communications on October 13, 2021, in accordance with the Civil Aviation Law for failing to implement the "Operational Principles for R.O.C. (Taiwanese) Airlines Air Crewmembers to Implement Health Control Measures for Epidemic Prevention". In response to the breach of health control measures by individual flight crew members, the Company continues to strengthen the pandemic prevention measures for flight crew members and implement various pandemic prevention management actions following the latest regulations of the Central Epidemic Command Center and the Civil Aviation Administration of the Ministry of Transportation and Communications.

8.5.3 Other

- A. On March 15, 2022, the board of directors resolved to issue domestic unsecured bonds, and the bonds will be issued and raised within the approved quota. However, the actual amount and conditions of each issuance will be subject to market conditions and the Chairman is authorized to exercise his full discretion.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2021 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 "Consolidated Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA AIRLINES, LTD.

By

Hsieh, Su-Chien

March 15, 2022

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of China Airlines, Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the Group's consolidated financial statements is stated below:

Recognition of Cargo Revenue

In accordance with IFRS 15 "Revenue from Contracts with Customers", cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2021, cargo revenue amounted to NT\$124,541,265 thousand. Refer to Notes 4 and 27 to the accompanying consolidated financial statements for detailed information.

Cargo rates are highly affected by the supply and demand of the market and sales can only be recognized after relevant transportation services are provided. The input, processing and maintenance of freight information on the airway bills involve manual operations. Therefore, we identified the recognition of cargo revenue as a key audit matter.

Our main audit procedures performed included the following:

1. We understood the internal controls related to the recognition of cargo revenue, including manual and automatic controls.
2. We understood and tested the effectiveness of information system related to the recognition of cargo revenue.
3. We sampled the airway bills, confirmed that cargo rates were consistent with those stated in airway bills, and verified the accuracy of cargo revenue.

Other Matter

We did not audit the financial statements of some subsidiaries which were included in the consolidated financial statements. Such financial statements were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors.

As of December 31, 2021 and 2020, total assets of these subsidiaries amounted to NT\$13,453,308 thousand and \$11,694,612 thousand, representing 4.56% and 4.12% of the consolidated total assets, respectively. For the years ended December 31, 2021 and 2020, revenue from these subsidiaries amounted to NT\$90,843 thousand and \$1,880,836 thousand, representing 0.07% and 1.63% of the consolidated total revenue, respectively.

We have also audited the parent company only financial statements of China Airlines, Ltd. as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jui-Chan Huang and Shih-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2022

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

ASSETS	2021	%	2020	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 45,269,866	15	\$ 27,125,937	10
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	155,780	-	274,761	-
Financial assets at amortized cost (Notes 9 and 31)	1,028,521	5	6,551,693	2
Trade receivables (Notes 4 and 31)	1,535,416	5	1,535,416	1
Notes and accounts receivable - net (Notes 4, 10 and 31)	13,473,493	5	9,697,511	4
Notes and accounts receivable - related parties (Notes 31 and 32)	2,348	-	1,667	-
Other receivables (Notes 4 and 31)	752,764	-	801,134	-
Current tax assets (Notes 4 and 31)	59,341	-	67,549	-
Other current assets (Notes 4 and 28)	88,341	3	8,892,966	3
Non-current assets held for sale (Notes 4, 5 and 12)	36,719	-	17,152	-
Other non-current assets (Note 18)	692,464	-	861,179	-
Total current assets	85,849,501	20	61,872,466	22
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	67,884	-	1,637,746	-
Financial assets at amortized cost (Notes 4, 9 and 31)	70,596	-	1,311,596	-
Investment properties (Notes 4, 21 and 33)	1,556	-	1,120,600	-
Property, plant and equipment (Notes 4, 5, 15 and 33)	129,632,046	44	141,481,694	50
Right-of-use assets (Notes 4, 21 and 33)	56,061,967	19	59,861,537	21
Investment properties (Notes 4, 21 and 33)	2,074,531	1	2,074,798	1
Other intangible assets (Notes 4 and 16)	1,008,592	-	1,076,351	-
Other non-current assets (Notes 4 and 28)	1,008,592	-	1,076,351	-
Other non-current assets (Notes 18, 21, 31 and 33)	11,469,481	4	9,352,892	3
Total non-current assets	208,871,491	71	222,321,616	78
TOTAL	\$ 294,721,081	100	\$ 284,194,084	100

LIABILITIES AND EQUITY

CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 1,932,000	1	\$ 1,932,000	1
Financial liabilities for hedging - current (Notes 4, 21 and 31)	8,438,677	3	8,088,882	3
Accounts payable - related parties (Notes 31 and 32)	1,115,000	-	1,524,327	-
Accounts payable - related parties (Notes 31 and 32)	130,572	-	128,567	-
Other payables (Notes 22 and 31)	14,661,347	5	8,306,257	3
Current tax liabilities (Notes 4 and 28)	3,054,287	1	2,166,002	-
Lease liabilities - current (Notes 3, 4, and 21)	2,525,000	1	2,525,000	1
Provisions - current (Notes 4 and 24)	3,888,712	1	3,669,360	1
Provisions - current (Notes 4 and 24)	3,247,236	1	164,800	-
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20, 27 and 31)	2,525,000	1	11,982,859	4
Current portion of long-term borrowings (Notes 19, 31 and 33)	9,334,318	3	15,234,374	5
Other current liabilities (Note 31)	2,406,484	-	1,010,088	-
Total current liabilities	53,239,105	18	62,649,715	22
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19, 31 and 33)	27,839,847	10	32,455,333	11
Bonds payable - non-current (Notes 3, 4, 21 and 31)	1,125,026	4	10,300,000	4
Long-term borrowings (Notes 19, 31 and 33)	85,069,285	29	77,288,330	27
Contract liabilities - non-current (Notes 4 and 23)	635,633	-	1,761,104	1
Provisions - non-current (Notes 4 and 24)	15,406,867	5	14,560,000	5
Deferred tax liabilities (Notes 4 and 28)	1,021,553	1	1,023,084	-
Lease liabilities - non-current (Notes 3, 4, and 21)	12,758,050	4	13,279,792	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,814,737	3	9,737,741	4
Other non-current liabilities (Note 31)	603,849	-	350,742	-
Total non-current liabilities	164,276,958	56	160,832,796	57
Total liabilities	217,516,063	74	223,482,511	79
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20 and 26)				
Share capital	59,412,243	20	54,309,846	19
Capital surplus	7,694,529	1	1,187,327	-
Retained earnings (accumulated deficit)	-	-	-	-
Special reserve	-	-	-	-
Unappropriated retained earnings (accumulated deficit)	9,253,848	3	(350,581)	-
Total retained earnings (accumulated deficit)	9,253,848	3	(350,581)	-
Other equity	2,770,660	1	2,770,660	1
Treasury shares	(10,825)	-	(30,875)	-
Total equity attributable to owners of the Company	74,043,573	25	57,559,483	20
NON-CONTROLLING INTERESTS (Note 26)				
Total equity	3,161,445	1	3,152,099	1
TOTAL	77,205,018	26	60,711,573	21
TOTAL	\$ 294,721,081	100	\$ 284,194,084	100

The accompanying notes are an integral part of the consolidated financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021	2020	
	Amount	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 138,841,403	\$ 115,250,550	100
OPERATING COSTS (Notes 4, 10, 11, 17, 24, 25, 27 and 32)	<u>115,486,946</u>	<u>105,031,349</u>	<u>91</u>
GROSS PROFIT	23,354,457	10,219,201	9
OPERATING EXPENSES (Notes 4, 25, 27 and 32)	<u>8,386,422</u>	<u>8,034,785</u>	<u>7</u>
PROFIT FROM OPERATIONS	14,968,035	2,184,416	2
NON-OPERATING INCOME AND EXPENSES			
Other income (Notes 4, 8 and 27)	938,526	686,574	1
Other gains and losses (Notes 12, 14, 15, 27 and 31)	(1,971,093)	(265,990)	-
Finance costs (Notes 27 and 31)	(2,407,442)	(3,057,963)	(3)
Share of the profit of associates and joint ventures (Note 14)	<u>(401,421)</u>	<u>(200,834)</u>	<u>-</u>
Total non-operating income and expenses	<u>(3,841,430)</u>	<u>(2,838,213)</u>	<u>(2)</u>
PROFIT (LOSS) BEFORE INCOME TAX	11,126,605	(653,797)	-
INCOME TAX (EXPENSE) BENEFIT (Notes 4, 5 and 28)	<u>(2,169,941)</u>	<u>373,983</u>	<u>-</u>
NET INCOME (LOSS) FOR THE YEAR	<u>8,956,664</u>	<u>(279,814)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 26 and 31)	(75,214)	(474,202)	(1)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 8)	(95,864)	(45,588)	-
Remeasurement of defined benefit plans (Notes 4 and 25)	(64,137)	(399,150)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	10,779	34,271	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>26,961</u>	<u>144,158</u>	<u>-</u>
	<u>(197,475)</u>	<u>(740,511)</u>	<u>(1)</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021	2020	
	Amount	Amount	%
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	\$ 18,156	\$ (97,948)	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 31)	267,230	2,103,332	2
Income tax related to items that may be reclassified subsequently to profit or loss (Note 28)	<u>(57,330)</u>	<u>(400,801)</u>	<u>-</u>
	<u>228,056</u>	<u>1,604,583</u>	<u>2</u>
Other comprehensive income (loss) for the year, net of income tax	<u>30,581</u>	<u>864,072</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 8,987,245</u>	<u>\$ 584,258</u>	<u>1</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ 9,379,905	\$ 140,000	-
Non-controlling interests	<u>(423,241)</u>	<u>(419,814)</u>	<u>-</u>
	<u>\$ 8,956,664</u>	<u>\$ (279,814)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of the Company	\$ 9,429,042	\$ 966,968	1
Non-controlling interests	<u>(441,797)</u>	<u>(382,710)</u>	<u>-</u>
	<u>\$ 8,987,245</u>	<u>\$ 584,258</u>	<u>1</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)			
Basic	\$ 1.67	\$ 0.03	
Diluted	\$ 1.54	\$ 0.03	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											Total Equity
	Share Capital	Capital Surplus	Retained Earnings				Other Equity				Non-Controlling Interests	
			Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries			
										Total		
BALANCE AT JANUARY 1, 2020	\$ 54,209,846	\$ 2,488,907	\$ 466,416	\$ 12,967	\$ (1,777,225)	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ (43,372)	\$ 56,553,772	\$ 3,578,345	\$ 60,132,117
issuance of employee share options by subsidiaries	-	172	-	-	-	-	-	-	-	172	52	224
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(169,272)	-	-	-	-	(169,272)	331,427	162,155
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	200,989	-	200,989	-	200,989
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	(466,416)	-	466,416	-	-	-	-	-	-	-
Special reserve	-	-	-	(12,967)	12,967	-	-	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	1,297,843	-	-	-	-	-	-	-
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	140,000	-	-	-	-	140,000	(419,814)	(279,814)
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(319,576)	(79,545)	(35,903)	1,261,992	-	826,968	37,104	864,072
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(179,576)	(79,545)	(35,903)	1,261,992	-	966,968	(382,710)	584,258
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	12,497	6,854	-	6,854
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(375,024)	(375,024)
BALANCE AT DECEMBER 31, 2020	54,209,846	1,187,327	-	-	(350,581)	(134,252)	71,359	2,606,659	(30,875)	57,559,483	3,152,090	60,711,573
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	99,507	-	99,507	-	99,507
Appropriation of 2020 earnings	-	(350,581)	-	-	350,581	-	-	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	540	-	-	-	-	-	-	-	540	126	666
Issuance of employee share options by subsidiaries	-	-	-	-	(104,639)	-	-	-	-	(104,639)	575,753	471,114
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	9,379,905	-	-	-	-	9,379,905	(423,241)	8,956,664
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income (loss) for the year ended December 31, 2021 net of income tax	-	-	-	-	(21,418)	14,173	(76,871)	133,253	-	49,137	(18,556)	30,581
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,358,487	14,173	(76,871)	133,253	-	9,429,042	(441,797)	8,987,245
Equity component of convertible bonds issued by the Company	-	188,862	-	-	-	-	-	-	-	188,862	-	188,862
Convertible bonds converted to ordinary shares	5,202,397	1,668,381	-	-	-	-	-	-	-	6,870,778	-	6,870,778
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(124,727)	(124,727)
BALANCE AT DECEMBER 31, 2021	\$ 59,412,243	\$ 2,694,529	\$ -	\$ -	\$ 9,253,848	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ (30,875)	\$ 74,043,573	\$ 3,161,445	\$ 77,205,018

The accompanying notes are an integral part of the consolidated financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 11,126,605	\$ (653,797)
Adjustments for:		
Depreciation expense	29,728,248	31,167,247
Amortization expense	221,459	206,936
Expected credit loss recognized on trade receivables	38,376	4,895
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(186)	(2,287)
Interest income	(156,339)	(282,506)
Dividend income	(12,220)	(23,043)
Share of loss (profit) of associates and joint ventures	401,421	200,834
Loss (gain) on disposal of property, plant and equipment	933,151	(13,347)
Loss on disposal of investments	540	-
Impairment loss recognized on property, plant, equipment	40,967	424,573
Loss on inventories and property, plant and equipment	1,486,792	471,507
Net gain on foreign currency exchange	(1,108,112)	(1,338,716)
Compensation costs of employee share options	666	224
Finance costs	2,407,442	3,057,963
Impairment loss recognized on investments accounted for using the equity method	59,901	46,757
Impairment loss recognized on intangible assets	143,043	-
Recognition of provisions	6,435,015	6,075,077
Loss on sale and leaseback transactions	342,080	-
Others	(3,321)	(2,435)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	119,424	241,592
Financial liabilities at fair value through profit or loss	-	(11,749)
Notes and accounts receivable	(3,956,141)	(1,073,959)
Accounts receivable - related parties	(90,695)	593,365
Other receivables	133,762	(85,263)
Inventories	(840,170)	(83,341)
Other current assets	79,366	1,830,887
Notes and accounts payable	(127,647)	(628,780)
Accounts payable - related parties	89,079	(1,043,501)
Other payables	6,366,239	(4,295,509)
Contract liabilities	(825,952)	(17,966,621)
Provisions	(2,042,423)	(1,308,170)
Other current liabilities	1,371,927	(2,620,022)
Defined benefit liabilities	15,799	(97,570)
Other liabilities	2,739	(17,082)
Cash generated from operations	52,380,835	12,774,159
Interest received	153,976	304,642
Dividends received	24,840	32,433
		(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021	2020
Interest paid	\$ (2,389,939)	\$ (3,209,074)
Income tax paid	(284,312)	(178,685)
Net cash generated from operating activities	49,885,400	9,723,475
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(13,371,713)	(6,235,773)
Proceeds from sale of financial assets at amortized cost	7,248,501	1,934,516
Purchase of financial assets for hedging	(7,126,515)	(10,269,055)
Proceeds from sale of financial assets for hedging	11,110,497	2,363,897
Payments for property, plant and equipment	(2,477,191)	(1,237,515)
Proceeds from disposal of property, plant and equipment	595,447	45,620
Increase in refundable deposits	(102,544)	(63,005)
Decrease in refundable deposits	136,943	122,324
Increase in prepayments for equipment	(12,249,495)	(11,407,502)
Payments for other intangible assets	(203,116)	(130,461)
Increase in restricted assets	(226,905)	(171,219)
Net cash inflow on disposal of subsidiaries	942	-
Net cash used in investing activities	(16,665,149)	(25,048,173)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowings	-	1,552,000
(Decrease) increase in short-term bill payable	(8,088,882)	8,088,882
Proceeds from issuance of bonds payable	4,500,000	-
Repayments of bonds payable	(6,300,000)	(9,850,000)
Proceeds from long-term borrowings	43,968,069	45,605,919
Repayments of long-term borrowings	(42,097,170)	(20,746,998)
Repayments of the principal portion of lease liabilities	(10,466,575)	(10,583,872)
Proceeds from guarantee deposits received	328,432	165,404
Refund of guarantee deposits received	(267,618)	(156,143)
Proceeds from sale and leaseback transactions	2,810,098	-
Proceeds from issuance of ordinary shares of subsidiaries	471,114	162,155
Cash dividends paid to non-controlling interests	(124,727)	(375,024)
Proceeds from disposal of treasury shares	-	6,854
Net cash (used in) generated from financing activities	(15,267,259)	13,869,177
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	190,937	121,930
		(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars)

	2021	2020
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 18,143,929	\$ (1,333,591)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>27,125,937</u>	<u>28,459,528</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 45,269,866</u>	<u>\$ 27,125,937</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Airlines, Ltd. (the "Company") was founded in 1959 and its shares have been listed on the Taiwan Stock Exchange since February 26, 1993. The Company is primarily involved in (a) air transport services for passengers, cargo and mail; (b) ground services and routine aircraft maintenance; (c) major maintenance of flight equipment; (d) communications and data processing services to other airlines; (e) the sale of aircraft parts, equipment and the entire aircraft; and (f) leasing of aircraft.

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2021 and 2020, CADF and NDF held a combined 40.17% and 44.03%, respectively of the Company's shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") were approved by the Company's board of directors on March 15, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group's accounting policies.

- The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The application of new IFRSs endorsed by the FSC for application starting from 2022 would not have any material impact on the Group's accounting policies. As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

	New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB	
IFRS 17 "Insurance Contracts"		January 1, 2023
Amendments to IFRS 17		January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"		January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"		January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"		January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"		January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"		January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for an asset or liability.

Current and Non-current Assets and Liabilities

Current assets include:

- Assets held primarily for the purpose of trading;
- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period; and
- Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Combinations

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss or other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required had those interests been directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Inventories

Inventories are primarily expendable and nonexpendable parts and materials, supplies used in operations and items for in-flight sales and are stated at the lower of cost or net realizable value. The costs of inventories sold or consumed are determined using the weighted-average method.

Non-current Assets Held for Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement and the rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of equity of associates and joint venture attributable to the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Foreign Currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items measured at historical cost that are denominated in a foreign currency are not retranslated.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange difference on:

- Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- Transactions entered into in order to hedge certain foreign currency risks.

Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets and liabilities of an associate and a joint venture at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate and joint venture), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than one period. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group; and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less recognized accumulated depreciation and recognized accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method, which is the amount of cost less residual value decided by the useful life of the investment property.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed zero unless the Group expects to dispose of the intangible asset before the end of its economic life. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis; otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Group uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All regular way purchases or sales of financial assets are buy or sell of financial assets in the period set by regulation or market convention.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if an equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of an investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and other receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

e. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate swaps, currency options and fuel price risks, including foreign exchange forward contracts, interest rate swaps, currency options and fuel options.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. When entering into hedging transactions, the Group has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

The effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

Starting from 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period (in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

The Group recognizes provisions when the Group has a present obligation (legal or constructive obligation) arising from past events, the payment for the obligation is probable, and the expenditure for settling the obligation can be reliably estimated.

The amount recognized as a provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured at the estimate of using the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows.

Aircraft lease contracts

When the aircraft lease contracts expire and the leased item will be returned to the lessor, the Group will assess if there are existing obligations exist and if a provision is required to be recognized when signing the lease contract.

Revenue Recognition

When applying IFRS 15 during 2018, the Group recognizes revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

Shipping service revenue

Passenger and cargo revenue are recognized as revenue when the passengers and goods are actually carried. When the tickets are sold, due to the fact that the fulfillment of performance obligations of the shipment have not been met, the relevant amount of revenue is initially recorded as contract liabilities until passengers actually board.

Leasing

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

Employee Benefits

- a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

- b. Retirement benefits

Payments to the defined contribution retirement benefit plan are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined retirement benefit plan are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets which are substantially ready for their intended use or sale through a fairly long period) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Frequent Flyer Programs

The Group has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards and operates a "Tigerclub Member Privilege Program" to provide members with accumulated ticket reward bonuses, which can be used to offset the payments for airfare, luggage fees, priority check-ins, and ordering of meals in flight cabins. A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Group should recognize this deferred revenue as revenue only when the Group has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the granted share options are vested immediately.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

The current tax liabilities are based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the consolidated statements of comprehensive income. The Group's current tax liabilities are calculated by the tax rate was legislated or substantially legislated at the balance sheet date.

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are capitalized as replacements for aircraft and engines and are depreciated on a straight-line basis over the expected annual overhaul cycle.

Maintenance and Overhaul Costs

Routine maintenance costs are recognized in profit or loss in the period in which they are incurred.

The overhaul costs of an owned or leased aircraft that meet the criteria for fixed asset capitalization are capitalized as replacements for aircraft and engines and are depreciated on a straight-line basis over the expected annual overhaul cycle.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies as disclosed in Note 4, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the COVID-19 in economic when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined Benefit Obligations

The present value of defined benefit obligations at the end of the reporting period is calculated using actuarial assumptions. Those assumptions, which are based on management's judgments and estimates, comprise the discount rate and expected return on plan assets. Changes in actuarial assumptions may have a material impact on the amount of defined benefit obligations.

Useful Lives of Property, Plant and Equipment - Flight Equipment

Flight equipments are measured at cost less residual value, and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values are evaluated base on the Company's historical experience and current usage condition in the aviation industry. Because of the change in fleet planning, the Company's board of directors resolved to modify the estimated useful life of fourteen B747-400F freighters from 25 years to 24 years and the estimated useful lives of three A330-300 aircraft from 20 years to 18 years, effective on January 1, 2022, in order to match the economic benefits with the useful lives. It is estimated that the depreciation expense in 2022 will have an increase by \$720 million.

6. CASH AND CASH EQUIVALENTS

	December 31	2020
Cash on hand and revolving funds	\$ 294,026	\$ 333,677
Checking accounts and demand deposits	28,507,427	17,690,186
Cash equivalents		
Time deposits with original maturities of less than three months	11,347,326	6,980,493
Repurchase agreements collateralized by bonds	5,121,087	2,121,581
	<u>\$ 45,269,866</u>	<u>\$ 27,125,937</u>

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	December 31	2020
Bank balance	0%~1.9%	0%~1.9%
Time deposits with original maturities of less than three months	0.07%~0.41%	0.24%~2.20%
Repurchase agreements collateralized by bonds	0.20%~0.45%	0.22%~0.55%

The Group designated some deposits denominated in USD and repurchase agreements collateralized by bonds as hedging instruments to avoid exchange rate fluctuations on final payments of aircraft orders and prepayments for equipment, and applied cash flow hedge accounting to hedge its foreign exchange exposure. The contract information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2021	2022.2.7-2022.2.14	Financial assets for hedging - current	\$ 3,545,706
December 31, 2020	2021.1.4-2021.11.1	Financial assets for hedging - current	7,613,636
Impact on comprehensive income (loss)			
For the year ended December 31, 2021			\$ (75,214)
For the year ended December 31, 2020			(372,632)

For the years ended December 31, 2021, the amount of hedging instrument settlements recognized as prepayments for equipment were \$99,507 thousand and \$81,111 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31	2020
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets	\$ 155,780	\$ 274,761
Beneficiary certificates		

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

	December 31	2020
Investments in Equity Instruments		
Non-current		
Foreign investments		
Unlisted shares	\$ 39,080	\$ 134,042
Domestic investments		
Unlisted shares	28,804	29,704
	<u>\$ 67,884</u>	<u>\$ 163,746</u>

9. FINANCIAL ASSETS AT AMORTIZED COST

Non-current

The range of interest rates for time deposits with original maturities of more than 3 months was 0.21%-1.05% and 0.21%-1.90% per annum as of December 31, 2021 and 2020, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

The average credit period was 7 to 55 days. In determining the recoverability of an accounts receivable, the Group considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Group's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the past due receivables. Where recoveries are made, these are recognized in profit or loss.

December 31, 2021December 31, 2020

The movements of the loss allowance of accounts receivable were as follows:

	2021	2020
For the Year Ended December 31		

Balance at January 1	\$ 206,152	\$ 218,665
Add: Net remeasurement of loss allowance	38,376	4,895
Add: Amounts recovered	565	-
Less: Amounts written off	(9,531)	(17,398)
Foreign exchange gains and losses	(2)	(10)
Balance at December 31	\$ 235,560	\$ 206,152

11. INVENTORIES

	December 31	
	2021	2020
Aircraft spare parts	\$ 7,603,809	\$ 7,898,482
Items for in-flight sale	621,181	627,437
Work in process - maintenance services	534,073	214,362
Others	<u>55,912</u>	<u>47,824</u>
	<u>\$ 8,814,975</u>	<u>\$ 8,788,105</u>

The operating costs for the years ended December 31, 2021 and 2020 included losses from inventory write-downs of \$855,834 thousand and \$190,548 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2021	2020
Aircraft held for sale	<u>\$ 36,719</u>	<u>\$ 89,296</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price.

The fair value measurement is classified as Level 3, and the fair value was determined according to similar transactions of the related markets and the proposed sale prices were based on the current status of the aircraft.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follow:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)	
			2021	2020
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	82	81
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100
	CAL-Dynasty International	A holding company, real estate and hotel services	100	100
CAL-Asia Investment Corp.	CAL-Asia Investment	General investment	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100
	Yestrip	Travel business	-	100
	Cal Park	Real estate lease and international trade	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)	
			2021	2020
Sabre Travel Network (Taiwan)	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	94
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59
Kaohsiung Catering Services, Ltd.	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54
	Taoyuan International Airport Services	Airport services	49	49
Cal-Dynasty International Taiwan Airport Services	Taiwan Airport Services (Note)	Airport services	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25
	Dynasty Properties Co., Ltd.	Real estate management	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100
	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100

(Concluded)

Note: Proportion of ownership is considered from the perspective of the Group.

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50% and for the other subsidiaries the Company had control and more than 50% of their voting shares. The above financial information of the subsidiaries for the years ended December 31, 2021 and 2020 was reported according to financial statements that were audited by independent auditors.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd., the board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 6, 2020. The Company subscribed for 47,228 thousand shares in October 2020 and 26,286 thousand shares in November 2020. The proportion of ownership of the Group increased to 81%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$169,272 thousand.

Tigerair Taiwan Co., Ltd. planned to issue ordinary shares for cash to meet the needs for funds. The board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 5, 2021. The Company subscribed for 101,212 thousand shares in September 2021. The proportion of ownership of the Group increased to 82%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$54,449 thousand.

To strengthen the capital structure of Mandarin Airlines, the board of directors of the Company approved the plan to issue ordinary shares for cash at \$10 per share on August 26, 2021. The Company subscribed for 199,677 thousand shares in September 2021. The proportion of ownership of the Group increased to 97%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$50,190 thousand.

The liquidation of Yestrip Co., Ltd. was completed on April 22, 2021, and the Company recognized a liquidation loss of \$540 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2021	2020
Investments in associates	\$ 864,178	\$ 1,079,852
Investments in jointly ventures	<u>690,838</u>	<u>890,950</u>
	<u>\$ 1,555,016</u>	<u>\$ 1,970,802</u>

- a. The investments in associates were as follows:

	December 31	
	2021	2020
<u>Unlisted companies</u>		
China Aircraft Services	\$ -	\$ 277,234
Dynasty Holidays	-	5,237
Airport Air Cargo Terminal (Xiamen)	513,059	476,219
Airport Air Cargo Service (Xiamen)	298,971	270,046
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>52,148</u>	<u>51,116</u>
	<u>\$ 864,178</u>	<u>\$ 1,079,852</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
China Aircraft Services	20%	20%
Dynasty Holidays	20%	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%

The investment loss (gain) recognized for associates accounted for using the equity method was as follows:

	For the Year Ended December 31	
	2021	2020
China Aircraft Services	\$ (269,573)	\$ (102,758)
Dynasty Holidays	(1,436)	(4,740)
Airport Air Cargo Terminal (Xiamen)	36,534	25,578
Airport Air Cargo Service (Xiamen)	28,729	19,124
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>15,218</u>	<u>13,940</u>
	<u>\$ (190,528)</u>	<u>\$ (48,856)</u>

The Group's shares of other comprehensive income of associates accounted for using the equity method were both in the amount of \$0 for the years ended December 31, 2021 and 2020.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which have been audited, for China Aircraft Services and Eastern United International Logistics (Holding) Ltd (Hong Kong). However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

- b. Investments in joint ventures

The investments in joint ventures were as follows:

	December 31	
	2021	2020
China Pacific Catering Services	\$ 533,251	\$ 695,959
China Pacific Laundry Services	120,876	149,353
NORDAM Asia Ltd.	28,836	37,767
Delica International Co., Ltd.	<u>7,875</u>	<u>7,871</u>
	<u>\$ 690,838</u>	<u>\$ 890,950</u>

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Group was as follows:

	Proportion of Ownership and Voting Rights	
	December 31	
	2021	2020
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia Ltd.	49%	49%
Delica International Co., Ltd.	51%	51%

The Group entered into a joint venture agreement with the Taikoo Group to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both parties have the right to make motion vetos on the board of directors, and therefore, the Group does not have control.

To expand the Group's catering business, Kaohsiung Catering entered into a joint venture agreement with a Japanese brand company to invest in Delica International Co. Ltd., with the Japanese brand company having the right to make decisions on operations, and therefore, the Group does not have control.

The investment (loss) gain recognized for joint ventures accounted for using the equity method was as follows:

	For the Year Ended December 31	
	2021	2020
China Pacific Catering Services	\$ (172,546)	\$ (136,459)
China Pacific Laundry Services	(29,418)	(15,475)
NORDAM Asia Ltd.	(8,931)	(46)
Delica International Co., Ltd.	2	2
	<u>\$ (210,893)</u>	<u>\$ (151,978)</u>

The Group's shares of other comprehensive income of joint ventures accounted for using the equity method for the years ended December 31, 2021 and 2020 were \$10,779 thousand and \$34,271 thousand, respectively.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which have been audited. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

For information on the major businesses and products and the locations of registration for the major business offices of the above entities, refer to Tables 7 and 8 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

<u>Cost</u>	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2020	\$ 1,002,499	\$ 16,084,063	\$ 272,077,692	\$ 16,846,835	\$ 306,011,089
Additions	-	48,809	653,519	535,187	1,237,515
Disposals	(18,026)	(375,083)	(3,724,658)	(387,858)	(4,505,625)
Reclassification	-	304	13,000,582	70,081	13,070,967
Net exchange differences	(28,650)	(52,458)	-	(5,597)	(86,705)
Balance at December 31, 2020	<u>\$ 955,823</u>	<u>\$ 15,705,635</u>	<u>\$ 282,007,135</u>	<u>\$ 17,058,648</u>	<u>\$ 315,727,241</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ -	\$ (7,028,540)	\$ (141,886,170)	\$ (11,209,408)	\$ (160,124,118)
Depreciation expense	-	(492,734)	(18,007,550)	(925,138)	(19,425,422)
Disposals	-	371,933	3,452,870	381,037	4,205,840
Reclassification	-	-	1,489,158	1,348	1,490,506
Net exchange differences	-	27,704	-	4,516	32,220
Impairment losses	-	-	(424,573)	-	(424,573)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (7,121,637)</u>	<u>\$ (155,376,265)</u>	<u>\$ (11,747,645)</u>	<u>\$ (174,245,547)</u>
Balance at December 31, 2020, net value	<u>\$ 955,823</u>	<u>\$ 8,583,998</u>	<u>\$ 126,630,870</u>	<u>\$ 5,311,003</u>	<u>\$ 141,481,694</u>

(Continued)

<u>Cost</u>	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2021	\$ 955,823	\$ 15,705,635	\$ 282,007,135	\$ 17,058,648	\$ 315,727,241
Additions	-	69,826	1,427,541	949,824	2,447,191
Disposals	-	(18,860)	(46,096,114)	(216,975)	(46,331,949)
Reclassification	-	188,356	10,503,511	(163,693)	10,528,174
Net exchange differences	(12,518)	(23,095)	-	(2,438)	(38,051)
Balance at December 31, 2021	<u>\$ 943,305</u>	<u>\$ 15,921,862</u>	<u>\$ 247,842,073</u>	<u>\$ 17,695,366</u>	<u>\$ 289,332,606</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ -	\$ (7,121,637)	\$ (155,376,265)	\$ (11,747,645)	\$ (174,245,547)
Depreciation expense	-	(492,225)	(16,321,248)	(887,104)	(17,700,577)
Disposals	-	18,860	39,176,337	207,759	39,402,956
Reclassification	-	-	(136,004)	(1,438)	(137,442)
Net exchange differences	-	12,189	-	2,014	14,203
Impairment losses	-	-	(34,153)	-	(34,153)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (7,582,813)</u>	<u>\$ (132,691,333)</u>	<u>\$ (12,426,414)</u>	<u>\$ (152,700,560)</u>
Balance at December 31, 2021, net value	<u>\$ 943,305</u>	<u>\$ 8,339,049</u>	<u>\$ 115,150,740</u>	<u>\$ 5,198,952</u>	<u>\$ 129,632,046</u>

(Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building		
Main buildings		45-55 years
Others		10-25 years
Machinery and equipment		
Electro-mechanical equipment		25 years
Others		3-13 years
Office equipment		3-15 years
Leasehold improvements		
Building improvements		5 years
Others		3-5 years
Assets leased to others		3-5 years
Flight equipment and equipment under finance leases		
Airframes		15-25 years
Aircraft cabins		7-20 years
Engines		10-20 years
Heavy maintenance on aircraft		6-8 years
Engine overhauls		3-10 years
Landing gear overhauls		7-12 years
Repairable spare parts		3-15 years
Leased aircraft improvements		5-12 years

Regarding changes in fleet composition and the retirement schedule, the Company measured the recoverable amount of some flight equipment by deducting the transaction costs from fair value (level 3). The Company recognized an impairment loss on a part of aircraft equipment of \$34,153 thousand and \$424,573 thousand in 2021 and 2020, respectively. The fair value was determined by reference to factors such as the condition of the flight equipment and possible market estimates.

Refer to Note 33 for the carrying amounts of property, plant and equipment and right-of-use assets pledged by the Group.

Based on the particularity of risk in the aviation industry, all of the Group's assets such as aircraft, real estate, and movable property are adequately insured to diversify the potential risk related to operations.

The Group disposed of a portion of flight equipment and recognized a loss of \$950,980 thousand for the three months ended June 30, 2021.

16. INVESTMENT PROPERTIES

	December 31	2020
Carrying amount		
Investment properties	\$ 2,074,531	\$ 2,074,798

The investment properties held by the Group were land located in Nankan and buildings in Taipei, which were all leased to other parties. The buildings are depreciated on a straight-line basis over 55 years.

The fair value of the investment properties held by the Group were both \$2,488,931 thousand as of December 31, 2021 and 2020, respectively. The above fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

All of the Group's investment properties were held under freehold interest.

	Cost	Accumulated Depreciation	Net Value
Balance at January 1, 2020	\$ 2,082,390	\$ (7,322)	\$ 2,075,068
Depreciation expense	-	(270)	(270)
Balance at December 31, 2020	\$ 2,082,390	\$ (7,592)	\$ 2,074,798
Balance at January 1, 2021	\$ 2,082,390	\$ (7,592)	\$ 2,074,798
Depreciation expense	-	(267)	(267)
Balance at December 31, 2021	\$ 2,082,390	\$ (7,859)	\$ 2,074,531

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2020	\$ 2,406,163	\$ 186,197	\$ (1,409,668)	\$ 1,182,692
Additions	130,461	-	-	130,461
Reclassification	(765,426)	-	735,881	(29,545)
Amortization expense	-	-	(206,936)	(206,936)
Disposals	(7,554)	-	7,243	(311)
Effects of exchange rate changes	-	-	(10)	(10)
Balance at December 31, 2020	\$ 1,763,644	\$ 186,197	\$ (873,490)	\$ 1,076,351

(Continued)

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2021	\$ 1,763,644	\$ 186,197	\$ (873,490)	\$ 1,076,351
Additions	117,836	168,280	-	286,116
Reclassification	10,975	-	-	10,975
Amortization expense	-	-	(221,459)	(221,459)
Impairment losses	-	(186,197)	43,154	(143,043)
Disposals	(12,406)	-	12,406	-
Effects of exchange rate changes	-	-	52	52
Balance at December 31, 2021	\$ 1,880,049	\$ 168,280	\$ (1,039,337)	\$ 1,008,992

(Concluded)

The above items of other intangible assets are amortized on a straight-line basis over 2-16 years.

In addition, the contract for the purchase of the trademark has a final payment of \$83,000 thousand still unpaid.

18. OTHER ASSETS

	December 31	2020
Current		
Temporary payments	\$ 138,688	\$ 136,681
Prepayments	327,140	348,554
Restricted assets	9,562	11,065
Others	217,074	364,879
	\$ 692,464	\$ 861,179
Non-current		
Prepayments for aircraft	\$ 8,624,307	\$ 5,725,340
Prepayments - long-term	1,249,389	2,216,049
Refundable deposits	1,000,457	1,138,943
Restricted assets	568,247	240,467
Other financial assets	18,497	18,078
Others	8,584	14,015
	\$ 11,469,481	\$ 9,352,892

The prepayments for aircraft are comprised of prepaid deposits and capitalized interest from the purchase of A321neo, A320neo and B777F aircraft. For details of the contract for the purchase of the aircraft, refer to Note 34.

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2021	2020
Bank loans - unsecured	\$ 1,932,000	\$ 1,932,000
Interest rates	0.90 %-1.26%	0.92%-1.28%

b. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ -	\$ 8,100,000
Less: Unamortized discount on bills payable	-	(11,118)
	\$ -	\$ 8,088,882
Annual discount rate	-	0.99%-1.00%

c. Long-term borrowings

	December 31	
	2021	2020
Unsecured bank loans	\$ 33,248,892	\$ 23,470,696
Secured bank loans	35,721,925	39,584,540
Commercial paper	25,450,000	29,490,000
Proceeds from issue	27,214	22,532
Less: Unamortized discounts	94,393,603	92,522,704
	9,324,318	15,234,374
Less: Current portion	\$ 85,069,285	\$ 77,288,330
Interest rates	0.81%-1.22%	0.81%-1.63%

Secured bank loans are secured by flight equipment, buildings, and other equipment, refer to Note 33.

Bank loans (denominated in New Taiwan dollars) are repayable quarterly, semiannually or in lump sum upon maturity. The related information is summarized as follows:

	December 31	
	2021	2020
Periods	2009 2.4- 2032 6.30	2009 2.4- 2032 6.30

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Company to guarantee commercial papers issued. As of December 31, 2021 and 2020, the commercial papers were issued at discount rates of 0.985%-1.097% and 1.0263%-1.1629%, respectively.

In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Group applied for a special loan project to maintain its operations, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$35,590 million, which shall be repaid within 2 years from the date of initial drawdown. As of December 31, 2021, the Group had made a drawdown in the amount of \$33,560 million.

20. BONDS PAYABLE

	December 31	
	2021	2020
Unsecured corporate bonds first-time issued in 2016	\$ -	\$ 2,350,000
Unsecured corporate bonds second-time issued in 2016	-	2,500,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	1,000,000
Unsecured corporate bonds second-time issued in 2017	1,300,000	2,600,000
Unsecured corporate bonds first-time issued in 2018	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000
Convertible bonds - sixth-time issued	379,284	5,832,859
Convertible bonds - seventh-time issued	2,970,742	-
	13,650,026	22,282,859
	2,525,000	11,982,859
	\$ 11,125,026	\$ 10,300,000

Less: Current portion and put option of convertible bonds

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually.	2016.05.26-2021.05.26	Principal repayable in May of 2020 and 2021; indicator rate; payable annually.	1.19
Five-year unsecured bonds - issued at par in September 2016; repayable in September 2020 and 2021; 1.08% interest p.a., payable annually.	2016.09.27-2021.09.27	Principal repayable in September of 2020 and 2021; indicator rate; payable annually.	1.08
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually.	2017.05.19-2020.05.19	Principal repayable on due date; indicator rate; payable annually.	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually.	2017.05.19-2024.05.19	Principal repayable on due date; indicator rate; payable annually.	1.75
Three-year private unsecured bonds - issued at par in October 2017; repayable on due date; interest of 1.14% p.a., payable annually.	2017.10.12-2020.10.12	Principal repayable on due date; indicator rate; payable annually.	1.14

(Continued)

Category	Period	Conditions	Rate (%)
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually.	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually.	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually.	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually.	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually.	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually.	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually.	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually.	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually.	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually.	1.32
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30-2023.01.30	Unless bonds are converted to share capital or redeemed, principal repayable in January of 2023; 1.3821 discount rate p.a.	-
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.4.28-2026.4.28	Unless bonds are converted to share capital or redeemed, principal repayable in April of 2026; 0.8612 discount rate p.a.	-

(Concluded)

The Company issued the sixth issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.
- The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions. The Company resolved to exercise the right of redemption on January 14, 2022. The reference date of redemption of the bonds is March 9, 2022 and the expected face value of redemption is \$200 thousand.

d. Between April 30, 2018 and January 30, 2023 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends on July 29, 2019, the conversion price was adjusted to NT\$12.6. As of December 31, 2021, a total face value of NT\$5,615,200 thousand of convertible bonds was converted into 445,650 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.3821% per annum on initial recognition.

Proceeds from issuance	\$ 6,012,000
Equity component	<u>(409,978)</u>
Liability component at the date of issuance	<u>\$ 5,602,022</u>

The Company issued the seventh issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.
- The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$19 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. As of December 31, 2021, a total face value of NT\$1,417,200 thousand of convertible bonds was converted into 74,589 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	<u>\$ 4,311,138</u>

21. LEASE AGREEMENTS

a. Right-of-use assets

	December 31 2021	2020
Carrying amounts		
Land	\$ 6,064,760	\$ 7,813,335
Buildings	2,289,375	1,394,386
Flight equipment	47,701,558	50,644,652
Other equipment	6,274	9,164
	<u>\$ 56,061,967</u>	<u>\$ 59,861,537</u>
For Year Ended December 31	2021	2020
Additions to right-of-use assets	\$ 10,597,531	\$ 2,463,869
Depreciation for right-of-use assets		
Land	\$ 376,515	\$ 362,386
Buildings	228,489	335,753
Flight equipment	11,420,746	11,041,881
Other equipment	1,654	1,535
	<u>\$ 12,027,404</u>	<u>\$ 11,741,555</u>

b. Lease liabilities

	December 31 2021	2020
Carrying amounts		
Current	\$ 2,533,452	\$ 2,525,957
Non-current	<u>\$ 12,758,050</u>	<u>\$ 13,279,792</u>

Range of discount rate for lease liabilities (include leases denominated in USD designated as hedging instruments):

	December 31 2021	2020
Land	0.81%-2.00%	1.09%-1.80%
Buildings	0%-2.98%	0%-3.56%
Flight equipment	0.68%-3.34%	0.68%-3.34%
Other equipment	0%-1.43%	1.06%-1.50%

c. Financial liabilities under hedge accounting

The Group specifies a part of aircraft leases denominated in USD as hedging instruments to avoid exchange rate fluctuations in passenger revenue and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2021	2022.2.9-2033.12.12	Financial liabilities for hedging - current	\$ 8,434,893
		Financial liabilities for hedging - non-current	27,839,847
December 31, 2020	2022.2.9-2028.5.15	Financial liabilities for hedging - current	8,120,445
		Financial liabilities for hedging - non-current	32,455,333

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
	\$ 252,250	\$ 679,554
For the year ended December 31, 2021	2,099,550	352,674
For the year ended December 31, 2020		

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, twenty A330-300 planes, fifteen 737-800 planes, ten A320-200 planes, four ERJ190 planes and three ARJ72-600 planes for operation, lease period are 3 to 16 years from February 2006 to December 2033. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

The information of refundable deposits and opening of letter of credit due to rental of planes:

	December 31 2021	2020
Refundable deposits	\$ 682,376	\$ 725,135
Credit guarantees	1,699,376	1,756,656

CAL Park and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, please refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by \$897,264 thousand on December 31, 2021.

Taiwan Air Cargo Terminal Co. and CAA signed a BOT contract with a land lease agreement. For details, please refer to Note 34.

e. Lease agreement signed but not yet delivered

In September 2019, the Company signed a rental contract for six A321neo with Air Lease Corporation, which is expected to be introduced between 2021 and 2022. As of December 31, 2021, two A321neo have been delivered.

In October 2019, the Company signed a rental contract for for eight A321neo with CALC Lease Corporation, which is expected to be introduced in 2024.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental contract for eight A320neo with ICBC Lease Corporation, which is expected to be delivered between 2021 and 2024. As of December 31, 2021, two A320neo have been delivered.

The Group also signed related aircraft purchase agreement, please refer to Note 34 for details.

f. Sale and leaseback

In order to revitalize assets and strengthen financial structure, the Company signed a sale and leaseback agreement for five A330-300 with CALC Lease Corporation in June 2021 and September 2021. Those aircraft were sold for \$2,810,098 thousand and the Company recognized a loss of \$342,080 thousand. The lease term is 4 years without renewal option or right of first refusal and the annual lease payments for each aircraft are US\$4,200 thousand to US\$4,823 thousand.

g. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F with US Cargo Company in August 2021 and September 2021.

h. Other lease information

The Group uses operating lease agreement for investment properties, refer to Note 16.

	For the Year Ended December 31	
	2021	2020
Short-term leases and low-value asset leases	\$ 34,858	\$ 41,568
Total cash outflow for leases	<u>\$ (11,921,548)</u>	<u>\$ (12,410,357)</u>

The Group chooses to waive the recognition of the contract provisions for the short-term leases and low-value asset leases, and does not recognize the related right-of-use assets and lease liabilities for such lease.

22. OTHER PAYABLES

	December 31	
	2021	2020
Fuel costs	\$ 3,049,812	\$ 1,853,717
Ground service expenses	778,546	956,956
Repair expenses	1,580,899	366,589
Interest expenses	83,250	120,550
Short-term employee benefits	5,848,866	1,948,982
Terminal surcharges	716,531	420,194
Commission expenses	149,296	184,363
Others	<u>2,454,147</u>	<u>2,454,906</u>
	<u>\$ 14,661,347</u>	<u>\$ 8,306,257</u>

23. CONTRACT LIABILITIES

	December 31	
	2021	2020
Frequent flyer programs	\$ 2,810,482	\$ 2,671,203
Advance ticket sales	1,693,863	2,659,093
Others	-	168
	<u>\$ 4,504,345</u>	<u>\$ 5,330,464</u>
Current	\$ 3,868,712	\$ 3,569,360
Non-current	<u>635,633</u>	<u>1,761,104</u>
	<u>\$ 4,504,345</u>	<u>\$ 5,330,464</u>

24. PROVISIONS

	December 31	
	2021	2020
Operating leases - aircraft	\$ 18,654,223	\$ 14,534,286
Current	\$ 3,247,236	\$ 164,800
Non-current	<u>15,406,987</u>	<u>14,369,486</u>
	<u>\$ 18,654,223</u>	<u>\$ 14,534,286</u>

Aircraft Lease Contracts

Balance at January 1, 2020	\$ 10,371,857
Additional provisions recognized	6,075,077
Usage	(1,308,170)
Effect of foreign currency exchange differences	(604,478)
Balance at December 31, 2020	<u>\$ 14,534,286</u>
Balance at January 1, 2021	\$ 14,534,286
Additional provisions recognized	6,435,015
Usage	(2,042,423)
Unwinding of discounts and effects of changes in the discount rate	(51,678)
Effect of foreign currency exchange differences	(220,977)
Balance at December 31, 2021	<u>\$ 18,654,223</u>

The Group leased flight equipment under operating lease agreements. Under the contracts, when the lease expires and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycles and the number of engine revolution. The Group had existing obligations to recognize provisions when signing a lease or during the lease term. Tigerair Taiwan Co., Ltd. also leased flight equipment under operating lease agreements. In accordance with the contract, Tigerair had to pay the maintenance reserve monthly accounted for by using the actual number of flight hours.

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Employees based in the United States and Japan of China Airlines Co., Ltd. and subsidiaries are members of the United States and Japan government retirement benefit plans. Subsidiaries should appropriate a specific portion to retirement benefit plans. The obligation to the government retirement benefit plans of China Airlines Co., Ltd. and subsidiaries is to appropriate a specific portion amount.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the R.O.C. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and subsidiary contribute amounts equal to 2%-15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2021	2020
Present value of defined benefit obligation	\$ 19,159,344	\$ 18,793,509
Fair value of plan assets	(9,346,800)	(9,055,768)
Deficit	<u>\$ 9,812,544</u>	<u>\$ 9,737,741</u>
Net defined benefit liabilities	<u>\$ 9,814,737</u>	<u>\$ 9,737,741</u>
Net defined benefit assets	<u>\$ 2,193</u>	<u>\$ -</u>
Movements in net defined benefit liabilities were as follows:		
	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets
	\$ 18,457,304	\$ (9,022,269)
Balance at January 1, 2020		\$ 9,435,035
Service cost		
Current service cost	1,323,036	-
Net interest expense (income)	126,390	(63,554)
Recognized in profit or loss	1,449,426	(63,554)
Remeasurement		
Return on plan assets (excluding amounts included in net interest)	-	(303,407)
Actuarial loss - changes in demographic assumptions	9,770	-
Actuarial loss - changes in financial assumptions	658,370	-
Actuarial loss - experience adjustments	34,417	-
Recognized in other comprehensive income	702,557	(303,407)
Contributions from the employer	-	(1,304,769)
Benefits paid	(1,638,230)	1,638,230
Others	(177,547)	-
Balance at December 31, 2020	18,793,509	(9,055,768)
Service cost		
Current service cost	1,301,730	-
Past service cost and loss on settlements	581	-
Net interest expense (income)	64,228	(31,307)
Recognized in profit or loss	1,366,539	(31,307)
Remeasurement		
Return on plan assets (excluding amounts included in net interest)	-	(131,974)
Actuarial loss - changes in demographic assumptions	526,399	-
Actuarial (gain) loss - changes in financial assumptions	(575,703)	-
Actuarial loss - experience adjustments	245,415	-
Recognized in other comprehensive income	196,111	(131,974)

(Continued)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	\$ 924,261	\$ 916,627
Average duration of the defined benefit obligation	7-10 years	8-11 years

26. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Numbers of shares authorized (in thousands of shares)	7,000,000	7,000,000
Amount of shares authorized	\$ 70,000,000	\$ 70,000,000
Amount of shares issued	\$ 59,412,243	\$ 54,209,846

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$7,032,400 thousand for the year ended December 31, 2021. The number of ordinary shares exchanged was 520,239 thousand and entitled to registration change after the issuance of new shares.

b. Capital surplus

	December 31	
	2021	2020
Issuance of convertible bonds in excess of par value and conversion premium	\$ 1,668,381	\$ 146,351
Retirement of treasury shares	-	33,513
Expired employee share options	-	11,747
Long-term investments	540	119,134
Bonds payable equity component	155,676	409,978
Others	869,932	466,604
	\$ 2,694,529	\$ 1,187,327

The capital surplus from shares issued in excess of par (including additional paid-in capital from the converted convertible bonds) may be used to offset deficits; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Company's paid-in capital on a yearly basis).

The capital surplus arising from long-term investments, expired employee share options, dividends distributed to subsidiaries and retirement of treasury shares may not be used for any purpose, except for offsetting a deficit. The capital surplus arising from the conversion of convertible bonds may not be used for any purpose.

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (1,163,444)	\$ (1,163,444)
Benefits paid	(1,043,124)	1,035,693	(7,431)
Others	(153,691)	-	(153,691)
Balance at December 31, 2021	\$ 19,159,344	\$ (9,346,800)	\$ 9,812,544
			(Concluded)

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2021	2020
Discount rate	0.60%-0.70%	0.32%-0.80%
Expected rate of salary increase	1.00%-2.50%	1.00%-2.50%
If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:		
Discount rate		
0.25% increase	\$ (419,153)	\$ (438,527)
0.25% decrease	437,615	457,422
Expected rate of salary increase		
0.5% increase	823,125	830,329
0.5% decrease	(783,845)	(772,927)

c. Appropriation of earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which is to distribute dividends and bonus no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonus mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends.

Under the Company Act, if surplus earnings are distributed in the form of new shares, the distribution of shares shall be approved in the meeting of the board of directors; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Group has no loss, according to laws and regulations, the Group can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such surplus earnings is distributed in the form of new shares, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles") based on the amended Company Act, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with due consideration of any future aircraft acquisition plans and fund demands, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders by cash or shares (cash dividends cannot be less than 30% of total dividends distributed). However, if the Company's profit before tax in a fiscal year after deductions for the abovementioned items is not sufficient for earnings distribution, retained earnings can be used as a supplement for the deficiency.

The Company shall set aside profits as a legal reserve until the legal reserve amounts to the authorized capital. The legal reserve could be used for offsetting deficit of the Company. If the Company has no deficit in a fiscal year, the Company can distribute all or part of the capital surplus by cash or shares with due consideration of finance, marketing and management requirements in accordance with the laws and regulations.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the current year.

1) Offsetting deficit in 2020

On August 12, 2021, the offsetting of deficit in 2020 was resolved and recognized in the shareholders' meeting. The deficit included a net income of \$140,000 thousand and negative adjustment of other retained earnings of \$490,581 thousand; thus, the remaining amount of accumulated deficit was \$350,581 thousand. The deficit was offset by the capital reserve of \$350,581 thousand.

2) Appropriation of earnings in 2021

On March 15, 2022, the appropriation of earnings in 2021 which was resolved in the meeting of the Company's board of directors as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 925,385	\$ -
Cash dividends	5,000,000	0.83636529

The appropriation of earnings in 2021 is subject to the resolution of the shareholders in their meetings on May 26, 2022.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2020	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Exchange differences on translation of the financial statements of foreign operations	(99,774)	-	-	(99,774)
Cumulative loss on changes in fair value of hedging instruments	-	-	1,921,255	1,921,255
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss at FVTOCI	-	-	(293,518)	(293,518)
Unrealized gain on financial assets at FVTOCI	-	(45,588)	-	(45,588)
Effects of income tax	20,229	9,685	(365,745)	(335,831)
Other comprehensive income (loss) recognized in the period	(79,545)	(35,903)	1,261,992	1,146,544
Transferred to initial carrying amount of hedged items	-	-	200,989	200,989
Balance at December 31, 2020	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766

(Continued)

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of December 31, 2021 and 2020 were as follows:

Period of Treasury Shares	(In Thousands of Shares)			
	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year	Market Value
For the year ended December 31, 2021	<u>2,075</u>	<u>-</u>	<u>2,075</u>	
For the year ended December 31, 2020	<u>2,889</u>	<u>(814)</u>	<u>2,075</u>	
Subsidiary	Shares (In Thousands)	Carrying Amount		
December 31, 2021				
Mandarin Airlines	2,075	\$ 57,156		\$ 57,156
December 31, 2020				
Mandarin Airlines	2,075	\$ 24,999		\$ 24,999

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

Dynasty Aerotech International Corp. sold a total of 814 thousand shares of the Company in 2020 and the disposal price was \$6,854 thousand.

27. NET INCOME

a. Revenue	For the Year Ended December 31	
	2021	2020
Passenger	\$ 6,063,776	\$ 25,704,367
Cargo	124,541,265	81,917,976
Others	<u>8,236,362</u>	<u>7,628,207</u>
	<u>\$ 138,841,403</u>	<u>\$ 115,250,550</u>

Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2021	\$ 71,359	\$ 2,606,659	\$ 2,543,766
Exchange differences on translation of the financial statements of foreign operations	17,692	-	17,692
Cumulative loss on changes in fair value of hedging instruments	-	858,540	858,540
Cumulative gain on changes in fair value of hedging instruments	-	(667,096)	(667,096)
Unrealized gain on financial assets reclassified to profit or loss at FVTOCI	(95,864)	-	(95,864)
Effects of income tax	<u>18,993</u>	<u>(58,191)</u>	<u>(42,717)</u>
Other comprehensive income (loss) recognized in the period	(76,871)	133,253	70,555
Transferred to initial carrying amount of hedged items	-	<u>99,507</u>	<u>99,507</u>
Balance at December 31, 2021	<u>\$ (120,079)</u>	<u>\$ 2,839,419</u>	<u>\$ 2,713,828</u>
			(Concluded)

e. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Beginning balance	\$ 3,152,090	\$ 3,578,345
Net (loss) income attributable to non-controlling interests	(423,241)	(419,814)
Foreign exchange differences	464	1,826
Actuarial gains and losses on defined benefit plans	(23,895)	43,157
Cash flow hedge on changes in fair value of hedging instruments	(614)	2,993
Cumulative gain (loss) arising on changes in fair value of hedging instruments reclassified to profit or loss	1,186	(1,600)
Effect of income tax	<u>4,303</u>	<u>(9,272)</u>
	<u>(18,556)</u>	<u>37,104</u>
Outstanding share options held by employees of subsidiaries	126	52
Change in subsidiaries' equity	575,753	331,427
Dividends paid by subsidiaries	<u>(124,727)</u>	<u>(375,024)</u>
Ending balance	<u>\$ 3,161,445</u>	<u>\$ 3,152,090</u>

b. Other income	For the Year Ended December 31	
	2021	2020
Interest income	\$ 156,339	\$ 282,506
Dividend income	12,220	23,043
Others	<u>769,967</u>	<u>381,025</u>
	<u>\$ 938,526</u>	<u>\$ 686,574</u>
c. Other gains and losses	For the Year Ended December 31	
	2021	2020
(Loss) gain on disposal property, plant and equipment	\$ (933,151)	\$ 13,347
Gain on financial assets mandatorily classified as at FVTPL	186	2,287
Net foreign exchange (losses) gains	(2,925)	527,234
Impairment loss recognized on flying equipment	(40,967)	(424,573)
Foreign investment impairment loss under equity method	(59,901)	(46,757)
Impairment loss recognized on intangible assets	(143,043)	-
Loss on disposal of investments	(540)	-
Loss arising from sale and leaseback transactions	(342,080)	-
Others	<u>(448,672)</u>	<u>(337,528)</u>
	<u>\$ (1,971,093)</u>	<u>\$ (265,990)</u>
d. Finance costs	For the Year Ended December 31	
	2021	2020
Interest expense	\$ 262,237	\$ 342,963
Bonds payable	725,090	930,083
Bank loans	1,420,115	1,784,917
Interest on lease liabilities	<u>2,407,442</u>	<u>3,057,963</u>
	<u>\$ 4,814,884</u>	<u>\$ 6,015,926</u>
Capitalization interest	\$ 42,440	\$ 78,863
Capitalization rate	0.55%-1.11%	0.71%-1.92%
e. Depreciation and amortization expense	For the Year Ended December 31	
	2021	2020
Property, plant, equipment	\$ 17,700,577	\$ 19,425,422
Right-of-use assets	12,027,404	11,741,555
Investment properties	267	270
Intangible assets	<u>221,459</u>	<u>206,936</u>
	<u>\$ 29,949,707</u>	<u>\$ 31,374,183</u>
Depreciation and amortization expense		
An analysis of depreciation by function		
Operating costs	\$ 28,885,177	\$ 30,171,665
Operating expenses	<u>843,071</u>	<u>995,582</u>
	<u>\$ 29,728,248</u>	<u>\$ 31,167,247</u>
An analysis of amortization by function		
Operating costs	\$ 12,308	\$ 14,312
Operating expenses	<u>209,151</u>	<u>192,624</u>
	<u>\$ 221,459</u>	<u>\$ 206,936</u>
f. Employee benefits expense	For the Year Ended December 31	
	2021	2020
Post-employment benefits	\$ 519,911	\$ 551,154
Defined contribution plan	<u>1,335,232</u>	<u>1,385,872</u>
Defined benefit plan	<u>1,855,143</u>	<u>1,937,026</u>
	<u>\$ 3,710,286</u>	<u>\$ 3,874,052</u>
Other employee benefits		
Salary expenses	\$ 20,878,698	\$ 17,958,185
Personnel service expenses	<u>5,761,628</u>	<u>5,400,252</u>
	<u>\$ 26,640,326</u>	<u>\$ 23,358,437</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 23,127,124	\$ 20,466,080
Operating expenses	<u>5,368,345</u>	<u>4,829,383</u>
	<u>\$ 28,495,469</u>	<u>\$ 25,295,463</u>

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the year ended December 31, 2021, the estimated amount of compensation of employees was \$366,429 thousand, and for the year ended December 31, 2020, the compensation of employees was not estimated since the Company had an accumulated deficit.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual consolidated financial statements are authorized for issue are adjusted in the year that the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the compensation of employees resolved by the Company's board of directors in 2021 and 2020 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
Current year	\$ 3,092,405	\$ 118,814
Adjustments for prior year	10,077	(29,845)
Income tax on unappropriated earnings	-	628
Deferred tax		
Current year	(938,165)	(551,574)
Adjustments for prior year	5,624	87,994
Income tax expense recognized in profit or loss	<u>\$ 2,169,941</u>	<u>\$ (373,983)</u>
A reconciliation of accounting profit and income tax expense was as follows:		
	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	<u>\$ 11,126,605</u>	<u>\$ (653,797)</u>
Income tax expense calculated at the statutory rate	\$ 2,225,321	\$ (130,759)
Effect of different tax of subsidiaries	(10,261)	(8,456)
Effect of adjustments to income tax		
Non-deductible expenses in determining taxable income	718,589	388,066
Tax-exempt income	(1,307,837)	(711,001)
Income tax on unappropriated earnings (5%)	-	628
Overseas income tax expense	33,817	16,244
Unrecognized loss carryforwards, investment tax credits and temporary difference	491,708	12,129
Adjustments for prior years' tax	10,077	(29,845)
Adjustments prior years' deferred tax	5,624	87,994
Other	<u>2,903</u>	<u>1,017</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 2,169,941</u>	<u>\$ (373,983)</u>

b. Income tax recognized in other comprehensive income

	2021	2020
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	\$ (3,884)	\$ 19,864
Fair value changes of financial assets at FVTOCI	18,993	9,685
Fair value changes of hedging instruments for cash flow hedging	(58,305)	(366,022)
Remeasurement of defined benefit plans	<u>12,827</u>	<u>79,830</u>
Total income tax recognized in other comprehensive income	<u>\$ (30,369)</u>	<u>\$ (256,643)</u>

c. Deferred tax assets and liabilities

	For the year ended December 31, 2021			
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences	\$ 1,956,577	\$ 16,391	\$ 12,588	\$ 1,985,556
Defined benefit plans	550,530	35,431	-	585,961
Frequent flyer programs	2,522,024	(53,718)	-	2,468,306
Maintenance reserves	255,267	26,922	-	282,189
Allowance for reduction of inventories	743,802	848,191	(11,500)	1,608,966
Others	-	-	-	-
	<u>\$ 6,028,200</u>	<u>\$ 873,217</u>	<u>\$ 1,088</u>	<u>\$ 6,930,978</u>
Deferred tax liabilities				
Temporary differences	\$ 163,433	\$ (30,158)	\$ -	\$ 133,275
Unrealized foreign exchange gains	-	181	-	181
Defined benefit plans	859,651	(29,347)	31,457	888,097
Others	-	-	-	-
	<u>\$ 1,023,084</u>	<u>\$ (59,324)</u>	<u>\$ 31,457</u>	<u>\$ 1,021,553</u>
For the year ended December 31, 2020				
	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Deferred tax assets				
Temporary differences	\$ 1,891,851	\$ (15,520)	\$ 80,246	\$ 1,956,577
Defined benefit plans	892,977	(42,447)	-	850,530
Frequent flyer programs	2,240,003	282,021	-	2,522,024
Maintenance reserves	296,857	(41,590)	-	255,267
Allowance for reduction of inventories	315,938	367,228	77,917	743,802
Others	-	-	-	-
	<u>\$ 5,337,626</u>	<u>\$ 549,692</u>	<u>\$ 158,163</u>	<u>\$ 6,028,200</u>
Deferred tax liabilities				
Temporary differences	\$ 81,777	\$ 81,656	\$ -	\$ 163,433
Unrealized foreign exchange gains	475,365	4,450	414,806	899,651
Others	-	-	-	-
	<u>\$ 557,142</u>	<u>\$ 86,112</u>	<u>\$ 414,806</u>	<u>\$ 1,023,084</u>

Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets were as follows:

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2025	\$ 18,124	\$ 18,124
Expiry in 2026	344,200	344,200
Expiry in 2027	68,415	68,415
Expiry in 2028	175,712	671,529
Expiry in 2029	206,151	1,645,438
Expiry in 2030	1,282,549	852,281
Expiry in 2031	1,596,332	-
	<u>\$ 3,691,483</u>	<u>\$ 3,599,987</u>
Others	<u>\$ 7,109,835</u>	<u>\$ 4,563,924</u>

d. Unused tax loss carryforwards as of December 31, 2021 were as follows:

	Expiry Year	Unused Amount
<u>Mandarin Airline Co., Ltd.</u>		
2026		\$ 312,724
2028		72,551
2030		524,478
2031		<u>1,344,629</u>
		<u>\$ 2,254,382</u>
<u>Tigerair Taiwan Co., Ltd.</u>		
2030		\$ 1,951,372
2031		<u>2,884,376</u>
		<u>\$ 4,835,748</u>
<u>Taoyuan International Airport Services</u>		
2030		\$ 591,291
2031		<u>385,915</u>
		<u>\$ 977,206</u>
<u>Taiwan Airport Services</u>		
2030		\$ 245,159
2031		<u>284,037</u>
		<u>\$ 529,196</u>
		(Continued)

	Expiry Year	Unused Amount
<u>Sabre Travel Network (Taiwan)</u>		
2030		\$ 75,174
2031		<u>61,107</u>
		<u>\$ 136,281</u>
<u>Cal Hotel Co., Ltd.</u>		
2030		\$ 102,477
2031		<u>101,896</u>
		<u>\$ 204,373</u>
<u>Kaohsiung Catering Services, Ltd.</u>		
2030		\$ 84,873
2031		<u>191,868</u>
		<u>\$ 276,741</u>
<u>Taiwan Aircraft Maintenance And Engineering Co., Ltd.</u>		
2025		\$ 18,124
2026		31,476
2027		68,415
2028		103,161
2029		206,151
2030		<u>275,075</u>
2031		<u>149,807</u>
		<u>\$ 852,209</u>
		(Concluded)

e. Income tax assessment

The income tax returns of the Company through 2018 and its subsidiaries have been examined by the tax authorities. And the income tax returns of the Company's subsidiaries through 2019 have been examined by the tax authorities.

29. EARNING PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	\$ <u>1.67</u>	\$ <u>0.03</u>
Diluted earnings per share	\$ <u>1.54</u>	\$ <u>0.03</u>
Earnings used in the computation of basic earnings per share	\$ 9,379,905	\$ 140,000
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>72,638</u>	-
Earnings used in the computation of diluted earnings per share	\$ <u>9,452,543</u>	\$ <u>140,000</u>
In thousands of shares		
Weighted average number of ordinary shares in computation of basic earnings per share	5,615,684	5,418,776
Effect of potentially dilutive ordinary shares:		
Compensation of employees or bonuses issued to employees	<u>13,300</u>	-
Convertible bonds	<u>512,144</u>	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,141,128</u>	<u>5,418,776</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

To support operating activities and purchase of aircraft, the Group needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure that financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment, dividend payments and other needs in the next 12 months.

31. FINANCIAL INSTRUMENTS

- a. Financial instruments not evaluated at fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximating their fair values.

	December 31		
	2021	2020	
	Carrying Amount	Fair Value	Fair Value
Financial liabilities			
Bonds payable	\$ 13,650,026	\$ 14,557,830	\$ 22,282,859
			\$ 22,459,685

Lease liabilities and long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bond payable trading in OTC are based on quoted market prices (Level 1).

- b. Fair value of financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at				
FVTPL				
Domestic money market funds	\$ <u>155,780</u>	\$ -	\$ -	\$ <u>155,780</u>
Financial assets at				
FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 28,804	\$ 28,804
Unlisted shares - foreign	-	-	<u>39,080</u>	<u>39,080</u>
	\$ -	\$ -	\$ <u>67,884</u>	\$ <u>67,884</u>

(Continued)

The domestic and foreign unlisted equity investment are based on the comparative company valuation to estimate the fair value. The main assumptions are based on the multiplier of the market price of the comparable listed company and the net value per share, which have considered the liquidity discount. The higher the multiplier or the lower the liquidity discount, the higher the fair value of the relevant financial instruments.

The movements of financial instruments based on Level 3 fair value measurement are as follows:

	Multiplicator	Liquidity Discount
December 31, 2021	0.74-14.31	80%
December 31, 2020	0.79-16.32	80%

	Derivative Instruments	Equity Instruments
Balance at January 1, 2021	\$ -	\$ 163,746
Recognized in other comprehensive income	6,124	(95,862)
Balance at December 31, 2021	<u>\$ 6,124</u>	<u>\$ 67,884</u>
Balance at January 1, 2020	\$ 5,524	\$ 209,221
Recognized in other comprehensive income	(5,524)	(45,475)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 163,746</u>

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Group's collective instruments.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 155,780	\$ 274,761
Financial assets for hedging	3,563,319	7,613,636
Financial assets at amortized cost (Note 1)	74,194,351	45,898,091
Financial assets at FVTOCI - investments in equity instruments	67,884	163,746
<u>Financial liabilities</u>		
Financial liabilities for hedging	36,277,944	40,585,085
Financial liabilities at amortized cost (Note 2)	160,383,305	165,458,441

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits and other restricted financial assets.

	Level 1	Level 2	Level 3	Total
Financial assets for hedging	<u>\$ 3,545,706</u>	<u>\$ -</u>	<u>\$ 17,613</u>	<u>\$ 3,563,319</u>
Financial liabilities for hedging	<u>\$ 36,274,740</u>	<u>\$ 449</u>	<u>\$ 2,755</u>	<u>\$ 36,277,944</u>

(Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 274,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,761</u>
Domestic money market funds				
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 29,704	\$ 29,704
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>134,042</u>	<u>134,042</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,746</u>	<u>\$ 163,746</u>
Financial assets for hedging	<u>\$ 7,613,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,613,636</u>
Financial liabilities for hedging	<u>\$ 40,575,778</u>	<u>\$ 9,307</u>	<u>\$ -</u>	<u>\$ 40,585,085</u>

There were no transfers between Levels 1 and 2 in the current period.

4) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives	The fair values of derivatives (except for options) have been determined based on discounted cash flow analysis using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Group used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuations used in isolation would result in an increase or decrease in the fair value of the fuel options.

Note 2: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable, long-term loans, lease liabilities payable, lease liabilities, provisions, part of other current liabilities, part of other non-current liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Group has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest, exchange rates and in fuel prices, the Group has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Group's shareholders to reduce the impact of market price changes on earnings. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

In addition, the Group has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the Group of global economic and financial conditions, controls the entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Group is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The Group enters into foreign exchange forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

The Group enters into foreign currency option contracts to hedge against the risks on change in related exchange rates, enters into forward contracts to hedge against the risks on changes in foreign-currency assets, liabilities and commitments in the related exchange rates.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

An increase/decrease in U.S. dollars one dollar against New Taiwan dollars when reporting foreign currency risk internally to key management personnel represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease by one dollar against New Taiwan dollars in foreign currency rates.

When New Taiwan dollars increased by one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in other comprehensive income for the year ended December 31, 2021 of \$187,869 thousand and \$1,173,733 thousand and an increase in pre-tax profit and other comprehensive income for the year ended December 31, 2020 of \$345,440 thousand and \$1,150,896 thousand, respectively.

The Group's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in the next year. Those transactions are designated as cash flow hedges. When forecasted purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable aircraft prepayments, as the critical terms (i.e. the notional amount, useful life and underlying asset) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The following table summarizes the information relating to the hedging of foreign currency risk.

December 31, 2021					
Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet
Cash flow hedge - Aircraft rentals - forward exchange contracts	NTD/USD	NTD15,651 / USD7,785	2022.4.26 - 2022.12.23	27.6-27.9	Financial assets for hedging - current / liabilities for hedging - current
					\$ - \$ 449

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$449 thousand.

For the year ended December 31, 2021

		Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income			
Cash flow hedge	\$ 3,062		
Aircraft rentals		\$ (6,392)	(Note)
Aviation fuel	<u>5,794</u>	<u>(6,844)</u>	
	\$ 8,856		<u>\$ (13,236)</u>

Note: Decrease in operating costs or exchange loss.

December 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet
Cash flow hedge - Aircraft rentals - forward exchange contracts	NTD/USD	NTD127,866 / USD4,371	2021.1.6 - 2021.11.9	28.5-29.7	Financial assets for hedging - current / liabilities for hedging - current
Aviation fuel - forward exchange contracts	NTD/USD	NTD142,645 / USD5,000	2021.1.26 - 2021.5.28	29.9-29.8	Financial assets for hedging - current / liabilities for hedging - current
					\$ - \$ 3,513
					- 5,794

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aviation fuel in U.S. dollars) was \$(3,513) thousand and \$(5,794) thousand, respectively.

For the year ended December 31, 2020

	Hedging Gains (Losses)	Amount Reclassified to Profit and Loss	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income			
Cash flow hedge	\$ 4,939	\$ 11,908 (Note)	
Aircraft rentals	4,367	(16,616)	
Aircraft prepayments	(101,570)	-	
Maintenance cost	-	5	
	<u>\$ (92,264)</u>	<u>\$ (4,703)</u>	

Note: Decrease in operating costs or exchange loss.

The amount of gains and losses on hedging instruments for the year ended December 31, 2020 reclassified from profit or loss to prepayments for equipment was \$119,878 thousand.

b) Interest rate risk

The Group enters into interest swap contracts to hedge against the risks on change in net floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2021	2020
Fair value interest rate risk	\$ 56,279,341	\$ 68,883,667
Cash flow interest rate risk	105,262,530	112,324,305

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A one yard (25 basis points) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Group's pre-tax profit for the year ended December 31, 2021 would have decreased by \$263,156 thousand.

Had interest rates increased by one yard (25 basis points) and had all other variables been held constant, the Group's pre-tax profit for the year ended December 31, 2020 would have decreased by \$280,811 thousand.

c) Other price risk

The Group was exposed to fuel price risk on its purchase of aviation fuel. The Group enters into fuel options contracts to hedge against adverse risks on fuel price changes.

December 31, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
Cash flow hedges - fuel options	USD	NTD6,124	2021.1.31 - 2022.9.30	USD62.1/USD122	Financial assets for hedging - current	\$ 2,755
					Financial assets for hedging - current	\$ 17,613

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$6,124.

For the year ended December 31, 2021

	Hedging Gains Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedges - fuel options	\$ 6,124	\$ (408) (Note)

Note: Increase in operating costs.

December 31, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
Cash flow hedges - fuel options	USD	-	-	-	Financial assets for hedging - current	\$ -
					Financial assets for hedging - current	\$ -

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$0.

For the year ended December 31, 2020

	Hedging Losses Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedges - fuel options	\$ (5,524)	\$ (52,853) (Note)

Note: Increase in operating costs.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to fuel price risks at the end of the reporting period.

	For the Year Ended December 31			
	2021	2020		
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase of 5%	\$ -	\$ 306	\$ 1,479	\$ -
Fuel price decrease of 5%	-	(306)	(1,479)	-

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk primarily comes from accounts receivable generated from operating activities and bank deposits generated from investing activities, fixed income investments and other financial instruments, operation related credit risk and financial credit risk are managed separately.

Operation -related credit risk

The Group has established procedures to manage operations related credit risk to maintain the quality of accounts receivable.

To assess the risk of individual customers, the Group consider into the financial condition of the customers, the credit rating agency rating, the Group's internal credit rating, transaction history and current economic conditions and many other factors that may affect the repayment. Sometimes, the Group uses certain credit enhancement tools to reduce the credit risk of specific customers. Since the customers of the aviation industry are dispersed and non-related, the credit risk concentration is not critical.

Financial credit risk

Credit risk on bank deposits, fixed income investments and other financial instruments are measured and monitor by the Group's finance department. The Group's trading partners and other parties are well-performing banks and financial institutions, corporations, and government agencies, and so the risk of counterparties failing to discharge an obligation is low; therefore, there is no significant credit risk.

3) Liquidity risk

The objective of the Group's management of liquidity is to maintain cash and cash equivalents sufficient for operating purposes, marketable securities with high liquidity and loan commitments that are sufficient to ensure that the Group has adequate financial flexibility.

Undrawn Bank Loan Commitments (Unsecured)

The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.) \$ 27,719,857

Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Group's financial liabilities with agreed-upon repayment periods, which were based on the date the Group may be required to pay the first repayment and financial liabilities is evaluated based on undiscounted cash flows, including cash flows of interest and principal.

Bank loans with a repayment on demand clause were included in the second column of the table below regardless of whether or not the banks would choose to exercise early their rights to repayment. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates. The Group's liquidity analysis for its derivative financial instruments is also shown in the following table. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

December 31, 2021

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year			1 to 5 Years			Over 5 Years		
Lease liabilities	2.4651	\$ 3,440,414			\$ 9,119,294			\$ 7,314,114		
Floating interest rate liabilities	0.9005	12,123,745			71,980,918			13,979,191		
Derivative instruments	2.9022	9,375,841			28,118,375			1,532,555		
Bonds payable	1.4686	2,740,146			12,303,090			-		
		<u>\$ 27,680,146</u>			<u>\$ 121,521,677</u>			<u>\$ 22,825,860</u>		

December 31, 2020

	The Weighted Average Effective Interest Rate (%)		
	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.3584	\$ 3,494,299	\$ 9,770,964
Floating interest rate liabilities	1.6269	26,195,346	60,977,026
Derivative instruments	3.0492	9,249,609	32,978,809
Bonds payable	1.2311	12,531,511	9,303,608
		\$ 51,470,765	\$ 113,030,407
			\$ 28,254,888

32. RELATED-PARTY TRANSACTIONS

The transactions between subsidiaries (obtain business) relationship with China Airlines, Ltd., remaining account balance, revenue and expense are eliminated when combined, which is not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are as follows:

a. Related party name and relationship

Related Party Name	Relationship with the Company
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays	Associate
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture
Delica International Co., Ltd.	Joint venture
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relative

b. Operating income

Account Items	For the Year Ended December 31	
	2021	2020
Other income	\$ 12,634	\$ 5,097
	\$ 56	\$ 122
	\$ 20,365	\$ 22,445

c. Purchases

Related Party Type	For the Year Ended December 31	
	2021	2020
Major shareholder of the Company	\$ 28,574	\$ 11,417
Associate	\$ 536,086	\$ 457,005
Joint venture	\$ 221,802	\$ 516,347

d. Accounts receivable - related parties (generated by operations)

Related Party Type	December 31	
	2021	2020
Joint venture	\$ 1,563	\$ 1,667
Major shareholder of the Company	785	-
	\$ 2,348	\$ 1,667

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment periods of such accounts were within 30 to 90 days, and there are no overdue payments.

e. Accounts payable - related parties (generated by operations)

Related Party Type	December 31	
	2021	2020
Associate	\$ 68,826	\$ 52,187
Joint venture	59,930	76,380
Major shareholder of the Company	1,816	-
	\$ 130,572	\$ 128,567

The remaining balance of accounts payable - related parties will be paid in cash if they are not secured.

f. Lease arrangements (operating leases)

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, the Company paid the rental based on usage hours. For the years ended December 31, 2021 and 2020, the Company had paid rentals of about \$28,574 thousand and \$11,417 thousand, respectively.

g. Endorsements and guarantees

	December 31		
	2021	2020	2020
	Authorized Amount	Actual Amount Used	Authorized Amount
The Company			
CAL Park	\$ 3,850,000	\$ 1,663,320	\$ 3,850,000
Tigerair Taiwan	2,590,360	258,454	2,656,591
Taiwan Air-Craft Maintenance	2,000,000	1,459,000	2,000,000
			1,336,000

- h. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 42,093	\$ 33,376
Post-employment benefits	<u>42,123</u>	<u>2,525</u>
	\$ <u>84,216</u>	\$ <u>35,901</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term bank loans, lease liabilities and business transactions:

	December 31	
	2021	2020
Property, plant and equipment	\$ 31,823,285	\$ 34,170,076
Right-of-use assets	<u>56,061,967</u>	<u>59,861,537</u>
Restricted assets		
Pledged certificate deposits	<u>577,809</u>	<u>302,807</u>
	\$ <u>88,463,061</u>	\$ <u>94,334,420</u>

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at December 31, 2021 were as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. TACT filed an application for a 10-year extension of the COP for the cargo terminals in the Taiwan Taoyuan International Airport and Kaohsiung International Airport and received the approval from the Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

However, TACT filed an arbitration in 2012 to revise the total amount of expenditure to \$6,840,000 thousand. As of December 31, 2021, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo Terminal Expansion Construction Consultant Contract	\$ 192,000

Assets acquired from cargo terminal improvements, equipment acquisition and subsequent equipment acquisition and replacement will be transferred to the government without any compensation when the chartered operating license expires.

TACT should pay royalties to Taoyuan Airport Corporation and the CAA during the chartered operation period. The calculation is based on annual sales (including operating and non-operating revenue but excluding the rental revenue from specific districts), and Taoyuan Airport Corporation and the CAA have the option to adjust the royalty rates every 3 years starting from the date of transfer of the chartered operation rights on the basis of actual revenue and expenditures. The current royalty rate is 6%.

- b. CAL Park Co., Ltd. ("CAL Park") signed "Taiwan Taoyuan International Airport Aviation Operation Center (including Airport Hotel) Construction Operating Contract" with the CAA on September 20, 2006. However, on November 1, 2010, the Taoyuan Airport Corporation took over the CAA's rights on this contract from the CAA. The contract is effective for 50 years (consisting of the development stage and operating period) from the contract date. Three years before contract expiry date, CAL Park has the first option to renew the contract with a 20-year extension.

CAL Park's business scope includes providing business and other operating space related to civil air transport, hotels, aviation service and related industries adhered to the base and essential services law and approved by the Taoyuan Airport Corporation.

CAL Park should pay land rentals on the date of the registration of surface rights. The rental rates for the development stage differ from those for the operation period. The rental rates should follow Article No. 2 of the "Regulations for Favorable Rentals Regarding Public Land Lease and Superficies in Infrastructure Projects," which states that rental calculation in the development stage should include the land value added tax plus the necessary maintenance fee; in the operation period, rentals are 60% of the amount based on the National Building Land Rental Standard plus land value tax, value-added tax and the necessary maintenance fees.

During the 50 years beginning from the initial operation date of CAL Park to the end of the construction period, CAL Park should pay royalties based on the operating revenue estimated in the financial plan of its investment execution proposal. If the sales and business tax declared and filed by a business entity for a single year exceeds 10% of the operating revenue as estimated in the financial plan in its investment execution proposal, CAL Park should pay additional royalties at 10% of this excess.

CAL Park should submit the asset transfer plan within five years before the expiry date of the chartered operation period, begin the negotiation of the asset transfer contract, and complete the assignment no later than three years before the expiry date of the chartered period. If CAA decides not to keep the building and equipment on the base area, CAL Park should remove all related building and equipment within three months after the expiry date.

- c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of December 31, 2021, the list price had been paid in the amount of US\$32,578 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. As of December 31, 2021, one out of the four backup engines has been delivered. The Group also signed related aircraft lease agreement, please refer to Note 21.

d. In July and August 2019, the Company signed a contract with the Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. The expected delivery periods are from 2020 to 2023. In January 2022, the Company signed an additional contract with the Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,914,818 thousand. As of December 31, 2021, three out of ten aircraft have been delivered. The total list price of the remaining seven aircraft is US\$1,172,357 thousand, and the list price has been paid in the amount of US\$234,471 thousand (recognized as prepayments for aircraft).

e. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2027. As of December 31, 2021, the list price has been paid in the amount of US\$18,549 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of December 31, 2021, one out of the two backup engines has been delivered, and the other was expected to be delivered in 2025. The Group also signed related aircraft lease agreement, please refer to Note 21.

35. IMPACT OF COVID-19

Since the outbreak of the COVID-19 in January 2020, the coronavirus has become a pandemic. The pandemic has now spread around the world and most countries have not removed their travel restrictions. Because the number of inbound and outbound passengers has decreased significantly, the Group adjusts the proportion between passenger aircraft and cargo aircraft used in operations to comply with the government's epidemic prevention policy and cater to market demand. The Company reduces the frequency of passenger air services that have been severely affected, uses the passenger aircraft to support the cargo flight arrangement and expands the function of all-cargo aircraft to maximize the opportunities from air cargo business. Since March 2020, cargo has become the main source of revenue for the Group.

The Group continues to adjust the response measures according to the situation. In addition, to ensure the adequate liquidity, the Group also implements measures for human resource management such as postponing the hiring of newcomers, relaxing the application of special leave, loosening the restrictions on leave without pay, encouraging employees to take leave, adjusting working hours and salaries, etc. The Group's policies to control spending include suspension of non-urgent capital expenditures, reduction in and postponement of payments.

For the years ended December 31, 2021 and 2020, because of the COVID-19 pandemic, the Company received subsidies of \$1,476,141 thousand and \$1,293,388 thousand, respectively, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense were \$1,536,709 thousand and \$961,208 thousand, respectively. These subsidies were recognized as other income or deduction from other expenses.

The Group has obtained relief loan from the government. Refer to Note 19 for details on the amount of loan and its allocation.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,123,112	27.7008	\$ 31,111,094
EUR	24,700	31.4465	776,718
HKD	551,856	3.5499	1,959,032
JPY	5,082,118	0.2407	1,223,259
CNY	768,075	4.3459	3,337,976

Financial liabilities

Monetary items			
USD	2,116,761	27.7008	58,635,978
EUR	3,724	31.4465	117,119
HKD	65,641	3.5499	233,020
JPY	2,810,820	0.2407	676,564
CNY	112,025	4.3459	486,852

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 702,507	28.4091	\$ 19,957,598
EUR	18,250	34.8432	635,899
HKD	344,577	3.6603	1,261,257
JPY	3,475,525	0.2750	955,769
CNY	560,252	4.3440	2,433,737

Financial liabilities

Monetary items			
USD	2,208,214	28.4091	62,733,383
EUR	6,513	34.8432	226,949
HKD	73,825	3.6603	270,223
JPY	3,725,514	0.2750	1,024,509
CNY	144,376	4.3440	627,168

For the years ended December 31, 2021 and 2020, the Group's net foreign exchange gain (losses) were \$(2,925) thousand and \$527,234 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

a. Segment information

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
 - 1) Financing provided to others: Table 1 (attached)
 - 2) Endorsements/guarantees provided: Table 2 (attached)
 - 3) Marketable securities held: Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
 - 5) Acquisitions of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached)
 - 10) Trading in derivative instruments (Notes 7 and 31)
- b. Information on investments in mainland China: Table 8 (attached)
- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 9 (attached)
- d. Information of major shareholders: Table 10 (attached)

38. SEGMENT INFORMATION

- a. Segment information

The Group mainly engages in air transportation services for passengers, cargo and others. Its major revenue-generating asset is its aircraft fleet, which is used jointly for passenger and cargo services. Thus, the Group's sole reportable segment is its flight segment. For operating segment reporting in the consolidated financial statements, the reportable segment of the Group and its subsidiaries comprises the flight and the non-flight business departments. The accounting policy applied for reportable segments are consistent with the policies aforementioned in Note 4.

	For the Year Ended December 31, 2021		
	Air Transportation	Others	Adjustments and Write-offs
Operating revenue	\$ 134,808,935	\$ 7,632,435	\$ (3,599,967)
Operation profit and loss	\$ 15,210,818	\$ (162,108)	\$ (80,675)
Interest revenue			
Investments income accounted for using the equity method			
Revenue			
Financial costs			
Expenses			
Profit before income tax			
Identifiable assets			
Investments accounted for using the equity method			
Assets			
Total assets			
	\$ 179,433,732	\$ 14,522,321	(6,187,509)
			\$ 187,768,544
			1,555,016
			105,397,521
			\$ 294,721,081
	For the Year Ended December 31, 2020		
	Air Transportation	Others	Adjustments and Write-offs
Operating revenue	\$ 112,031,124	\$ 7,263,997	\$ (4,044,571)
Operation profit and loss	\$ 2,778,301	\$ (509,281)	\$ (84,604)
Interest revenue			
Investments income accounted for using the equity method			
Revenue			
Financial costs			
Expenses			
Profit before income tax			
Identifiable assets			
Investments accounted for using the equity method			
Assets			
Total assets			
	\$ 194,219,132	\$ 15,319,185	(6,120,289)
			\$ 203,418,029
			1,970,802
			78,805,253
			\$ 284,194,084

b. Geographical segment

The geographical segment information of the Company and its subsidiaries in 2021 and 2020 is listed below:

	For the Year Ended December 31, 2021					Adjustment and Elimination	Consolidation
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic
Operating revenue	\$ 80,022,226	\$ 4,314,447	\$ 2,407,585	\$ 14,640,072	\$ 3,473,452	\$ 6,018,297	\$ 11,446,641
Operating profit							
Interest revenue							
Investment income							
Income tax accounted for							
Share of profit or loss of equity method							
Revenue							
Expenses							
Profit before income tax	\$ 1,102,449	\$ 144,302	\$ 129,431	\$ 13,669	\$ 6,766	\$ 3,420	\$ 102,289,669
Identifiable assets							
Investments							
Income tax							
Share of profit or loss of equity method							
Assets							
Total assets							
Operating revenue							
Operating profit							
Interest revenue							
Investment income							
Income tax accounted for							
Share of profit or loss of equity method							
Revenue							
Expenses							
Profit before income tax	\$ 13,350,049	\$ 108,336	\$ 714,306	\$ 20,084	\$ 14,383	\$ 5,132	\$ 20,773,026
Identifiable assets							
Investments							
Income tax							
Share of profit or loss of equity method							
Assets							
Total assets							

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowed Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 100,000	\$ 96,953	\$ 96,953	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 141,266	\$ 282,532	

Note 1: The maximum amount of loans to others by the Group is up to 40% of the Group's net worth as stated in its latest financial statements.

Note 2: The maximum amount of loans to an individual counterparty by the Group is up to 20% of the Group's net worth as stated in its latest financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsor/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd.	100% owned subsidiary 82.27% owned subsidiary by direct and indirect holdings	\$ 14,808,714 14,808,714	\$ 3,850,000 2,671,771	\$ 3,850,000 2,590,360	\$ 1,663,320 258,454	\$ - -	5.20 3.50	\$ 37,021,787 37,021,787	Y Y	N N	N N
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	14,808,714	2,000,000	2,000,000	1,459,000	-	2.70	37,021,787	Y	N	N

Note 1: Based on the Company's guidelines, the maximum amount of guarantee to an individual counterparty is up to 20% of the Company's shareholders' equity.

Note 2: Based on the Company's guidelines, the allowable aggregate amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Security Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value
China Airlines ("Parent company")	Shares						
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	1,359,368	\$ 24,231	13.59	\$ 26,654
	Everest Investment Holdings Ltd. - preference shares	-	Financial assets at FVTOCI - non-current	135,937	2,423	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	28,804	11.00	28,804
	Jardine Air Terminal Services	-	Financial assets at FVTPL - current	12,000,000	-	15.00	-
Mandarin Airlines	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	4,021	-	0.02	-
	Shares						
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	57,156	-	57,156
	Shares						
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-
Cal-Asia Investment	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	12,426	5.45	12,426
	Beneficiary certificates						
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	273,999	49,379	-	49,379
	Shares						
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.4	-
Dynasty Aerotech International Corp.	Beneficiary certificates						
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	349,523	4,781	-	4,781
	Beneficiary certificates						
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	5,407,832	86,480	-	86,480
	Prudential Financial Return Fund	-	Financial assets at FVTPL - current	-	-	-	-
Kaohsiung Catering Services	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	1,106,807	15,140	-	15,140
	Government bonds						
	Philippines Government Bond		Financial assets at amortized cost - current	-	552	Not applicable	552
Tigerair Taiwan Co., Ltd.							

Note 1: The subsidiary's net asset value was \$26,654 thousand, which included ordinary shares and preference shares as of December 31, 2021.

Note 2: The Company does not issue shares because it is a limited company.

Note 3: The table only lists financial assets that are in accordance with IFRS 9.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)		Gain (Loss) on Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Amount
China Airlines ("Parent company")	Mandarin Airlines Tigerair Taiwan	Investments accounted for using the equity method Investments accounted for using the equity method	Mandarin Airlines Tigerair Taiwan	Subsidiary Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	-	-	\$ -

Note 1: Marketable securities included shares, bonds, beneficiary certificates and marketable securities derived from the above stated items.

Note 2: Marketable securities recognized as investments accounted for using the equity method shall be included in these two columns, others are exempt.

Note 3: Accumulated acquisition and disposal amount should be evaluated separately whether it reaches NT\$300 million or 20% of the paid-in capital by their market value.

Note 4: Paid-in capital is the parent company's paid-in capital. When the issuer issues shares without face value or face value other than NT\$10, according to the policy for the transaction price of 20% of the paid-in capital, it is calculated based on 10% of the equity attributable to the owner of the parent company in balance sheets.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or Payable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	\$ 363,578	0.34	2 months	\$ -	-	\$ (37,949)	(2.43)	-
	Cal Hotel	Subsidiary	Purchase	138,264	0.13	1 month	-	-	(29,503)	(1.89)	-
	Mandarin Airlines	Subsidiary	Sale	(127,598)	(0.10)	2 months	-	-	26,347	1.69	-
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	747,778	0.70	30 days	-	-	(62,743)	(4.02)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	1,113,547	1.05	40 days	-	-	(251,044)	(16.08)	-
	Global Sky Express	Subsidiary	Sale	(201,463)	(0.15)	15 days	-	-	11,320	0.08	-
	Tigerair Taiwan	Subsidiary	Sale	(147,001)	(0.11)	1 month	-	-	-	0.00	-
	CAL Park	Subsidiary	Sale	215,222	0.2	2 months	-	-	-	0.00	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	149,036	0.14	2 months	-	-	(55,763)	(0.41)	-
	Eastern United International Logistics	Equity-method investee	Purchase	478,437	0.45	2 months	-	-	(57,497)	(3.68)	-
	China Pacific Catering Services	Equity-method investee	Purchase	204,687	0.19	90 days	-	-	(56,930)	(3.65)	-
	Mandarin Airlines	Taiwan Airport Services	Same parent company	Purchase	120,005	3.53	1 month	-	-	(965)	(3.37)
Tigerair Taiwan		Same parent company	Purchase	164,165	0.15	1 month	-	-	-	0.00	-
Cal Hotel	CAL Park	Same parent company	Purchase	106,157	73.25	1 month	-	-	(128)	(0.68)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Mandarin Airlines	China Airlines	Parent company	\$ 154,849	Note	\$ -	-	\$ 152,307	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	251,044	4.77	-	-	251,044	-

Note: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore the turnover rate was not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	150,000,000	100.00	\$ 17,182	\$ 59,549	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	2,042,368	387,831,234	96.96	(1,565,065)	(1,484,975)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	542,784	293,078	-
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	10,237	10,954	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	(338,326)	(172,546)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	613,697	19,756	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	50,423	50,423	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	(44,817)	(42,097)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	20.00	(1,347,865)	(269,573)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	137,378	(59,549)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	381,148	(48,695)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	(70,287)	(70,111)	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	(53,487)	(29,418)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	147,608	48,649	Note 4
Mandarin Airlines	Yestrip	Taipei, Taiwan	Travel business	-	26,265	-	100.00	-	-	-
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 20,400	160	20.00	(7,181)	(1,436)	-
CAL-Asia Investment	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,630	1,937	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	3,109,907	313,631,656	78.41	2,955,909	(1,740,148)	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	70,000,000	100.00	(141,846)	(141,875)	-
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Aircraft maintenance	37,975	37,975	3,797,500	49.00	28,836	(8,931)	-
Taiwan Airport Services	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	145,453	(113,068)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	3,125	(1,354)	-
Kaohsiung Catering Services	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	52,147	15,218	-
	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	406,340	32,655	Note 3
	Deltea International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,867	2	-

Note 1: Adopted the treasury shares method in recognizing investment income or loss.

Note 2: Represents the consolidated financial information of the foreign holding company disclosed in accordance with local regulations.

Note 3: The Company does not issue shares because it is a limited company.

Note 4: The difference is due to lease arrangement between consolidated entities.

Note 5: The difference is due to acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars, Unless Stated Otherwise)

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of investment	Accumulated Outward Remittance for Investment from January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,954 (RMB 254,480)	Indirect (Note 1)	\$ 115,955 (US\$ 4,186)	-	\$ -	\$ 115,955 (US\$ 4,186)	\$ 130,500 (RMB 30,106)	14.00	\$ 18,264 (RMB 4,215)	\$ 256,967 (RMB 59,128)	\$ 97,966 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,843 (RMB 14,000)	Indirect (Note 1)	53,946 (US\$ 1,947)	-	-	53,946 (US\$ 1,947)	102,619 (RMB 23,674)	14.00	14,362 (RMB 3,314)	149,504 (RMB 34,401)	43,228 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,301,662 (US\$ 83,090)	Indirect (Note 1)	59,590 (US\$ 2,151)	-	-	59,590 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjiang)	Composite material	323,075 (US\$ 11,663)	Indirect (Note 1)	17,618 (US\$ 636)	-	-	17,618 (US\$ 636)	-	5.45	-	12,426 (RMB 2,859)	9,875 (US\$ 357)
Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA										
\$247,109 (US\$8,920)	\$604,181 (Note 3)	\$46,323,011 (Note 4)										

(Continued)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,954 (RMB 254,480)	Indirect (Note 5)	\$ 111,312 (US\$ 4,018)	\$ -	\$ -	\$ 111,312 (US\$ 4,018)	\$ 130,500 (RMB 30,106)	14.00	\$ 18,270 (RMB 4,215)	\$ 256,091 (RMB 58,888)	\$ 125,793 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,843 (RMB 14,000)	Indirect (Note 5)	53,373 (US\$ 1,927)	-	-	53,373 (US\$ 1,927)	102,619 (RMB 23,674)	14.00	14,367 (RMB 3,314)	149,467 (RMB 34,421)	57,945 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$164,684 (US\$5,945)	\$164,684 (US\$5,945)	\$174,080 (Note 4)

Note 1: The Company invested in CAL-Asia Investment, which invested in a company located in mainland China.

Note 2: As of December 31, 2021, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

Note 3: The amount comprised US\$19,828,324, RMB4,200,000 and NT\$36,666,667.

Note 4: The limit stated in the Investment Commission's regulation "The Review Principle of Investment or Technical Cooperation in Mainland China" is the larger of the Company's net asset value or 60% of the consolidated net asset value.

Note 5: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are converted at period-end rates and the gains (losses) are converted at the average of the period-end rates for the reporting period.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			% of Total Consolidated Total Revenue or Assets
				Financial Statement Account	Amount	Transaction Criteria	
0	China Airlines, Ltd.	Global Sky Express Mandarin Airlines Tigerair Taiwan Co., Ltd. Taoyuan International Airport Services Dynasty Aerotech International Corp. Taiwan Aircraft Maintenance and Engineering Co., Ltd. Taiwan Air Cargo Terminal CAL Park Cal Hotel Co., Ltd. Mandarin Airlines Taoyuan International Airport Services	a a a a a a a a a a a	Cargo revenue Other operating revenue Other operating revenue Airport service costs Airport service costs Maintenance costs Other operating costs Other operating costs Other operating costs Accounts payable - related parties Accounts payable - related parties	\$ 201,463 127,598 147,001 1,113,547 363,578 149,036 747,778 215,222 138,264 154,849 251,044	The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions	0.15 0.09 0.11 0.80 0.26 0.11 0.54 0.16 0.10 0.05 0.08
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	747,778	The same as ordinary transactions	0.54
2	Mandarin Airlines	Taiwan Airport Service China Airlines, Ltd. China Airlines, Ltd. Tigerair Taiwan Co., Ltd.	c b b c	Airport service costs Operating expenses Accounts receivable - related parties Air transport service costs	120,005 127,598 154,849 164,165	The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions	0.09 0.09 0.05 0.12
3	Taoyuan International Airport Services	China Airlines, Ltd. China Airlines, Ltd.	b b	Airport service revenue Accounts receivable - related parties	1,113,547 251,044	The same as ordinary transactions The same as ordinary transactions	0.80 0.08
4	Taiwan Airport Service	Mandarin Airlines	c	Operating revenue	120,005	The same as ordinary transactions	0.09
5	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	363,578	The same as ordinary transactions	0.26
6	Global Sky Express	China Airlines, Ltd.	b	Operating expense	201,463	The same as ordinary transactions	0.15
7	CAL Park	China Airlines, Ltd. Cal Hotel Co., Ltd.	b c	Operating revenue Operating revenue	215,222 106,157	The same as ordinary transactions The same as ordinary transactions	0.16 0.08
8	Cal Hotel Co., Ltd.	China Airlines, Ltd. CAL Park	b c	Operating revenue Operating costs	138,264 106,157	The same as ordinary transactions	0.10 0.08

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			% of Total Consolidated Total Revenue or Assets
				Financial Statement Account	Amount	Transaction Criteria	
9	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd. Mandarin Airlines	b c	Operating expenses Operating revenue	\$ 147,001 164,165	The same as ordinary transactions The same as ordinary transactions	0.11 0.12
10	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	149,036	The same as ordinary transactions	0.11

Note 1: The three directional types for transactions by business relationship between China Airlines, Ltd. and its subsidiaries are as follows:

- a. Parent to subsidiaries.
- b. Subsidiaries to parent.
- c. Subsidiaries to subsidiaries.

Note 2: Intercompany transactions were eliminated in the consolidated financial statements.

Note 3: The Company only discloses transaction amounts or balances of more than \$100,000 thousand.

(Concluded)

TABLE 10

CHINA AIRLINES, LTD.

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.43
National Development Fund (NDF)	519,750,519	8.74

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying financial statements of China Airlines, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the Company's financial statements is stated below:

Recognition of Cargo Revenue

In accordance with IFRS 15 "Revenue from Contracts with Customers", cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2021, cargo revenue amounted to NT\$124,249,632 thousand. Refer to Notes 4 and 25 to the accompanying financial statements for detailed information.

Cargo rates are highly affected by the supply and demand of the market and sales can only be recognized after relevant transportation services are provided. The input, processing and maintenance of freight information on the airway bills involve manual operations. Therefore, we identified the recognition of cargo revenue as a key audit matter.

Our main audit procedures performed included the following:

1. We understood the internal controls related to the recognition of cargo revenue, including manual and automatic controls.
2. We understood and tested the effectiveness of the information system related to the recognition of cargo revenue.
3. We sampled the airway bills, confirmed that cargo rates were consistent with those stated in airway bills, and verified the amount of cargo revenue.

Other Matter - Audited by Other Independent Auditors

The financial statements of some investments accounted for using the equity method in Note 12 were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors. As of December 31, 2021 and 2020, the aforementioned investments accounted for using the equity method amounted to NT\$2,955,909 thousand and NT\$2,304,113 thousand, representing 1.09% and 0.88% of the total assets, respectively. For the years ended December 31, 2021 and 2020, the combined share of profit (loss) and other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$(1,739,024) thousand and NT\$(952,289) thousand, representing (18.44%) and (98.48%) of the total comprehensive income, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Jui-Chan Huang and Shih-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2022

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

CHINA AIRLINES, LTD.

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

ASSETS	2021	%	2020	%
Amount	Amount		Amount	
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 35,913,117	13	\$ 19,959,820	8
Financial assets at amortized cost - current (Notes 8 and 29)	11,923,194	5	5,863,137	2
Financial assets for hedging - current (Notes 4, 6 and 29)	3,563,319	1	7,613,636	3
Notes and accounts receivable, net (Notes 4, 10 and 29)	12,990,399	5	9,198,055	4
Notes and accounts receivable - related parties (Note 30)	54,474	-	101,424	-
Other receivables (Notes 4 and 26)	4,576,616	-	4,576,616	-
Contract assets (Notes 4 and 26)	52,282	-	60,129	-
Inventories (Notes 4 and 10)	8,380,127	3	8,093,152	3
Non-current assets held for sale (Notes 4 and 11)	36,719	-	89,296	-
Other current assets (Note 16)	389,191	-	452,414	-
Total current assets	73,846,790	27	51,858,785	20
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 29)	55,458	-	147,161	-
Investments accounted for using the equity method (Notes 4 and 12)	12,830,025	5	12,321,157	5
Property, plant and equipment (Notes 4, 13 and 31)	115,174,548	42	126,414,462	48
Right-of-use assets (Notes 4, 19 and 31)	50,965,378	19	54,555,761	21
Investment properties (Notes 4 and 14)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 15)	754,349	-	867,453	-
Deferred tax assets (Notes 4 and 26)	5,234,304	2	4,981,859	2
Other non-current assets (Notes 16, 19 and 29)	9,748,416	4	7,715,629	3
Total non-current assets	196,803,926	73	209,050,980	80
TOTAL	\$ 270,650,716	100	\$ 260,909,765	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bills payable (Notes 17 and 29)	\$ -	-	\$ 8,088,882	3
Financial liabilities for hedging - current (Notes 4, 19 and 29)	8,437,648	3	8,126,239	3
Notes and accounts payable (Note 29)	826,989	-	1,128,517	1
Notes and accounts payable - related parties (Note 30)	733,837	-	588,234	-
Other payables (Notes 20 and 25)	12,865,006	5	7,128,080	3
Current tax liabilities	2,880,785	1	842,492	2
Lease liabilities - current (Notes 4 and 19)	3,416,733	1	3,218,846	1
Contract liabilities current (Notes 4 and 21)	2,578,812	1	-	-
Provisions - current (Notes 4 and 22)	2,525,000	1	12,132,859	5
Current portion of bonds payable and put option of convertible bonds (Notes 4, 18, 29 and 30)	8,351,129	3	14,798,442	6
Current portion of long-term borrowings (Notes 17, 29 and 31)	2,168,227	1	687,317	-
Other current liabilities	-	-	-	-
Total current liabilities	45,666,704	17	56,740,010	22
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 19 and 29)	27,839,847	10	32,455,333	13
Bonds payable (Notes 4, 18, 29 and 30)	11,125,026	4	10,300,000	4
Long-term borrowings (Notes 17, 29 and 31)	76,804,516	29	68,815,395	26
Contract liabilities - non-current (Notes 4 and 21)	635,633	-	1,761,104	1
Provisions - non-current (Notes 4 and 22)	15,229,888	6	13,741,244	5
Deferred tax liabilities (Notes 4 and 26)	822,368	-	875,388	-
Lease liabilities - non-current (Notes 4 and 19)	9,677,756	4	10,055,776	4
Net defined benefit liabilities - non-current (Notes 5 and 23)	8,359,189	3	8,217,995	3
Other non-current liabilities	446,216	-	388,637	-
Total non-current liabilities	150,940,439	56	146,610,272	56
Total liabilities	196,607,143	73	203,350,282	78
EQUITY (Notes 18 and 24)				
Share capital	59,412,243	22	54,209,846	21
Capital surplus	2,694,529	1	1,187,327	-
Retained earnings	-	-	-	-
Legal reserve	-	-	-	-
Special reserve	9,283,848	3	(350,581)	-
Unappropriated retained earnings (accumulated deficit)	(9,283,848)	-	(350,581)	-
Total retained earnings (accumulated deficit)	2,333,888	1	2,543,766	1
Other equity	(10,825)	-	(130,875)	-
Treasury shares	-	-	-	-
Total equity	74,043,573	27	57,559,483	22
TOTAL	\$ 270,650,716	100	\$ 260,909,765	100

The accompanying notes are an integral part of the financial statements.

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 30)	\$ 132,140,248	100	\$ 106,327,123	100
OPERATING COSTS (Notes 4, 10, 25 and 30)	106,229,554	80	95,190,179	89
GROSS PROFIT	25,910,694	20	11,136,944	11
OPERATING EXPENSES (Notes 4, 25 and 30)	6,590,298	5	6,252,089	6
PROFIT FROM OPERATIONS	19,320,396	15	4,884,855	5
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	374,625	-	440,761	-
Other gains and losses (Notes 11, 12, 13 and 25)	(1,971,900)	(1)	(523,827)	-
Finance costs (Notes 25 and 30)	(2,164,174)	(2)	(2,780,363)	(3)
Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	(3,585,007)	(3)	(1,850,331)	(2)
Total non-operating income and expenses	(7,346,456)	(6)	(4,713,760)	(5)
PROFIT BEFORE INCOME TAX	11,973,940	9	171,095	-
INCOME TAX EXPENSE (Notes 4 and 26)	2,594,035	2	31,095	-
NET INCOME FOR THE YEAR	9,379,905	7	140,000	-
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 24 and 29)	(75,214)	-	(474,202)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	(91,703)	-	39,305	-
Remeasurement of defined benefit plans (Notes 4 and 23)	(35,512)	-	(494,218)	(1)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	2,831	-	(9,095)	-
				(Continued)

(Continued)

CHINA AIRLINES, LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2021	2020
	Amount	Amount
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 26)	\$ 21,236	\$ 163,172
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 24)	17,597	(101,142)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	2,087	4,205
Gain on hedging instruments not subject to basis adjustment (Notes 4, 24 and 29)	264,168	2,098,393
Income tax related to items that may be reclassified subsequently to profit or loss (Note 26)	(56,353)	(399,450)
Other comprehensive income for the year, net of income tax	49,137	826,968
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 9,429,042	\$ 966,968
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)		
Basic	\$ 1.67	\$ 0.03
Diluted	\$ 1.54	\$ 0.03

The accompanying notes are an integral part of the financial statements. (Concluded)

CHINA AIRLINES, LTD.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	Share Capital	Capital Surplus	Retained Earnings			Other Equity			
			Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries
BALANCE AT JANUARY 1, 2020	\$ 54,209,846	\$ 2,488,907	\$ 466,416	\$ 12,967	\$ (1,777,225)	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ (43,372)
Issuance of employee share options by subsidiaries	-	172	-	-	-	-	-	-	172
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(169,272)	-	-	-	(169,272)
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	200,989	200,989
Appropriation of 2019 earnings	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	(466,416)	-	466,416	-	-	-	-
Special reserve	-	-	-	(12,967)	12,967	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	1,297,843	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	140,000	-	-	-	140,000
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(319,576)	(79,545)	(35,903)	1,261,992	826,968
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(179,576)	(79,545)	(35,903)	1,261,992	966,968
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	6,854
BALANCE AT DECEMBER 31, 2020	54,209,846	1,187,327	-	-	(350,581)	(134,252)	71,359	2,606,659	57,559,483
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	99,507	99,507
Appropriation of 2020 earnings	-	-	-	-	350,581	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(350,581)	-	-	-	-	-	-	-
Issuance of employee share options by subsidiaries	-	540	-	-	-	-	-	-	540
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(104,639)	-	-	-	(104,639)
Net profit for the year ended December 31, 2021	-	-	-	-	9,379,905	-	-	-	9,379,905
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(21,418)	14,173	(76,871)	133,253	49,137
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,358,487	14,173	(76,871)	133,253	9,429,042
Equity component of convertible bonds issued by the Company	-	188,862	-	-	-	-	-	-	188,862
Convertible bonds converted to ordinary shares	5,202,397	1,668,381	-	-	-	-	-	-	6,870,778
BALANCE AT DECEMBER 31, 2021	\$ 59,412,243	\$ 2,694,529	\$ -	\$ -	\$ 9,253,848	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ (30,875)

The accompanying notes are an integral part of the financial statements.

CHINA AIRLINES, LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 11,973,940	\$ 171,095
Adjustments for:		
Depreciation expense	26,503,214	28,018,746
Amortization expense	179,111	169,158
Expected credit loss recognized on trade receivables	38,474	3,000
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	-	(3,596)
Interest income	(132,220)	(208,081)
Dividend income	(8,355)	(8,720)
Share of loss (profit) of subsidiaries, associates and joint ventures	3,585,007	1,850,331
Loss (gain) on disposal of property, plant and equipment	932,718	(8,005)
Loss on disposal of investments	540	-
Impairment loss recognized on property, plant and equipment	-	424,573
Loss on inventory and property, plant and equipment	1,391,279	471,518
Net gain on foreign currency exchange	(895,534)	(1,048,369)
Impairment loss recognized on investments accounted for using the equity method	136,672	46,757
Finance costs	2,164,174	2,780,363
Recognition of provisions	5,796,335	5,580,416
Loss on sale and leaseback transactions	342,080	-
Others	(3,625)	1,876
Changes in operating assets and liabilities	-	4,030
Financial assets mandatorily classified as at fair value through profit or loss	-	(11,749)
Financial liabilities at fair value through profit or loss	(3,875,256)	(1,467,229)
Notes and accounts receivable	46,950	130,962
Accounts receivable - related parties	(117,036)	107,524
Other receivables	(1,009,933)	(70,344)
Inventories	70,928	1,701,803
Other current assets	(278,147)	(59,328)
Notes and accounts payable	145,603	(881,200)
Accounts payable - related parties	5,815,179	(3,724,692)
Other payables	(927,584)	(15,840,648)
Contract liabilities	(1,476,769)	(705,117)
Provisions	1,474,423	(1,915,678)
Other current liabilities	106,282	134,432
Defined benefit liabilities	51,978,450	15,643,828
Cash generated from operations	129,028	228,141
Interest received	213,017	842,919
Dividends received	(2,140,081)	(2,966,777)
Interest paid	(45,987)	(23,308)
Income tax paid	-	-
Net cash generated from operating activities	50,134,427	13,724,803

(Continued)

CHINA AIRLINES, LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)**

	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	\$ (11,956,286)	\$ (5,896,451)
Proceeds from sale of financial assets at amortized cost	5,863,137	1,460,450
Purchase of financial assets for hedging	(7,126,515)	(10,269,055)
Proceeds from sale of financial assets for hedging	11,110,497	2,363,897
Acquisition of investments and joint ventures accounted for using the equity method	(4,527,062)	(1,837,845)
Payments for property, plant and equipment	(1,702,245)	(859,654)
Proceeds from disposal of property, plant and equipment	586,395	23,385
Increase in refundable deposits	(79,357)	(18,214)
Decrease in refundable deposits	104,584	34,599
Increase in prepayments for equipment	(12,182,071)	(9,966,342)
Increase in computer software costs	(66,007)	(95,217)
Net cash inflow on disposal of subsidiary	9,730	-
Net cash used in investing activities	(19,965,200)	(25,060,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term bill payable	(8,088,882)	8,088,882
Proceeds from issuance of bonds payable	4,500,000	-
Repayments of bonds payable	(6,300,000)	(10,000,000)
Proceeds from long-term borrowings	40,224,874	40,200,000
Repayments of long-term borrowings	(38,683,066)	(18,912,651)
Repayments of the principal portion of lease liabilities	(8,769,985)	(8,909,975)
Proceeds of guarantee deposits received	273,890	166,697
Refund of guarantee deposits received	(200,415)	(146,566)
Proceeds from sale and leaseback transactions	2,810,098	-
Net cash (used in) generated from financing activities	(14,233,486)	10,486,387
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	17,556	183,063
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,953,297	(666,194)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	19,959,820	20,626,014
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 35,913,117	\$ 19,959,820

The accompanying notes are an integral part of the financial statements.

(Concluded)

CHINA AIRLINES, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Airlines, Ltd. (the "Company") was founded in 1959 and its shares have been listed on the Taiwan Stock Exchange since February 26, 1993. The Company is primarily involved in (a) air transport services for passengers, cargo and mail; (b) ground services and routine aircraft maintenance; (c) major maintenance of flight equipment; (d) communications and data processing services to other airlines; (e) the sale of aircraft parts, equipment and the entire aircraft; and (f) leasing of aircraft.

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2021 and 2020, CADF and NDF jointly held 40.17% and 44.03%, respectively of the Company's shares. For the years ended December 31, 2021 and 2020, the average number of employees of the Company was 11,078 and 11,534, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 15, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company's accounting policies.

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 3: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

The application of new IFRSs endorsed by the FSC for application starting from 2022 would not have any material impact on the Company's accounting policies. As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and other regulations.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items denominated in a foreign currency measured at historical cost are not retranslated.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

- a. Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- b. Transactions entered into in order to hedge certain foreign currency risks.

Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Inventories

Inventories are primarily expendable and nonexpendable parts and materials, supplies used in operations and items for in-flight sale and are stated at the lower of cost or net realizable value. The costs of inventories sold or consumed are determined using the weighted-average method.

Non-current Assets Held for Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the Non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Investments Accounted for Using the Equity Method

The Company uses the equity method to account for its investments in subsidiaries, associates and joint ventures.

a. Investment in subsidiaries

Subsidiaries (including special purpose entities) are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and adjusted therefore to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. Besides, the Company also recognizes the change in Company's share of the other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control of the subsidiaries are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amounts of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

b. Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement and the rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures. Under the equity method, investments in an associate and a joint venture is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of equity of associates and joint ventures attributable to the Company.

When the Company subscribes for additional new shares of an associate and joint ventures at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the

corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the subscription of additional new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture, the Company discontinues recognizing its share of further loss. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's financial statements only to the extent of interests in the associate and the joint venture that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than one period. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company; and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less recognized accumulated depreciation and recognized accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All regular way purchases or sales of financial assets are buy or sell of financial assets in the period set by regulation or market convention.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

An item of property, plant and equipment will be derecognized upon its disposal, or when no future benefits can be expected from its use or disposal. On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

An investment property will be derecognized upon its disposal, or when no future benefits can be expected from its use or disposal. On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis; otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if an equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of an investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and other receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

e. **Derivative financial instruments**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and fuel price risks, including foreign exchange forward contracts, interest rate swaps, currency options and fuel options.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

Hedge Accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. When entering into hedging transactions, the Company has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

The effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

Starting from 2018, the Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period (in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

The Company recognizes provisions when the Company has a present obligation (legal or constructive obligation) arising from past events, the payment for the obligation is probable, and the expenditure for settling the obligation can be reliably estimated.

The amount recognized as a provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured at the estimate of the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. When the aircraft lease contracts of the Company expire and will be returned to lessor, the Company will assess if there are existing obligations and if a provision is required to be recognized when signing the lease contract.

Revenue Recognition

The Company recognizes revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Company satisfies a performance obligation.

Shipping service revenue

Passenger and cargo revenue are recognized as revenue when the passengers and goods are actually carried. When the tickets are sold, due to the fact that the fulfillment of performance obligations of the shipment have not been met, the relevant amount of revenue is initially recorded as contract liabilities until passengers actually board.

Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessee, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to the defined contribution retirement benefit plan are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined retirement benefit plan are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Company's defined benefit plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets which are substantially ready for their intended use or sale through a fairly long period) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Frequent Flyer Programs

The Company has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards.

A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Company recognizes this deferred revenue as revenue only when the Company has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the granted share options are vested immediately.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

The current tax liabilities are based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the statements of comprehensive income. The Company's current tax liabilities are calculated by the tax rate was legislated or substantially legislated at the balance sheet date.

According to the Income Tax Law in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve the retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Maintenance and Overhaul Costs

Routine maintenance costs are recognized in profit or loss in the period in which they are incurred.

The overhaul costs of an owned or leased aircraft that meet the criteria for fixed asset capitalization are capitalized as replacements for aircraft and engines and are depreciated on a straight line basis over the expected annual overhaul cycle.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies as disclosed in Note 4, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Company considers the possible impact of the COVID-19 in economic when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined Benefit Obligations

The present value of defined benefit obligations at the end of the reporting period is calculated using actuarial assumptions. Those assumptions, which are based on management's judgments and estimates, comprise the discount rate and expected return on plan assets. Changes in actuarial assumptions may have a material impact on the amount of defined benefit obligations.

Useful Lives of Property, Plant and Equipment - Flight Equipment

Flight equipment are measured at cost less residual value and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values are evaluated based on the Company's historical experience and current usage condition in the aviation industry. Because of the change in fleet planning, the Company's board of directors resolved to modify the estimated useful lives of fourteen B747-400F freighters from 25 years to 24 years and the estimated useful lives of three A330-300 aircraft from 20 years to 18 years, effective on January 1, 2022, in order to match the economic benefits with the useful lives. It is estimated that the depreciation expense in 2022 will increase by \$720 million.

6. CASH AND CASH EQUIVALENTS

	December 31	2020
Cash on hand and revolving funds	\$ 36,905	\$ 65,987
Checking accounts and demand deposits	22,579,423	12,864,010
Cash equivalents		
Time deposits with original maturities of less than three months	9,279,778	5,880,682
Repurchase agreements collateralized by bonds	4,017,011	1,149,141
	<u>\$ 35,913,117</u>	<u>\$ 19,959,820</u>

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	December 31	2020
Bank balance	0.00%-1.90%	0.00%-1.90%
Time deposits with original maturities of less than three months	0.17%-0.39%	0.30%-0.55%
Repurchase agreements collateralized by bonds	0.35%-0.45%	0.41%-0.49%

The Company designated some deposits denominated in USD and repurchase agreements collateralized by bonds as hedging instruments to avoid exchange rate fluctuations on final payments of aircraft orders and prepayments for equipment, and applied cash flow hedge accounting to hedge its foreign exchange exposure. The contract information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2021	2022.2.7-2022.2.14	Financial assets for hedging - current	\$ 3,545,706
December 31, 2020	2021.1.4-2021.11.1	Financial assets for hedging - current	7,613,656
<u>Impact on comprehensive income (loss)</u>			
		Recognized in Other Comprehensive Income (Loss)	
For the year ended December 31, 2021		\$ (75,214)	
For the year ended December 31, 2020		(372,632)	
For the years ended December 31, 2021 and 2020, the amount of hedging instrument settlements recognized as prepayments for equipment was \$99,507 thousand and \$81,111 thousand, respectively.			

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31	2020
<u>Non-current</u>	2021	
Foreign investments		
Unlisted shares	\$ 26,654	\$ 117,457
Domestic investments		
Unlisted shares	28,804	29,704
	<u>\$ 55,458</u>	<u>\$ 147,161</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes and are expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	2020
<u>Current</u>	2021	
Time deposits with original maturities of more than 3 months	\$ 11,923,194	\$ 5,863,137

The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.37%-0.53% and 0.40%-0.53% per annum as of December 31, 2021 and 2020, respectively.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	2020
<u>Notes receivable</u>	2021	
	\$ 968	\$ -
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	13,193,912	9,363,777
Less: Allowance for impairment loss	(204,481)	(165,722)
	<u>12,989,431</u>	<u>9,198,055</u>
	<u>\$ 12,990,399</u>	<u>\$ 9,198,055</u>

The average credit period was 7 to 55 days. In determining the recoverability of accounts receivable, the Company considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Company's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all trade receivables. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience with the debtors and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status is not further distinguished according to the different segments of the Company's customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the past due receivables. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2021

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.55%	4.21%	50.17%	100%	100%	
Gross carrying amount	\$ 13,047,164	\$ 12,970	\$ 3,794	\$ 2,486	\$ 127,498	\$ 13,193,912
Loss allowance (lifetime ECLs)	(72,047)	(546)	(1,904)	(2,486)	(127,498)	(204,481)
Amortized cost	<u>\$ 12,975,117</u>	<u>\$ 12,424</u>	<u>\$ 1,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,989,431</u>

December 31, 2020

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	-	1.04%	47.77%	100%	100%	-
Gross carrying amount	\$ 9,167,202	\$ 29,463	\$ 3,366	\$ 2,887	\$ 160,859	\$ 9,363,777
Loss allowance (lifetime ECLs)	(59)	(309)	(1,608)	(2,887)	(160,859)	(165,722)
Amortized cost	<u>\$ 9,167,143</u>	<u>\$ 29,154</u>	<u>\$ 1,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,198,055</u>

The movements of the loss allowance of accounts receivables were as follows:

	For the Year Ended December 31 2021	2020
Balance at January 1	\$ 165,722	\$ 180,104
Add: Net remeasurement of loss allowance	38,474	3,000
Add: Amounts recovered	565	-
Less: Amounts written off	(280)	(17,382)
Balance at December 31	<u>\$ 204,481</u>	<u>\$ 165,722</u>

10. INVENTORIES

Aircraft spare parts
Items for in-flight sale
Work in process - maintenance services

	December 31 2021	2020
	\$ 7,230,203	\$ 7,251,353
	616,051	627,437
	<u>534,073</u>	<u>214,362</u>
	<u>\$ 8,380,327</u>	<u>\$ 8,093,152</u>

The operating costs for the years ended December 31, 2021 and 2020 included losses from inventory write-downs of \$731,317 thousand and \$190,548 thousand, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	December 31 2021	2020
Aircraft held for sale	<u>\$ 36,719</u>	<u>\$ 89,296</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price.

The fair value measurement is classified as Level 3 and the fair value was determined according to similar transactions of the related market and the proposed sale prices were based on the current status of the aircraft.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31 2021	2020
Investments in subsidiaries	\$ 12,147,062	\$ 11,155,607
Investments in associates	-	282,471
Investments in joint ventures	<u>682,963</u>	<u>883,079</u>
	<u>\$ 12,830,025</u>	<u>\$ 12,321,157</u>

a. Investment in subsidiaries

Unlisted companies

Tigerair Taiwan Co., Ltd.	\$ 2,955,909	\$ 2,304,113
CAL Park	1,656,167	1,605,033
Mandarin Airlines	1,787,355	1,223,259
CAL-Dynasty International	1,169,505	1,188,110
Taiwan Air Cargo Terminal	1,691,853	1,556,133
Taoyuan International Airport Services	613,697	602,688
CAL-Asia Investment	514,959	469,979
Sabre Travel Network (Taiwan)	190,694	232,883
CAL Hotel	335,242	405,353
Taiwan Airport Services	137,378	200,794
Dynasty Aerotech International Corp.	147,608	136,630
Taiwan Aircraft Maintenance And Engineering Co., Ltd.	557,917	699,793
Yestrip	-	10,270
Global Sky Express	7,630	7,643
Kaohsiung Catering Services	<u>381,148</u>	<u>512,926</u>
	<u>\$ 12,147,062</u>	<u>\$ 11,155,607</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

	December 31	
	2021	2020
Tigerair Taiwan Co., Ltd.	78%	76%
Taiwan Air Cargo Terminal	54%	54%
CAL Park	100%	100%
Mandarin Airlines	97%	94%
CAL-Dynasty International	100%	100%
Taoyuan International Airport Services	49%	49%
CAL-Asia Investment	100%	100%
Sabre Travel Network (Taiwan)	94%	94%
Taiwan Airport Services	47%	47%
CAL Hotel	100%	100%
Dynasty Aerotech International Corp.	100%	100%
Taiwan Aircraft Maintenance And Engineering Co., Ltd.	100%	100%
Yestrip	-	100%
Global Sky Express	25%	25%
Kaohsiung Catering Services	54%	54%

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50%. Therefore, they were listed as subsidiaries.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd., the board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 6, 2020. The Company subscribed for 47,228 thousand shares in October 2020 and 26,286 thousand shares in November 2020. The proportion of ownership of the Group increased to 76%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$169,272 thousand.

Tigerair Taiwan Co., Ltd. planned to issue ordinary shares for cash to meet the needs for funds. The board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 5, 2021. The Company subscribed for 101,212 thousand shares in September 2021. The proportion of ownership of the Group increased to 82%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$54,449 thousand.

To strengthen the capital structure of Mandarin Airlines, the board of directors of the Company approved the plan to issue ordinary shares for cash at \$10 per share on August 26, 2021. The Company subscribed for 199,677 thousand shares in September 2021. The proportion of ownership of the Group increased to 97%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$50,190 thousand.

The liquidation of Yestrip Co., Ltd. was completed on April 22, 2021, and the Company recognized a liquidation loss of \$540 thousand.

The share of profit or loss of subsidiaries recognized under the equity method was as follows:

	2021	2020
Share of profit (loss)	\$ (3,103,103)	\$ (1,590,853)

b. Investments in associates

	December 31	
	2021	2020
Unlisted companies		
China Aircraft Services	\$ -	\$ 277,234
Dynasty Holidays	-	5,237
	\$ -	\$ 282,471

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	December 31	
	2021	2020
China Aircraft Services	20%	20%
Dynasty Holidays (Note)	20%	20%

The investment (loss) gain recognized for associates accounted for using the equity method was as follows:

	2021	2020
China Aircraft Services	\$ (269,573)	\$ (102,758)
Dynasty Holidays	(1,436)	(4,740)
	\$ (271,009)	\$ (107,498)

c. Investments in joint ventures

The investments in joint ventures were as follows:

	December 31	
	2021	2020
China Pacific Catering Services	\$ 533,251	\$ 695,959
China Pacific Laundry Services	120,876	149,353
NORDAM Asia	28,836	37,767
	\$ 682,963	\$ 883,079

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Company was as follows:

	December 31	
	2021	2020
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia	49%	49%

The Company entered into a joint venture agreement with Taikoo Company to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both sides have the right to make major motion vetoes on the board of directors, and therefore, the Company does not have control.

The investment (loss) gain recognized for joint ventures accounted for using the equity method was as follows:

	December 31	
	2021	2020
China Pacific Catering Services	\$ (172,546)	\$ (136,459)
China Pacific Laundry Services	(29,418)	(15,475)
NORDAM Asia	(8,931)	(46)

The Company's shares of other comprehensive income of subsidiaries, associates and joint ventures were \$4,918 thousand and \$(4,890) thousand in 2021 and 2020, respectively.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of subsidiaries, associates, and joint ventures were based on these investees' financial statements which have been audited, except for China Aircraft services. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

For information on the major businesses and products and the locations of registration for the major business offices of the above entities, refer to Tables 7 and 8 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2020	\$ 193,013	\$ 7,383,758	\$ 266,907,914	\$ 6,509,647	\$ 280,994,332
Additions	-	19,464	621,587	218,603	859,654
Disposals	(11,420)	(369,651)	(3,718,075)	(171,769)	(4,270,915)
Reclassification	-	-	11,792,738	8,269	11,801,007
Balance at December 31, 2020	<u>\$ 181,593</u>	<u>\$ 7,033,571</u>	<u>\$ 275,604,164</u>	<u>\$ 6,564,750</u>	<u>\$ 289,384,078</u>
Accumulated depreciation and impairment					
Balance at January 1, 2020	\$ -	\$ (4,056,383)	\$ (140,336,300)	\$ (5,571,763)	\$ (149,964,446)
Depreciation expense	-	(180,609)	(17,588,903)	(293,613)	(18,063,025)
Disposals	-	369,651	3,466,678	171,378	3,987,707
Impairment losses	-	-	(424,573)	-	(424,573)
Reclassification	-	-	1,489,158	5,563	1,494,721
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (3,867,341)</u>	<u>\$ (153,413,840)</u>	<u>\$ (5,688,435)</u>	<u>\$ (162,969,616)</u>
Balance at December 31, 2020, net value	<u>\$ 181,593</u>	<u>\$ 3,166,230</u>	<u>\$ 122,190,324</u>	<u>\$ 876,315</u>	<u>\$ 126,414,462</u>

(Continued)

Cost	Freehold Land	Buildings	Flight Equipment	Others	Total
Balance at January 1, 2021	\$ 181,593	\$ 7,033,571	\$ 275,604,164	\$ 6,564,750	\$ 289,384,078
Additions	-	47,818	1,185,464	468,963	1,702,245
Disposals	-	-	(46,086,944)	(71,274)	(46,158,218)
Reclassification	-	181,818	10,347,647	(166,717)	10,362,748
Balance at December 31, 2021	<u>\$ 181,593</u>	<u>\$ 7,263,207</u>	<u>\$ 241,860,331</u>	<u>\$ 6,795,722</u>	<u>\$ 255,290,853</u>
Accumulated depreciation and impairment					
Balance at January 1, 2021	\$ -	\$ (3,867,341)	\$ (153,413,840)	\$ (5,688,435)	\$ (162,969,616)
Depreciation expense	-	(181,641)	(15,776,982)	(291,085)	(16,289,708)
Disposals	-	-	39,169,370	69,765	39,239,135
Reclassification	-	-	(136,004)	(112)	(136,116)
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ (4,048,982)</u>	<u>\$ (130,157,456)</u>	<u>\$ (5,909,867)</u>	<u>\$ (140,116,305)</u>
Balance at December 31, 2021, net value	<u>\$ 181,593</u>	<u>\$ 3,214,225</u>	<u>\$ 110,892,875</u>	<u>\$ 885,855</u>	<u>\$ 115,174,548</u>

(Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building		
Main buildings		45-55 years
Others		10-25 years
Machinery and equipment		
Electro-mechanical equipment		25 years
Others		3-13 years
Office equipment		3-15 years
Leasehold improvements		
Building improvements		5 years
Others		3-5 years
Flight equipment and equipment under finance leases		
Aircrafts		
Aircraft cabins		18-25 years
Engines		10-20 years
Heavy maintenance on aircraft		12-20 years
Engine overhauls		6-8 years
Landing gear overhauls		3-10 years
Repairable spare parts		8-12 years
Leased aircraft improvements		3-15 years
Others		5-12 years

Regarding changes in fleet composition and the retirement schedule, the Company measured the recoverable amount of some flight equipment by deducting the transaction costs from fair value (level 3). The Company recognized an impairment loss on a part of aircraft equipment of \$424,573 thousand in 2020. The fair value is determined by reference to factors such as the condition of the flight equipment and possible market estimates.

Refer to Note 31 for the carrying amounts of aircraft equipment and right-of-use assets pledged by the Company.

Based on the particularity of risk in the aviation industry, all of the Company's assets such as aircraft, real estate, and movable property are adequately insured to diversify the potential risk related to operations.

The Company disposed of a portion of flight equipment and recognized a loss of \$950,980 thousand for the three months ended June 30, 2021.

14. INVESTMENT PROPERTIES

	December 31	
	2021	2020
Carrying amount		
Investment properties	<u>\$ 2,047,448</u>	<u>\$ 2,047,448</u>

The investment properties held by the Company were land located in Nankan, which were leased to others.

The fair value of the investment properties held by the Company were both \$2,456,472 thousand as of December 31, 2021 and 2020, respectively. The fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions. All of the Company's investment properties were held under freehold interest.

15. OTHER INTANGIBLE ASSETS

	Computer Software Costs	Accumulated Amortization	Net Value
Balance at January 1, 2020	\$ 2,218,356	\$ (1,247,058)	\$ 971,298
Additions	95,217	-	95,217
Amortization expense	-	(169,158)	(169,158)
Reclassification	<u>(765,786)</u>	<u>735,882</u>	<u>(29,904)</u>
Balance at December 31, 2020	<u>\$ 1,547,787</u>	<u>\$ (680,334)</u>	<u>\$ 867,453</u>
Balance at January 1, 2021	\$ 1,547,787	\$ (680,334)	\$ 867,453
Additions	66,007	-	66,007
Amortization expense	<u>-</u>	<u>(179,111)</u>	<u>(179,111)</u>
Balance at December 31, 2021	<u>\$ 1,613,794</u>	<u>\$ (859,445)</u>	<u>\$ 754,349</u>

The above items of other intangible assets are amortized on a straight-line basis over 2-10 years.

16. OTHER ASSETS

	December 31	
	2021	2020
Current		
Temporary payments	\$ 24,846	\$ 19,111
Prepayments	175,433	134,055
Others	<u>188,912</u>	<u>299,248</u>
	<u>\$ 389,191</u>	<u>\$ 452,414</u>

(Continued)

	December 31	
	2021	2020

Non-current		
Prepayments for aircraft	\$ 8,058,743	\$ 5,069,541
Prepayments - long-term	1,116,502	2,042,609
Refundable deposits	548,674	585,451
Other financial assets	<u>18,497</u>	<u>18,078</u>
	<u>\$ 9,742,416</u>	<u>\$ 7,715,679</u>
		(Concluded)

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of A32 Ineo and B777F aircraft. For details on the A32 Ineo and B777F aircraft purchase contracts, refer to Note 32.

17. BORROWINGS

a. Short-term bills payable

	December 31	
	2021	2020
Commercial paper	\$ -	\$ 8,100,000
Less: Unamortized discount on bills payable	-	<u>11,118</u>
	<u>\$ -</u>	<u>\$ 8,088,882</u>
Annual discount rate	-	0.99%-1.00%

b. Long-term borrowings

	December 31	
	2021	2020
Unsecured bank loans	\$ 30,850,000	\$ 21,650,000
Secured bank loans	29,232,563	32,885,883
Commercial paper	25,100,000	29,100,000
Proceeds from issuance	<u>26,918</u>	<u>22,046</u>
Less: Unamortized discounts	<u>85,155,645</u>	<u>83,613,837</u>
	<u>8,351,129</u>	<u>14,798,442</u>
Less: Current portion	<u>\$ 76,804,516</u>	<u>\$ 68,815,395</u>
Interest rates	0.81%-1.22%	0.81%-1.22%

Secured bank loans are secured by flight equipment, refer to Note 31.

Bank loans (denominated in New Taiwan dollars) are repayable quarterly, semiannually or in lump sum upon maturity. The related information is summarized as follows:

	December 31	
Periods	2021	2020
	2016/6/27- 2032/6/30	2016/6/27- 2032/6/30
<p>The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Company to guarantee commercial paper issued. As of December 31, 2021 and 2020, such commercial papers were issued at discount rates of 0.985%-1.0907% and 1.0263%-1.1167%, respectively.</p> <p>In accordance with the "Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens" endorsed by the Ministry of Transportation and Communications and the "Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens", the Company applied for a special loan project to maintain its operation, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$29,350 million, which shall be repaid within 2 years and 4 years from the date of initial drawdown. As of December 31, 2021, the Company had made a drawdown in the amount of \$29,350 million.</p>		
18. BONDS PAYABLE		
	December 31	
	2021	2020
Unsecured corporate bonds first-time issued in 2016	\$ -	\$ 2,500,000
Unsecured corporate bonds second-time issued in 2016	-	2,500,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	1,000,000
Unsecured corporate bonds second-time issued in 2017	1,300,000	2,600,000
Unsecured corporate bonds first-time issued in 2018	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000
Convertible bonds sixth-time issued	379,284	5,832,859
Convertible bonds seventh-time issued	2,970,742	-
	13,650,026	22,432,859
	2,525,000	12,132,859
	<u>\$ 11,125,026</u>	<u>\$ 10,300,000</u>
Less: Current portion and put option of convertible bonds		

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually	2016.05.26-2021.05.26	Principal repayable in May of 2020 and 2021; indicator rate; payable annually	1.19
Five-year unsecured bonds - issued at par in September 2016; repayable in September 2020 and 2021; 1.08% interest p.a., payable annually	2016.09.27-2021.09.27	Principal repayable in September of 2020 and 2021; indicator rate; payable annually	1.08
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually	2017.05.19-2020.05.19	Principal repayable on due date; indicator rate; payable annually	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.05.19-2024.05.19	Principal repayable on due date; indicator rate; payable annually	1.75
Three-year private unsecured bonds - issued at par in October 2017; repayable on due date; interest of 1.14% p.a., payable annually	2017.10.12-2020.10.12	Principal repayable on due date; indicator rate; payable annually	1.14
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30-2023.01.30	Unless bonds are converted to share capital or redeemed, principal repayable in January of 2023; 1.3821% discount rate p.a.	-
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.04.28-2026.04.28	Unless bonds are converted to share capital or redeemed, principal repayable in April of 2026; 0.8612% discount rate p.a.	-

The Company issued the sixth issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.
- The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions. The Company resolved to exercise the right of redemption on January 14, 2022. The reference date of redemption of the bonds is March 9, 2022 and the expected face value of redemption is \$200 thousand.
- Between April 30, 2018 and January 30, 2023 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends on July 29, 2019, the conversion price was adjusted to NT\$12.6. As of December 31, 2021, a total face value of NT\$5,615,200 thousand of convertible bonds was converted into 445,650 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.3821% per annum on initial recognition.

Proceeds from issuance	\$ 6,012,000
Equity component	<u>(409,978)</u>

Liability component at the date of issuance

	<u>\$ 5,602,022</u>
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The Company issued the seventh issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- The holders may demand a lump-sum payment for the bonds upon maturity.
- The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.
- The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$9 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. As of December 31, 2021, a total face value of NT\$1,417,200 thousand of convertible bonds was converted into 74,589 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>

Liability component at the date of issuance

	<u>\$ 4,311,138</u>
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19. LEASE AGREEMENTS

- Right-of-use assets

	December 31	2021	2020
Carrying amounts			
Land	\$ 3,428,611	\$ 3,367,875	
Buildings	6,584,950	6,986,866	
Flight equipment	40,951,799	44,201,020	
Other equipment	18	-	
	<u>\$ 50,965,378</u>	<u>\$ 54,555,761</u>	

For the Year Ended December 31

	2021	2020
Additions to right-of-use assets	<u>\$ 7,274,961</u>	<u>\$ 2,084,799</u>
Depreciation for right-of-use assets		
Land	\$ 181,729	\$ 172,757
Buildings	309,471	383,898
Flight equipment	9,762,276	9,399,066
Other equipment	30	-
	<u>\$ 10,253,506</u>	<u>\$ 9,955,721</u>

- Lease liabilities

	December 31	2021	2020
Carrying amounts			
Current	<u>\$ 882,538</u>	<u>\$ 842,592</u>	
Non-current	<u>\$ 9,677,756</u>	<u>\$ 10,055,776</u>	

Range of discount rate for lease liabilities (including leases denominated in USD designated as hedging instruments):

	December 31	2021	2020
Land	0.81%-1.65%	1.09%-1.65%	
Buildings	0%-2.98%	0%-3.56%	
Flight equipment	0.68%-3.16%	0.68%-3.16%	
Other equipment	0%	-	

c. Financial liabilities under hedge accounting

The Company specifies a part of aircraft leases denominated in USD as hedging instruments to avoid exchange rate fluctuations in passenger revenue and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2021	2022.2.9-2033.12.12	Financial liabilities for hedging - current	\$ 8,434,893
		Financial liabilities for hedging - non-current	27,839,847
December 31, 2020	2022.2.9-2028.5.15	Financial liabilities for hedging - current	8,120,445
		Financial liabilities for hedging - non-current	32,455,333

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the year ended December 31, 2021	\$ 252,250	\$ 679,554
For the year ended December 31, 2020	2,099,550	352,674

d. Material leasing activities and terms

China Airlines leased ten 777-300ER planes, twenty A330-300 planes, fifteen 737-800 planes and two A321neo planes for operation, lease period are 3 to 16 years from February 2006 to December 2033. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

The information of refundable deposits and opening of credit letter due to rental of planes:

	December 31	2020
	2021	
Refundable deposits	\$ 414,720	\$ 438,117
Credit guarantees	1,295,594	1,330,772

e. Lease agreement signed but not yet delivered

In September 2019, the Company signed a rental contract for six A321neo with Air Lease Corporation, which is expected to be introduced between 2021 and 2022. As of December 31, 2021, two A321neo have been delivered.

In October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be delivered in 2024.

The Company also signed related aircraft purchase agreement, please refer to Note 32 for details.

f. Sale and leaseback transactions

In order to revitalize assets and strengthen financial structure, the Company signed a sale and leaseback agreement for five A330-300 with CALC Lease Corporation in June 2021 and September 2021. Those aircraft were sold for \$2,810,098 thousand and the Company recognized a loss of \$342,080 thousand. The lease term is 4 years without renewal option or right of first refusal and the annual lease payments for each aircraft are US\$4,200 thousand to US\$4,823 thousand.

g. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F with US Cargo Company in August 2021 and September 2021.

h. Other lease information

The Company uses operating lease agreement for investment properties, refer to Note 14.

	For the Year Ended December 31	2020
	2021	
Short-term leases and low-value asset leases	\$ 17,347	\$ 16,450
Total cash outflow for leases	<u>\$ (10,064,135)</u>	<u>\$ (10,528,143)</u>

The Company chooses to waive the recognition of the contract provisions for the short-term leases and low-value asset leases, and does not recognize the related right-of-use assets and lease liabilities for such lease.

20. OTHER PAYABLES

	December 31	2020
	2021	
Short-term employee benefits	\$ 5,513,432	\$ 1,592,141
Fuel costs	3,005,174	1,718,503
Repair expenses	1,467,390	285,146
Ground service expenses	763,012	956,831
Terminal surcharges	716,531	346,952
Commission expenses	149,296	184,363
Interest expenses	82,063	116,168
Others	<u>1,168,108</u>	<u>1,927,976</u>
	<u>\$ 12,865,006</u>	<u>\$ 7,128,080</u>

21. CONTRACT LIABILITIES

	December 31	2020
Frequent flyer programs	\$ 2,797,038	\$ 2,657,942
Advance ticket sales	1,255,328	2,322,008
	<u>\$ 4,052,366</u>	<u>\$ 4,979,950</u>
Current	\$ 3,416,733	\$ 3,218,846
Non-current	635,633	1,761,104
	<u>\$ 4,052,366</u>	<u>\$ 4,979,950</u>

22. PROVISIONS

	December 31	2020
Operating leases - aircraft	\$ 17,808,700	\$ 13,741,244
Current	\$ 2,578,812	\$ -
Non-current	15,229,888	13,741,244
	<u>\$ 17,808,700</u>	<u>\$ 13,741,244</u>

The Company leased flight equipment under operating lease agreements. Under the contracts, when the leases expire and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycles and the number of engine revolution. The Company had existing obligations to recognize provisions when signing a lease or during the lease term.

Aircraft Lease Contracts

Balance at January 1, 2020	\$ 9,431,736
Additional provisions recognized	5,580,416
Usage	(705,117)
Effect of foreign currency exchange differences	(565,791)
	<u>\$ 13,741,244</u>
Balance at December 31, 2020	
Balance at January 1, 2021	\$ 13,741,244
Additional provisions recognized	5,796,335
Usage	(1,476,769)
Effect of foreign currency exchange differences	(252,110)
	<u>\$ 17,808,700</u>

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	2020
Present value of defined benefit obligation	\$ 14,958,292	\$ 14,458,016
Fair value of plan assets	(6,599,103)	(6,240,621)
Net defined benefit liabilities	<u>\$ 8,359,189</u>	<u>\$ 8,217,395</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2020	\$ 13,932,511	\$ (6,343,766)	\$ 7,588,745
Service cost			
Current service cost	1,186,945	-	1,186,945
Net interest expense (income)	96,038	(43,803)	\$2,235
Recognized in profit or loss	<u>1,282,983</u>	<u>(43,803)</u>	<u>1,239,180</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(213,741)	(213,741)
Actuarial loss - changes in financial assumptions	498,254	-	498,254
Actuarial loss - experience adjustments	<u>209,705</u>	<u>-</u>	<u>209,705</u>
Recognized in other comprehensive income	<u>707,959</u>	<u>(213,741)</u>	<u>494,218</u>

(Continued)

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2021	2020
Discount rate	0.68%	0.34%
Expected rate of salary increase	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2021	2020
Discount rate		
0.25% increase	\$ (317,393)	\$ (318,904)
0.25% decrease	\$ 331,820	\$ 332,769
Expected rate of salary increase		
0.5% increase	\$ 634,785	\$ 651,673
0.5% decrease	\$ (605,931)	\$ (610,077)

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2021	2020
Expected contributions to the plan for the next year	\$ 766,706	\$ 740,777
Average duration of the defined benefit obligation	9 years	9.5 years

24. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2021	2020
Number of shares authorized (in thousands of shares)	7,000,000	7,000,000
Amount of shares authorized	\$ 70,000,000	\$ 70,000,000
Amount of shares issued	\$ 59,412,243	\$ 54,209,846

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$7,032,400 thousand from April 1, 2021 to December 31, 2021. The number of ordinary shares exchanged was 520,329 thousand and entitled to registration change after the issuance of new shares.

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	\$ -	\$ (933,458)	\$ (933,458)
Benefits paid	(1,294,147)	1,294,147	-
Direct payment to employees	(154,058)	-	(154,058)
Exchange differences on foreign plans	(17,232)	-	(17,232)
Balance at December 31, 2020	14,458,016	(6,240,621)	8,217,395
Service cost			
Current service cost	1,169,022	-	1,169,022
Net interest expense (income)	47,178	(20,267)	26,911
Recognized in profit or loss	1,216,200	(20,267)	1,195,933
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(92,874)	(92,874)
Actuarial loss - changes in demographic assumptions	379,091	-	379,091
Actuarial loss - changes in financial assumptions	(452,370)	-	(452,370)
Actuarial loss - experience adjustments	201,665	-	201,665
Recognized in other comprehensive income	128,386	(92,874)	35,512
Contributions from the employer	-	(951,768)	(951,768)
Benefits paid	(706,427)	706,427	-
Direct payment to employees	(123,638)	-	(123,638)
Exchange differences on foreign plans	(14,245)	-	(14,245)
Balance at December 31, 2021	\$ 14,958,292	\$ (6,599,103)	\$ 8,359,189
			(Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a two-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

b. Capital surplus

	December 31	
	2021	2020
Issuance of shares in excess of par value and conversion premium	\$ 1,668,381	\$ 146,351
Retirement of treasury shares	-	33,513
Expired employee share options	-	11,747
Long-term investments	540	119,134
Equity component of convertible bonds	155,676	409,978
Others	869,932	466,604
	<u>\$ 2,694,529</u>	<u>\$ 1,187,327</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the converted convertible bonds) and the difference in sale price of share of subsidiaries and book value may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Company's paid-in capital on a yearly basis).

The capital surplus arising from long-term investments, expired employee share options, dividends distributed to subsidiaries and retirement of treasury shares may not be used for any purpose, except for offsetting a deficit. The capital surplus arising from the conversion of convertible bonds may not be used for any purpose.

c. Appropriation of earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which is to distribute dividends and bonus no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonus mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends.

Under the Company Act, if surplus earnings are distributed in the form of new shares, the distribution of shares shall be approved in the meeting of the board of directors; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Company has no loss, according to laws and regulations, the Company can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such surplus earnings is distributed in the form of new shares, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles") based on the amended Company Act, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with due consideration of any future aircraft acquisition plans and fund demands, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders by cash or shares (cash dividends cannot be less than 30% of total dividends distributed). However, if the Company's profit before tax in a fiscal year after deductions for the abovementioned items is not sufficient for earnings distribution, retained earnings can be used as a supplement for the deficiency.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the following year.

1) Offsetting deficit in 2020

On August 12, 2021, the offsetting of deficit in 2020 was resolved and recognized in the shareholders' meeting. The deficit included a net income of \$140,000 thousand and negative adjustment of other retained earnings of \$490,581 thousand; thus, the remaining amount of accumulated deficit was \$350,581 thousand. The deficit was offset by the capital reserve of \$350,581 thousand.

2) Appropriation of earnings in 2021

On March 15, 2022, the appropriation of earnings in 2021 which was resolved in the meeting of the Company's board of directors, was as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 925,385	\$-
Cash dividends	5,000,000	0.83636529

The appropriation of earnings in 2021 is subject to the resolution of the shareholders in their meetings on May 26, 2022.

d. Other equity items

The movement of other equity items were as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2020	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Exchange differences on the translation of the financial statements of foreign operations	(101,142)	-	-	(101,142)
Gain on hedging instruments	-	-	1,907,401	1,907,401
				(Continued)

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FV/TOCI	Gain (Loss) on Hedging Instruments	Total	Subsidiary December 31, 2021	Shares Held by Subsidiaries (In Thousands of Shares)	Carrying Amount	Market Value
Cumulative loss on changes in fair value of hedging instruments reclassified to profit or loss	\$ -	\$ -	\$ (283,210)	\$ (283,210)				
Unrealized gain on financial assets at FV/TOCI	-	39,305	-	39,305		2,075	\$ 57,156	\$ 57,156
Share of other comprehensive income (loss) from associates and joint ventures accounted for using equity method	1,368	(84,893)	2,837	(80,688)				
Effects of income tax	20,229	9,685	(365,036)	(335,122)				
Other comprehensive income (loss) recognized in the period	(79,545)	(35,903)	1,261,992	1,146,544				
Transferred to hedged items	-	-	200,989	200,989				
Balance at December 31, 2020	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766		2,075	\$ 24,999	\$ 24,999
Balance at January 1, 2021	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766				
Exchange differences on the translation of the financial statements of foreign operations	17,597	-	-	17,597				
Gain on hedging instruments	-	-	861,256	861,256				
Cumulative loss on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(672,302)	(672,302)				
Unrealized gain on financial assets at FV/TOCI	-	(91,703)	-	(91,703)				
Share of other comprehensive income (loss) from associates and joint ventures accounted for using equity method	95	(4,161)	1,992	(2,074)				
Effects of income tax	(3,519)	18,993	(57,693)	(42,219)				
Other comprehensive income (loss) recognized in the period	14,173	(76,871)	133,253	70,555				
Transferred to hedged items	-	-	99,507	99,507				
Balance at December 31, 2021	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828 (Concluded)				

e. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries, as of December 31, 2021 and 2020 were as follows:

Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the year ended December 31, 2021	2,075	-	2,075
For the year ended December 31, 2020	2,889	(814)	2,075

25. NET INCOME

	For the Year Ended December 31 2021	2020
a. Revenue		
Passenger	\$ 3,433,751	\$ 20,508,133
Cargo	124,249,632	81,692,574
Others	4,456,865	4,126,416
	<u>\$ 132,140,248</u>	<u>\$ 106,327,123</u>
b. Other income		
Interest income	\$ 132,220	\$ 208,081
Dividend income	8,355	8,720
Others	<u>234,050</u>	<u>223,960</u>
	<u>\$ 374,625</u>	<u>\$ 440,761</u>

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

Dynasty Aerotech International Corp. sold a total of 814 thousand shares of the Company in 2020 and the disposal price was \$6,854 thousand.

c. Other gains and losses

	For the Year Ended December 31	2021	2020
(Loss) gain on disposal property, plant and equipment	\$	(932,718)	\$ 8,005
Gain on financial assets mandatorily classified as at FVTPL		-	3,596
Net foreign exchange (losses) gains		(123,671)	259,796
Impairment loss recognized on investments accounted for using equity method		(136,672)	(46,757)
Impairment loss recognized on property, plant and equipment		-	(424,573)
Loss on disposal of investments		(540)	-
Loss on sale and leaseback transactions		(342,080)	-
Others		(436,219)	(323,894)
	\$	(1,971,900)	\$ (523,827)

d. Finance costs

	For the Year Ended December 31	2021	2020
--	--------------------------------	------	------

Interest expense	\$ 262,951	\$ 344,034
Bonds payable	624,420	834,611
Bank loans	1,276,803	1,601,718
Interest on lease liabilities	<u>\$ 2,164,174</u>	<u>\$ 2,780,363</u>
Capitalization interest	\$ 42,440	75,701
Capitalization rate	0.55%-1.11%	0.71%-1.45%

e. Depreciation and amortization expenses

	For the Year Ended December 31	2020
Property, plant and equipment	\$ 16,249,708	\$ 18,063,025
Right-of-use assets	10,253,506	9,955,721
Intangible assets	179,111	169,158
	<u>\$ 26,682,325</u>	<u>\$ 28,187,904</u>
An analysis of depreciation by function		
Operating costs	\$ 25,933,079	\$ 27,360,911
Operating expenses	570,135	657,835
	<u>\$ 26,503,214</u>	<u>\$ 28,018,746</u>
An analysis of amortization by function		
Operating expenses	\$ 179,111	\$ 169,158

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plans	\$ 330,826	\$ 347,320
Defined benefit plans	<u>1,195,933</u>	<u>1,239,180</u>
	<u>\$ 1,526,759</u>	<u>\$ 1,586,500</u>
Other employee benefits		
Salary expenses	\$ 16,170,192	\$ 12,892,488
Personnel service expenses	<u>4,880,662</u>	<u>4,452,116</u>
	<u>\$ 21,050,854</u>	<u>\$ 17,344,604</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 17,960,614	\$ 14,918,454
Operating expenses	<u>4,616,999</u>	<u>4,012,650</u>
	<u>\$ 22,577,613</u>	<u>\$ 18,931,104</u>

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the year ended December 31, 2021, the estimated amount of compensation of employees was \$366,429 thousand, and for the year ended December 31, 2020, the compensation of employees was not estimated since the Company had an accumulated deficit.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual financial statements are authorized for issue are adjusted in the year that the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the compensation of employees resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
Current year	\$ 2,926,770	\$ 15,676
Adjustments for prior year	7,846	280
Deferred tax		
Current year	(331,894)	(67,746)
Adjustments for prior year	<u>(8,687)</u>	<u>82,885</u>
Income tax expense recognized in profit or loss	<u>\$ 2,594,035</u>	<u>\$ 31,095</u>

A reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	2020
Profit before tax from continuing operations	\$ 11,973,940	\$ 171,095
Income tax expense calculated at the statutory rate	\$ 2,394,788	\$ 34,219
Effects of adjustments to income tax		
Nondeductible expenses in determining taxable income	695,244	369,518
Tax-exempt income	(541,481)	(334,324)
Overseas income tax expense	33,815	15,676
Unrecognized loss carryforwards and investment tax credits	12,510	(137,159)
Adjustments for prior years' tax	7,846	280
Adjustments for prior years' deferred tax	(8,687)	82,885
Income tax expense recognized in profit or loss	\$ 2,594,035	\$ 31,095
b. Income tax recognized in other comprehensive income		
	For the Year Ended December 31	2020
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ (3,519)	\$ 20,229
Fair value changes of hedging instruments for cash flow hedges	(57,693)	(365,036)
Remeasurement of defined benefit plans	7,102	98,844
Fair value changes of financial assets at FVTOCI	18,993	9,685
Total income tax recognized in other comprehensive income	\$ (35,117)	\$ (236,278)

c. Deferred tax assets and liabilities

	For the year ended December 31, 2021	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Defined benefit obligations	\$ 1,656,388	\$ 34,651	\$ 1,698,141
Frequent flyer programs	547,877	35,395	583,272
Maintenance reserve	2,359,334	(71,261)	2,288,073
Allowance for impairment			
loss of inventories	253,209	26,922	280,131
Others	165,051	230,398	384,687
	<u>\$ 4,981,859</u>	<u>\$ 256,105</u>	<u>\$ 5,234,304</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Unrealized foreign exchange gains	\$ 143,100	\$ (84,477)	\$ 58,623
Others	732,288	-	763,745
	<u>\$ 875,388</u>	<u>\$ (84,477)</u>	<u>\$ 822,368</u>
For the year ended December 31, 2020			
<u>Deferred tax assets</u>			
Temporary differences			
Defined benefit obligations	\$ 1,527,211	\$ 30,333	\$ 1,656,388
Frequent flyer programs	590,694	(42,817)	547,877
Maintenance reserve	2,063,485	295,849	2,359,334
Allowance for impairment			
loss of inventories	294,799	(41,590)	253,209
Others	280,953	(195,593)	165,051
	<u>\$ 4,757,142</u>	<u>\$ 46,182</u>	<u>\$ 4,981,859</u>

(Continued)

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares used in computation of basic earnings per share	5,615,684	5,418,776
Effect of potentially dilutive ordinary shares:		
Compensation of employees	13,300	-
Convertible bonds	<u>512,144</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,141,128</u>	<u>5,418,776</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonuses would be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings (loss) per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings (loss) per share until the number of shares to be distributed to employees is resolved in the following year.

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity items).

To support operating activities and purchase of aircraft, the Company needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure that financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment, dividend payments and other needs in the next 12 months.

29. FINANCIAL INSTRUMENTS

- a. Fair values of financial instruments not measured at fair value

	December 31	
	2021	2020
	Carrying Amount	Carrying Amount
Financial liabilities		
Bonds payable	\$ 13,650,026	\$ 14,557,830
	\$ 22,432,859	\$ 22,609,683
Lease liabilities and long-term debts are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bond payable trading in OTC are based on quoted market prices (included in the Level 1 categories).		

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ 81,778	\$ 61,322	\$ -	\$ 143,100
Others	<u>317,475</u>	<u>-</u>	<u>414,813</u>	<u>732,288</u>
	\$ 399,253	\$ 61,322	\$ 414,813	\$ 875,388
				(Concluded)

Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets were as follows:

	December 31	
	2021	2020
Loss carryforwards		
Expiry in 2028	\$ -	\$ 495,779
Expiry in 2029	<u>-</u>	<u>1,439,287</u>
	\$ -	\$ 1,935,066
Others	<u>\$ 6,476,757</u>	<u>\$ 4,479,141</u>

- d. As of December 31, 2021, the Company has no unused loss carryforwards.

- e. Income tax assessments

The income tax returns of the Company through 2018 have been examined by the tax authorities.

27. EARNINGS PER SHARE

	For the Year Ended December 31	
	2021	2020
Basic earnings per share (NT\$ per share)	\$ 1.67	\$ 0.03
Diluted earnings per share (NT\$ per share)	<u>\$ 1.54</u>	<u>\$ 0.03</u>
Net Profit for The Year		
Earnings used in the computation of basic earnings per share	\$ 9,379,905	\$ 140,000
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>72,638</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	\$ 9,452,543	\$ 140,000

b. Fair value of financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable:

- 1) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 fair value measurements are those derived from valuation techniques that include inputs for an asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 28,804	\$ 28,804
Unlisted shares - foreign	-	-	26,654	26,654
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,458</u>	<u>\$ 55,458</u>
Financial liabilities at FVTPL				
Financial assets for hedging	<u>\$ 3,545,706</u>	<u>\$ -</u>	<u>\$ 17,613</u>	<u>\$ 3,563,319</u>
Financial liabilities for hedging	<u>\$ 36,274,740</u>	<u>\$ -</u>	<u>\$ 2,755</u>	<u>\$ 36,277,495</u>

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 29,704	\$ 29,704
Unlisted shares - foreign	-	-	117,457	117,457
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,161</u>	<u>\$ 147,161</u>
Financial liabilities at FVTPL				
Financial assets for hedging	<u>\$ 7,613,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,613,636</u>
Financial liabilities for hedging	<u>\$ 40,575,778</u>	<u>\$ 5,794</u>	<u>\$ -</u>	<u>\$ 40,581,572</u>

There were no transfers between Level 2 and 3 in the current period.

4) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivative instruments	The fair values of derivatives (except options) have been determined based on discounted cash flow analyses using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Company used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuation used in isolation would result in an increase or decrease in the fair value of the fuel options.

The domestic and foreign unlisted equity investments are based on the comparative company valuation to estimate the fair value. The main assumptions are based on the multiplier of the market price of the comparable listed company and the net value per share, which have considered the liquidity discount. The higher the multiplier or the lower the liquidity discount, the higher the fair value of the relevant financial instruments.

The movements of financial instruments based on Level 3 fair value measurement are as follows:

	Multiplier	Derivative Instruments	Equity Instruments	Liquidity Discount
December 31, 2021	0.74-14.31	\$ -	\$ 147,161	80%
December 31, 2020	0.79-16.32	6,124	(91,703)	80%
		<u>\$ 6,124</u>	<u>\$ 55,458</u>	
Balance at January 1, 2021				
Recognized in other comprehensive income				
Balance at December 31, 2021				
		<u>\$ 6,124</u>	<u>\$ 55,458</u>	
Balance at January 1, 2020				
Recognized in other comprehensive income				
Balance at December 31, 2020				
		<u>\$ -</u>	<u>\$ 147,161</u>	

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Company's collective instruments.

c. Categories of financial instruments

	December 31	
	2021	2020
<u>Financial assets</u>		
Financial assets for hedging	\$ 3,563,319	\$ 7,613,636
Financial assets at amortized cost (Note 1)	50,292,213	36,153,687
Financial assets at FVTOCI - investments in equity instruments	55,458	147,161
<u>Financial liabilities</u>		
Financial liabilities for hedging	36,277,495	40,581,572
Financial liabilities at amortized cost (Note 2)	142,057,713	148,012,657

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits and other restricted financial assets.

Note 2: The balance include financial liabilities measured at amortized cost, which comprise short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable and long-term loans, lease liabilities, provisions, parts of other current liabilities, parts of other noncurrent liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Company has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest exchange rates and in fuel prices, the Company has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Company's shareholders to reduce the impact of market price on earnings. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

In addition, the Company has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the Company of global economic and financial conditions, controls the entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

The Company enters into forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

The Company enters into foreign currency option to hedge against the risks of changes in related exchange rates, and enters into foreign exchange forward contracts to hedge against the risks on changes in foreign-currency assets, liabilities and commitments in the related exchange rates.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

An increase/decrease in U.S. dollars against New Taiwan dollars when reporting foreign currency risk internally to key management personnel represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease by one dollar against New Taiwan dollars in foreign currency rates. When New Taiwan dollars increased by one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit of \$401,972 thousand and an increase in pre-tax other comprehensive income of \$1,181,518 thousand for the year ended December 31, 2021; there would be an increase in pre-tax profit of \$126,947 thousand and an increase in pre-tax other comprehensive income of \$1,155,267 thousand for the year ended December 31, 2020.

The Company's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in the future. Those transactions are designated as cash flow hedges. When forecasted purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable aircraft prepayments, as the critical terms (i.e. the notional amount, useful life and underlying asset) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The following table summarizes the information relating to the hedges of foreign currency risk. Please refer to Note 19 for aircraft rental contracts for hedging.

December 31, 2021

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	
					Asset	Liability
Cash flow hedge						
Aviation fuel - forward exchange contracts	NTD/USD	\$ -	-	-	Financial assets for hedging - current	Financial liabilities for hedging - current
					\$ -	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aviation fuel in U.S. dollars) was \$0.

For the year ended December 31, 2021

	Hedging Gains Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge Aviation fuel	\$ 5,794	\$ (6,844)

December 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Liability
Cash flow hedge Aviation fuel - forward exchange contracts	NTD/USD	NTD 142,045/ USD 5,600	2021.1.29- 2021.5.28	29.4/29.8	Financial assets for hedging - current liabilities for hedging - current	\$ -	\$ 5,794

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aviation fuel in U.S. dollars) was \$(5,794) thousand.

For the year ended December 31, 2020

	Hedging Gains Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge Aviation fuel	\$ 4,367	\$ (16,616)
Aircraft prepayments	(101,570)	-
Maintenance costs	-	5
	<u>\$ (97,203)</u>	<u>\$ (16,611)</u>

For the year ended December 31, 2020, the amount of hedging instruments reclassified to prepayments for equipment was \$119,878 thousand.

b) Interest rate risk

The Company enters into interest swap contracts to hedge against the risks on change in net liabilities interest rates.

The risk is managed by the Company through maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

The carrying amount of the Company's financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31 2021	December 31 2020
Fair value interest rate risk	\$ 49,924,766	\$ 63,008,637
Cash flow interest rate risk	95,715,939	102,601,087

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A one year (25 basis points) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Company's pre-tax profit for the year ended December 31, 2021 would have decreased by \$239,290 thousand.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Company's pre-tax profit for the year ended December 31, 2020 would have decreased by \$256,503 thousand.

c) Other price risk

The Company was exposed to fuel price risk on its purchase of aviation fuel. The Company enters into fuel options contracts to hedge against adverse risks on fuel price changes.

December 31, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Liability
Cash flow hedge - Aviation fuel - fuel options	USD	NTD 6,124	2021.1.31- 2022.09.30	USD 62- USD 121.75	Financial assets for hedging - current liabilities for hedging - current	\$ 17,613	\$ 2,755

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (fuel payments in U.S. dollars) was \$6,124 thousand.

For the year ended December 31, 2021

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge Fuel options	\$ 6,124	\$ (408) (Note)

Note: Increase in operating costs.

December 31, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
Cash flow hedges	USD	-	-	-	Financial assets for hedging -	Asset
Aviation fuel - fuel options	-	-	-	-	current liabilities for hedging - current	Liability
						\$ - \$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (fuel payments in U.S. dollars) was \$0.

For the year ended December 31, 2020

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedge		
Fuel options	\$ (5,524)	\$ (52,853) (Note)

Note: Increase in operating costs.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to fuel price risks at the end of the reporting period.

	For the Year Ended December 31			
	2021	2020		
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase 5%	\$ -	\$ 306	\$ 1,479	\$ -
Fuel price decrease 5%	-	(306)	(1,479)	-

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk primarily comes from accounts receivable generated from operating activities, bank deposits generated from investing activities, fixed income investments and other financial instruments. Operation related credit risk and financial credit risk are managed separately.

Operation - related credit risk

The Company has established procedures to manage operation related credit risk to maintain the quality of accounts receivable.

To assess the risk of individual customers, the Company consider into the financial condition of the customers, the credit rating agency rating, the Company's internal credit rating, transaction history and current economic conditions and many other factors that may affect the repayment. Sometimes, the Company uses certain credit enhancement tools to reduce the credit risk of specific customers.

Since the customers of the aviation industry are dispersed and non-related, the credit risk concentration is not critical.

Financial credit risk

Credit risk on bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. The Company's counterparties are other parties are well-performing banks and financial institutions, corporations, and government agencies, and so the risk of counterparties failing to discharge an obligation is low, therefore, there is no significant credit risk.

Endorsements given by the Company on behalf of its subsidiaries can be found in Note 30(g).

3) Liquidity risk

The objective of the Company's management of liquidity is to maintain cash and cash equivalents sufficient for operating purposes, marketable securities with high liquidity and loan commitments that are sufficient to ensure that the Company has adequate financial flexibility.

Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Company's financial liabilities with agreed-upon repayment periods, which were based on the date the Company may be required to pay the first repayment and financial liabilities is evaluated based on undiscounted cash flows, including cash flows of interest and principal.

Bank loans with a repayment on demand clause were included in the second column of the table below regardless of whether or not the banks would choose to exercise early their rights to repayment. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates. The Company's liquidity analysis for its derivative financial instruments is also shown in the following table. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

December 31, 2021		December 31, 2020	
The Weighted Average Effective Interest Rate (%)		December 31	
		2021	2020
Lease liabilities	1.6254	\$ 892,433	\$ 9,732,481
Floating interest rate liabilities	0.8719	66,508,245	11,061,580
Hedging instruments	2.9022	28,118,375	1,532,555
Bonds payable	1.4686	12,303,091	-
		\$ 109,327,266	\$ 22,326,616
December 31, 2020			
The Weighted Average Effective Interest Rate (%)		December 31	
		2021	2020
Lease liabilities	1.6265	\$ 915,897	\$ 9,929,842
Floating interest rate liabilities	0.9102	54,822,466	14,752,347
Hedging instruments	3.0492	9,249,609	1,815,449
Bonds payable	1.2311	12,685,204	1,280,779
		\$ 99,883,867	\$ 27,778,417
Loan commitments			
Undrawn bank loan commitments (unsecured)		\$ 24,164,000	\$ 21,559,000
30. TRANSACTIONS WITH RELATED PARTIES			
Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below:			
a.	Related party name and relationship		
	Related Party Name	Relationship with the Company	
	Taiwan Aircargo Terminal Company	Subsidiary	
	Taoyuan International Airport Service Co., Ltd.	Subsidiary	
	Sabre Travel Network (Taiwan), Ltd.	Subsidiary	
	Taiwan Airport Service Co., Ltd.	Subsidiary	
	Taiwan Airport Service (Samoa)	Subsidiary	
		(Continued)	
	Related Party Name	Relationship with the Company	
	Dynasty Aerotech International Corp. Yestrip	Subsidiary Subsidiary (the liquidation was completed in April 2021)	
	Global Sky Express	Subsidiary	
	Mandarin Airlines	Subsidiary	
	CAL Park	Subsidiary	
	CAL Hotel Co., Ltd.	Subsidiary	
	CAL-Asia Investment	Subsidiary	
	CAL-Dynasty International Inc.	Subsidiary	
	Tigerair Taiwan Co., Ltd.	Subsidiary	
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	
	Kaohsiung Catering Services	Subsidiary	
	China Aircraft Service	Associate	
	Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate	
	Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate	
	Eastern United International Logistics (Hong Kong)	Associate	
	Dynasty Holidays, Inc.	Joint venture	
	China Pacific Catering Services	Joint venture	
	China Pacific Laundry Services	Joint venture	
	NORDAM Asia Ltd.	Joint venture	
	Delica International Co., Ltd.	Joint venture	
	China Aviation Development Foundation	Director of the Company and major shareholder	
	Others	Director, key management personnel, chairman, general manager of the Company, spouse and second-degree relative	
	b. Operating income	(Concluded)	
	Account Items	Related Party Type	
	Other income	Subsidiary Major shareholder of the Company Associate Joint venture	
	c. Purchases of goods		
	Related Party Type	For the Year Ended December 31	
		2021	2020
	Subsidiary	\$ 2,860,980	\$ 2,611,679
	Major shareholder of the Company	\$ 28,574	\$ 11,417
	Associate	\$ 536,086	\$ 457,005
	Joint venture	\$ 221,802	\$ 516,347

- d. Accounts receivable - related parties (generated by operations)

Related Party Type	December 31	
	2021	2020
Subsidiary	\$ 52,126	\$ 99,757
Joint venture	1,563	1,667
Major shareholder of the Company	785	-
	<u>\$ 54,474</u>	<u>\$ 101,424</u>

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment periods of such accounts were within 30 to 90 days, and there are no overdue payments.

- e. Accounts payable - related parties (generated by operations)

Related Party Type	December 31	
	2021	2020
Subsidiary	\$ 603,265	\$ 459,667
Associate	68,826	52,187
Joint venture	59,930	76,380
Major shareholder of the Company	1,816	-
	<u>\$ 733,837</u>	<u>\$ 588,234</u>

The remaining balance of accounts payable - related parties will be paid in cash if they are not secured.

- f. Lease arrangements (operating leases)

The Company rented out planes to Mandarin Airlines under an operating lease contract. The monthly rental received is based on flight hours. For the years ended December 31, 2021 and 2020, the rentals received amounted to \$606,176 thousand and \$384,080 thousand, respectively.

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots. The Company paid the rental based on usage hours. For the years ended December 31, 2021 and 2020, the Company paid rentals of \$28,574 thousand and \$11,417 thousand, respectively.

In March 2010, the Company signed a yearly renewable operating lease agreement to use the Operating and Aviation Headquarters building of the Taiwan Taoyuan International Airport with CAL Park. For the years ended December 31, 2021 and 2020, the Company paid rentals of \$215,098 thousand and \$207,003 thousand, respectively.

- g. Endorsements and guarantees

	December 31		
	2021	2020	2020
	Amount Endorsed	Amount Utilized	Amount Utilized
The Company			
CAL Park	\$ 3,850,000	\$ 1,663,320	\$ 3,850,000
Tigerair Taiwan	2,590,360	258,454	2,656,591
Taiwan Air Craft Maintenance	2,000,000	1,459,000	2,000,000
			1,356,000

- h. Bonds payable - related parties

Related parties that invested in the first issue of unsecured bonds in 2016 (refer to Note 19) were summarized as follows:

Related Party	December 31, 2020	
	Units	Aggregate Par/Dollars
The first issue of unsecured bonds in 2016		
Mandarin Airlines	125	\$ 125,000
Sabre Travel Network (Taiwan)	25	25,000

For the year ended December 31, 2020, the interest expense was \$2,499 thousand. As of December 31, 2020 the interest payable was \$1,071 thousand. This bonds payable had been paid off in May 2021.

- i. Remuneration of key management personnel

	For the Year Ended December 31	
	2021	2020
Short-term employee benefits	\$ 42,093	\$ 33,376
Post-employment benefits	42,123	2,525
	<u>\$ 84,216</u>	<u>\$ 35,901</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term bank loans, lease liabilities and business transactions:

	December 31	
	2021	2020
Property, plant and equipment	\$ 27,994,773	\$ 30,113,171
Right-of-use assets	50,965,378	54,555,761
	<u>\$ 78,960,151</u>	<u>\$ 84,668,932</u>

32. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Company at December 31, 2021 were as follows:

- In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of December 31, 2021, the list price had been paid in the amount of US\$32,578 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand. As of December 31, 2021, one backup engine has been delivered, for details please refer to Note 19.
- In July and August 2019, the Company signed a contract with the Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. The expected delivery periods are from 2020 to 2023. In January 2022, the Company signed an additional contract with the Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,914,818 thousand. As of December 31, 2021, three out of ten aircraft have been delivered. The total list price of the remaining seven aircraft is US\$1,172,357 thousand, and the list price has been paid in the amount of US\$234,471 thousand (recognized as prepayments for aircraft).

33. IMPACT OF COVID-19

Since the outbreak of the Covid-19 in January 2020, the coronavirus has become a pandemic. The pandemic has now spread around the world and most countries have not removed their travel restrictions. Because the number of inbound and outbound passengers has decreased significantly, the Company adjusts the proportion between passenger aircraft and cargo aircraft used in operations to comply with the government's epidemic prevention policy and cater to market demand. The Company reduces the frequency of passenger air services that have been severely affected, uses the passenger aircraft to support the cargo flight arrangement and expands the function of all-cargo aircraft to maximize the opportunities from air cargo business. Since March 2020, cargo has become the main source of revenue for the Company.

The Company continues to adjust the response measures according to the situation. In addition, to ensure the adequate liquidity, the Company also implements measures for human resource management such as postponing the hiring of newcomers, relaxing the application of special leave, loosening the restrictions on leave without pay, encouraging employees to take leave, adjusting working hours and salaries, etc. The Company's policies to control spending include suspension of non-urgent capital expenditures, reduction in unnecessary expenses for administrative management and sales, negotiation with suppliers for a lower price and postponement of payments.

For the years ended December 31, 2021 and 2020, because of the COVID-19 pandemic, the Company received subsidies of \$1,425,517 thousand and \$1,251,632 thousand, respectively, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense were \$933,457 thousand and \$745,820 thousand, respectively. These subsidies were recognized as other income or deduction from other expenses.

The Company has obtained relief loan from the government. Refer to Note 17 for details on the amount of loan and its allocation.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of Foreign Currencies)

December 31, 2021

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
Monetary items			
USD	\$ 1,067,289	27.7008	\$ 29,564,749
EUR	24,699	31.4465	776,692
HKD	545,975	3.5499	1,938,155
JPY	4,949,258	0.2407	1,191,286
RMB	751,761	4.3459	3,267,076

Financial liabilities

Monetary items			
USD	1,846,834	27.7008	51,158,785
EUR	3,724	31.4465	117,113
HKD	65,519	3.5499	232,587
JPY	2,806,634	0.2407	675,557
RMB	107,893	4.3459	468,894

December 31, 2020

<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>
\$	28.4091	\$ 18,193,504
EUR	34.8432	635,752
HKD	3.6603	1,240,403
JPY	0.2750	939,942
RMB	4.3440	2,373,786

Financial assets

Monetary items			
USD	640,411	28.4091	\$ 18,193,504
EUR	18,246	34.8432	635,752
HKD	338,880	3.6603	1,240,403
JPY	3,417,972	0.2750	939,942
RMB	546,452	4.3440	2,373,786

Financial liabilities

Monetary items			
USD	1,927,625	28.4091	54,762,089
EUR	6,513	34.8432	226,949
HKD	72,397	3.6603	264,994
JPY	2,986,256	0.2750	821,220
RMB	136,957	4.3440	594,941

For the years ended December 31, 2021 and 2020, the Company's net foreign exchange gains (losses) were \$(23,671) thousand and \$259,796 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

35. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
 - 1) Financing provided to others: Table 1 (attached).
 - 2) Endorsements/guarantees provided: Table 2 (attached).
 - 3) Marketable securities held: Table 3 (attached).
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached).
 - 5) Acquisitions of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None.
 - 6) Disposals of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached).
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached).
 - 10) Trading in derivative instruments: Notes 7 and 29.
- b. Information on investments in mainland China: Table 8 (attached).
- c. Information of major shareholders: Table 9 (attached).

36. SEGMENT INFORMATION

The Company mainly engages in air transportation services for passengers, cargo and others. The major revenue-generating asset is its aircraft fleet, which is jointly used for passenger and cargo services. Thus, the Company's sole reportable segment is flight segment. For the disclosure of operating segment in the consolidated financial statements, the reportable segment of the Group comprises flight and non-flight business departments. The related information of reportable segment has been disclosed in the consolidated financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 100,000	\$ 96,953	\$ 96,953	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 141,266	\$ 282,532	

Note 1: The maximum amount of loans to others by the Company is up to 40% of the Company's net worth as stated in its latest financial statements.

Note 2: The maximum amount of loans to an individual counterparty by the Company is up to 20% of the Company's net worth as stated in its latest financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsor/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd.	100% owned subsidiary 82.27% owned subsidiary by direct and indirect holdings	\$ 14,808,715 14,808,715	\$ 3,850,000 2,671,771	\$ 3,850,000 2,590,360	\$ 1,663,320 258,454	\$ - -	5.20 3.50	\$ 37,021,787 37,021,787	Y Y	N N	N N
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	14,808,715	2,000,000	2,000,000	1,459,000	-	2.70	37,021,787	Y	N	N

Note 1: Based on the Company's guidelines, the maximum amount of guarantee to an individual counterparty is up to 20% of the Company's shareholders' equity.

Note 2: Based on the Company's guidelines, the allowable aggregate amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2021			Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value
China Airlines ("Parent company")	Shares	-	Financial assets at FVTOCI - non-current	1,359,368	\$ 24,231	13.59	\$ 26,654
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	135,937	2,423	-	-
	Everest Investment Holdings Ltd. - preference shares	-	Financial assets at FVTOCI - non-current	1,100,000	28,804	11.00	28,804
	Chung Hua Express Co.	-	Financial assets at FVTPL - current	12,000,000	-	15.00	-
	Jardine Air Terminal Services	-	Financial assets at FVTPL - current	4,021	-	0.02	-
Mandarin Airlines	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	-	-	-	-
	Shares	Parent company	Financial assets at FVTOCI - non-current	2,074,628	57,156	-	57,156
Cal-Asia Investment	Shares	-	Financial assets at FVTPL - current	-	-	2.59	-
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTOCI - non-current	-	12,426	5.45	12,426
Sabre Travel Network (Taiwan)	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTPL - current	273,999	49,379	-	49,379
	Beneficiary certificates	-	Financial assets at FVTPL - current	-	-	-	-
Taiwan Airport Services	FSITC Money Market Fund	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-
	Shares	-	Financial assets at FVTPL - current	-	-	-	-
Dynasty Aerotech International Corp.	TransAsia Airways	-	Financial assets at FVTPL - current	349,523	4,781	-	4,781
	Beneficiary certificates	-	Financial assets at FVTPL - current	-	-	-	-
Kaohsiung Catering Services	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	5,407,832	86,480	-	86,480
	Beneficiary certificates	-	Financial assets at FVTPL - current	1,106,807	15,140	-	15,140
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	-	-	-	-
Tiger Taiwan Co., Ltd.	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	-	-	-	-
	Government bond	-	Financial assets at amortized cost - current	552	-	Not applicable	552
	Philippines government bond	-	Financial assets at amortized cost - current	-	-	-	-

Note 1: The subsidiary's net asset value was \$26,654 thousand, which included ordinary shares and preference shares as of December 31, 2021.

Note 2: The Company does not issue shares because it is a limited company.

Note 3: The table only lists financial assets that are in accordance with IFRS 9.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)		Gain (Loss) on Disposal		Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount			Number of Shares	Amount
China Airlines, Ltd. (the "Company")	Mandarin Airlines Tiger Taiwan Co., Ltd.	Investment accounted for using the equity method Investment accounted for using the equity method	Mandarin Airlines Tiger Taiwan Co., Ltd.	Subsidiary Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	-	-	\$ -
					-	-	-	-	-	-	-	-	-	-

Note 1: Marketable securities included shares, bonds, beneficiary certificates and marketable securities derived from the above stated items.

Note 2: Marketable securities recognized as investments accounted for using the equity method shall be included in these two columns, others are exempt.

Note 3: Accumulated acquisition and disposal amount should be evaluated separately whether it reaches NT\$300 million or 20% of the paid-in capital by their market value.

Note 4: Paid-in capital is the parent company's paid-in capital. When the issuer issues shares without face value or face value other than NT\$10, according to the policy for the transaction price of 20% of the paid-in capital, it is calculated based on 10% of the equity attributable to the owner of the parent company in balance sheets.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or Payable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	\$ 363,578	0.34	2 months	\$ -	-	\$ (37,949)	(2.43)	-
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	138,264	0.13	1 month	-	-	(29,503)	(1.89)	-
	Mandarin Airlines	Subsidiary	Sale	(127,598)	(0.10)	2 months	-	-	26,347	1.69	-
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	747,778	0.70	30 days	-	-	(62,743)	(4.02)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	1,113,547	1.05	40 days	-	-	(251,044)	(16.08)	-
	Global Sky Express	Subsidiary	Sale	(201,463)	(0.15)	15 days	-	-	11,320	0.08	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(147,001)	(0.11)	1 month	-	-	-	0.00	-
	CAL Park	Subsidiary	Sale	215,222	0.2	2 months	-	-	-	0.00	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	149,036	0.14	2 months	-	-	(55,763)	(0.41)	-
	Eastern United International Logistics	Equity-method investee	Purchase	478,437	0.45	2 months	-	-	(57,497)	(3.68)	-
China Pacific Catering Services	Equity-method investee	Purchase	204,687	0.19	90 days	-	-	(56,930)	(3.65)	-	
Mandarin Airlines	Taiwan Airport Services	Same parent company	Purchase	120,005	3.53	1 month	-	-	(965)	(3.37)	-
	Tigerair Taiwan Co., Ltd.	Same parent company	Purchase	164,165	0.15	1 month	-	-	-	0.00	-
Cal Hotel	CAL Park	Same parent company	Purchase	106,157	73.25	1 month	-	-	(128)	(0.68)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Mandarin Airlines	China Airlines	Parent company	\$ 154,849	Note	\$ -	-	\$ 152,307	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	251,044	4.77	-	-	251,044	-

Note: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore the turnover rate was not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2021		Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership (%)			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	150,000,000	100.00	\$ 17,182	\$ 59,549	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	2,042,368	387,831,234	96.96	(1,565,065)	(1,484,975)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	542,784	293,078	-
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	10,237	10,954	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	(338,326)	(172,546)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	613,697	19,756	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	50,423	50,423	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	(44,817)	(42,097)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	20.00	(1,347,865)	(269,573)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	137,378	(70,287)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	381,148	(48,695)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	335,242	(70,111)	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	120,876	(29,418)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	147,608	48,649	Note 4
Mandarin Airlines	Yestrip	Taipei, Taiwan	Travel business	-	26,265	-	100.00	-	-	-
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 20,400	160	20.00	(7,181)	(1,436)	-
CAL-Asia Investment	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,630	1,937	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	3,109,907	313,631,656	78.41	2,955,909	(1,740,148)	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	70,000,000	100.00	(557,918)	(141,875)	Note 4
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Aircraft maintenance	37,975	37,975	3,797,500	49.00	28,836	(8,931)	-
Taiwan Airport Services	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	145,453	(2,269,379)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	3,125	(1,354)	-
Kaohsiung Catering Services	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	52,147	15,218	-
	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	406,340	32,655	Note 3
	Deltea International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,867	2	-

Note 1: Adopted the treasury shares method in recognizing investment income or loss.

Note 2: Represents the consolidated financial information of the foreign holding company disclosed in accordance with local regulations.

Note 3: The Company does not issue shares because it is a limited company.

Note 4: The difference is due to lease arrangement between consolidated entities.

Note 5: The difference is due to acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2021

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,954 (RMB 254,480)	Indirect (Note 1)	\$ 115,955 (US\$ 4,186)	-	\$ -	\$ 115,955 (US\$ 4,186)	\$ 130,500 (RMB 30,106)	14.00	\$ 18,264 (RMB 4,215)	\$ 256,967 (RMB 59,128)	\$ 97,966 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,843 (RMB 14,000)	Indirect (Note 1)	53,946 (US\$ 1,947)	-	-	53,946 (US\$ 1,947)	102,619 (RMB 23,674)	14.00	14,362 (RMB 3,314)	149,504 (RMB 34,401)	43,228 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,301,662 (US\$ 83,090)	Indirect (Note 1)	59,590 (US\$ 2,151)	-	-	59,590 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjiang)	Composite material	323,075 (US\$ 11,663)	Indirect (Note 1)	17,618 (US\$ 636)	-	-	17,618 (US\$ 636)	-	5.45	-	12,426 (RMB 2,859)	9,875 (US\$ 357)
Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA										
\$247,109 (US\$8,920)	\$604,181 (Note 3)	\$46,323,011 (Note 4)										

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2021	Accumulated Repatriation of Investment Income as of December 31, 2021
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,954 (RMB 254,480)	Indirect (Note 5)	\$ 111,312 (US\$ 4,018)	\$ -	\$ -	\$ 111,312 (US\$ 4,018)	\$ 130,500 (RMB 30,106)	14.00	\$ 18,270 (RMB 4,215)	\$ 256,091 (RMB 58,888)	\$ 125,793 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,843 (RMB 14,000)	Indirect (Note 5)	53,373 (US\$ 1,927)	-	-	53,373 (US\$ 1,927)	102,619 (RMB 23,674)	14.00	14,367 (RMB 3,314)	149,467 (RMB 34,421)	57,945 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$164,684 (US\$5,945)	\$164,684 (US\$5,945)	\$174,080 (Note 4)

Note 1: The Company invested in CAL-Asia Investment, which invested in a company located in mainland China.

Note 2: As of December 31, 2021, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

Note 3: The amount comprised US\$19,828,324, RMB4,200,000 and NT\$36,666,667.

Note 4: The limit stated in the Investment Commission's regulation "The Review Principle of Investment or Technical Cooperation in Mainland China" is the larger of the Company's net asset value or 60% of the consolidated net asset value.

Note 5: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are converted at period-end rates and the gains (losses) are converted at the average of the period-end rates for the reporting period.

(Concluded)

TABLE 9

CHINA AIRLINES, LTD.

**INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.43
National Development Fund (NDF)	519,750,519	8.74

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

China Airlines Co., Ltd.

Chairman : Hsieh, Su-Chien



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