China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020 and Independent Auditors' Report

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.

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 Shiuh-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)

	2021		2020	
ASSETS	**Amount**	**%**	**Amount**	**%**
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)	13,028,521	5	6,551,693	2
Financial assets for hedging - current (Notes 4, 6 and 31)	3,563,319	1	7,613,636	3
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 28)	59,341	-	67,549	-
Inventories (Notes 4 and 11)	8,814,975	3	8,788,105	3
Non-current assets held for sale (Notes 4, 5 and 12)	36,719	-	89,296	-
Other current assets (Note 18)	692,464	-	861,179	-
Total current assets	85,849,590	29	61,872,468	22
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	67,884	-	163,746	-
Financial assets at amortized cost (Notes 4, 9 and 31)	70,596	-	311,596	-
Investments accounted for using the equity method (Notes 4 and 14)	1,555,016	1	1,970,802	1
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 and 16)	2,074,531	1	2,074,798	1
Other intangible assets (Notes 4 and 17)	1,008,992	-	1,076,351	-
Deferred tax assets (Notes 4, 5 and 28)	6,930,978	2	6,028,200	2
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
Short-term bills payable (Note 19)	-	-	8,088,882	3
Financial liabilities for hedging - current (Notes 4, 21 and 31)	8,438,097	3	8,129,752	3
Notes and accounts payable (Note 31)	1,115,600	-	1,354,237	1
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	216,602	-
Lease liabilities - current (Notes 3, 4 and 21)	2,533,452	1	2,525,957	1
Contract liabilities - current (Note 23)	3,868,712	1	3,569,360	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)	9,324,318	3	15,234,374	5
Other current liabilities (Note 31)	2,408,484	1	1,016,068	-
Total current liabilities	53,239,105	18	62,649,715	22
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 3, 4, 21 and 31)	27,839,847	10	32,455,333	11
Bonds payable - non-current (Notes 4, 20, 27 and 31)	11,125,026	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)	15,406,987	5	14,369,486	5
Current tax liabilities - non-current (Notes 4 and 28)	-	-	87,181	-
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)	605,840	-	530,745	-
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 (Notes 20 and 26)				
Share capital	59,412,243	20	54,209,846	19
Capital surplus	2,694,529	1	1,187,327	-
Retained earnings (accumulated deficit)				
Legal reserve	-	-	-	-
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	2,713,828	1	2,543,766	1
Treasury shares	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	74,043,573	25	57,559,483	20
NON-CONTROLLING INTERESTS (Note 26)	3,161,445	1	3,152,090	1
Total equity	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 Amount	%	2020 Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	$ 138,841,403	100	$ 115,250,550	100
OPERATING COSTS (Notes 4, 10, 11, 17, 24, 25, 27 and 32)	115,486,946	83	105,031,349	91
GROSS PROFIT	23,354,457	17	10,219,201	9
OPERATING EXPENSES (Notes 4, 25, 27 and 32)	8,386,422	6	8,034,785	7
PROFIT FROM OPERATIONS	14,968,035	11	2,184,416	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 8 and 27)	938,526	1	686,574	1
Other gains and losses (Notes 12, 14, 15, 27 and 31)	(1,971,093)	(2)	(265,990)	-
Finance costs (Notes 27 and 31)	(2,407,442)	(2)	(3,057,963)	(3)
Share of the profit of associates and joint ventures (Note 14)	(401,421)	-	(200,834)	-
Total non-operating income and expenses	(3,841,430)	(3)	(2,838,213)	(2)
PROFIT (LOSS) BEFORE INCOME TAX	11,126,605	8	(653,797)	-
INCOME TAX (EXPENSE) BENEFIT (Notes 4, 5 and 28)	(2,169,941)	(2)	373,983	-
NET INCOME (LOSS) FOR THE YEAR	8,956,664	6	(279,814)	-
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)	26,961	-	144,158	-
	(197,475)	-	(740,511)	(1)

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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)	(57,330)	-	(400,801)	-
	228,056	-	1,604,583	2
Other comprehensive income (loss) for the year, net of income tax	30,581	-	864,072	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 8,987,245	6	$ 584,258	1
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 9,379,905	7	$ 140,000	-
Non-controlling interests	(423,241)	(1)	(419,814)	-
	$ 8,956,664	6	$ (279,814)	-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 9,429,042	7	$ 966,968	1
Non-controlling interests	(441,797)	(1)	(382,710)	-
	$ 8,987,245	6	$ 584,258	1
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											
			Retained Earnings			Other Equity						
	Share Capital	Capital Surplus	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	Non-Controlling Interests	Total Equity
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												
Capital surplus used to cover accumulated deficit	-	(350,581)	-	-	350,581	-	-	-	-	-	-	-
Issuance of employee share options by subsidiaries	-	540	-	-	-	-	-	-	-	540	126	666
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(104,639)	-	-	-	-	(104,639)	575,753	471,114
Net profit (loss) for the year ended December 31, 2021	-	-	-	-	9,379,905	-	-	-	-	9,379,905	(423,241)	8,956,664
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

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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	27,125,937	28,459,528
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 45,269,866	$ 27,125,937

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

a. 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.

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 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:

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.

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 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.

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:

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 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.

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.

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 decvided 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, 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.

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 recognizes 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 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 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 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 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	
	2021	**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
	$ 45,269,866	$ 27,125,937

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2021	**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)

	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, 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	
	2021	2020
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficiary certificates	$ 155,780	$ 274,761

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Investments in Equity Instruments

	December 31	
	2021	2020
Non-current		
Foreign investments		
Unlisted shares	$ 39,080	$ 134,042
Domestic investments		
Unlisted shares	28,804	29,704
	$ 67,884	$ 163,746

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 Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31 2021	December 31 2020
Current		
Time deposits with original maturities of more than 3 months	$ 13,027,969	$ 6,551,693
Government bonds	552	-
	$ 13,028,521	$ 6,551,693
Non-current		
Time deposits with original maturities of more than 1 year	$ 70,596	$ 311,596

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

	December 31 2021	December 31 2020
Notes receivable	$ 1,547	$ 655
Accounts receivable		
At amortized cost		
Gross carrying amount	13,707,506	9,903,008
Less: Allowance for impairment loss	(235,560)	(206,152)
	13,471,946	9,696,856
	$ 13,473,493	$ 9,697,511

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 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 accounts receivable. 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 Group'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 Group's customer base.

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.

The following table details the loss allowance of accounts receivable based on the Group'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	0.56%	6.79%	20.75%	99.92%	99.99%	
Gross carrying amount	$ 13,481,446	$ 61,988	$ 9,884	$ 2,499	$ 151,689	$ 13,707,506
Loss allowance (lifetime ECLs)	(75,114)	(4,211)	(2,051)	(2,497)	(151,687)	(235,560)
Amortized cost	$ 13,406,332	$ 57,777	$ 7,833	$ 2	$ 2	$ 13,471,946

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	0.14%	0.18%	1.20%	53.78%	92.74%	
Gross carrying amount	$ 9,304,785	$ 256,178	$ 134,111	$ 5,513	$ 202,421	$ 9,903,008
Loss allowance (lifetime ECLs)	(13,391)	(470)	(1,608)	(2,965)	(187,718)	(206,152)
Amortized cost	$ 9,291,394	$ 255,708	$ 132,503	$ 2,548	$ 14,703	$ 9,696,856

The movements of the loss allowance of accounts receivable were as follows:

	For the Year Ended December 31	
	2021	2020
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	55,912	47,824
	$ 8,814,975	$ 8,788,105

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	$ 36,719	$ 89,296

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:

			Proportion of Ownership (%)	
			December 31	
Investor Company	**Investee Company**	**Main Businesses and Products**	**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	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 (%) December 31 2021	2020
	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.	In-flight catering	54	54
	Taoyuan International Airport Services	Airport services	49	49
	Taiwan Airport Services (Note)	Airport services	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100
Taiwan Airport Services	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	690,838	890,950
	$ 1,555,016	$ 1,970,802

a. The investments in associates were as follows:

	December 31	
	2021	2020
Unlisted companies		
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)	52,148	51,116
	$ 864,178	$ 1,079,852

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	
Name of Associate	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)	15,218	13,940
	$ (190,528)	$ (48,856)

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.	7,875	7,871
	$ 690,838	$ 890,950

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
	$ (210,893)	$ (151,978)

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

	Freehold Land	Buildings	Flight Equipment	Others	Total
Cost					
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	$ 955,823	$ 15,705,635	$ 282,007,135	$ 17,058,648	$ 315,727,241
Accumulated depreciation and impairment					
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	$ -	$ (7,121,637)	$ (155,376,265)	$ (11,747,645)	$ (174,245,547)
Balance at December 31, 2020, net value	$ 955,823	$ 8,583,998	$ 126,630,870	$ 5,311,003	$ 141,481,694

(Continued)

	Freehold Land	Buildings	Flight Equipment	Others	Total
Cost					
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	$ 943,305	$ 15,921,862	$ 247,842,073	$ 17,625,366	$ 282,332,606
Accumulated depreciation and impairment					
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	$ -	$ (7,582,813)	$ (132,691,333)	$ (12,426,414)	$ (152,700,560)
Balance at December 31, 2021, net value	$ 943,305	$ 8,339,049	$ 115,150,740	$ 5,198,952	$ 129,632,046

(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	
	2021	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	
	2021	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		
Proceeds from issue	25,450,000	29,490,000
Less: Unamortized discounts	27,214	22,532
	94,393,603	92,522,704
Less: Current portion	9,324,318	15,234,374
	$ 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
Less: Current portion and put option of convertible bonds	2,525,000	11,982,859
	$ 11,125,026	$ 10,300,000

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:

a. The holders may demand a lump-sum payment for the bonds upon maturity.

b. 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.

c. 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	(409,978)
Liability component at the date of issuance	$ 5,602,022

The Company issued the seventh issue of its unsecured convertible bonds, and the issuance conditions were as follows:

a. The holders may demand a lump-sum payment for the bonds upon maturity.

b. 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.

c. The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.

d. 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	(188,862)
Liability component at the date of issuance	$ 4,311,138

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
	$ 56,061,967	$ 59,861,537

	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
	$ 12,027,404	$ 11,741,555

b. Lease liabilities

	December 31	
	2021	2020
Carrying amounts		
Current	$ 2,533,452	$ 2,525,957
Non-current	$ 12,758,050	$ 13,279,792

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
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, 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 ART72-600 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	$ (11,921,548)	$ (12,410,357)

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	2,454,147	2,454,906
	$ 14,661,347	$ 8,306,257

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
	$ 4,504,345	$ 5,330,464
Current	$ 3,868,712	$ 3,569,360
Non-current	635,633	1,761,104
	$ 4,504,345	$ 5,330,464

24. PROVISIONS

	December 31	
	2021	2020
Operating leases - aircraft	$ 18,654,223	$ 14,534,286
Current	$ 3,247,236	$ 164,800
Non-current	15,406,987	14,369,486
	$ 18,654,223	$ 14,534,286

	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	$ 14,534,286
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	$ 18,654,223

The Group 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 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	$ 9,812,544	$ 9,737,741
Net defined benefit liabilities	$ 9,814,737	$ 9,737,741
Net defined benefit assets	$ 2,193	$ -

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	$ 18,457,304	$ (9,022,269)	$ 9,435,035
Service cost			
Current service cost	1,323,036	-	1,323,036
Net interest expense (income)	126,390	(63,554)	62,836
Recognized in profit or loss	1,449,426	(63,554)	1,385,872
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(303,407)	(303,407)
Actuarial loss - changes in demographic assumptions	9,770	-	9,770
Actuarial loss - changes in financial assumptions	658,370	-	658,370
Actuarial loss - experience adjustments	34,417	-	34,417
Recognized in other comprehensive income	702,557	(303,407)	399,150
Contributions from the employer	-	(1,304,769)	(1,304,769)
Benefits paid	(1,638,230)	1,638,230	-
Others	(177,547)	-	(177,547)
Balance at December 31, 2020	18,793,509	(9,055,768)	9,737,741
Service cost			
Current service cost	1,301,730	-	1,301,730
Past service cost and loss on settlements	581	-	581
Net interest expense (income)	64,228	(31,307)	32,921
Recognized in profit or loss	1,366,539	(31,307)	1,335,232
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(131,974)	(131,974)
Actuarial loss - changes in demographic assumptions	526,399	-	526,399
Actuarial (gain) loss - changes in financial assumptions	(575,703)	-	(575,703)
Actuarial loss - experience adjustments	245,415	-	245,415
Recognized in other comprehensive income	196,111	(131,974)	64,137

(Continued)

	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:

	December 31	
	2021	2020
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)

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.

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	-	-	(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)

	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	$ (134,252)	$ 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 reclassified to profit or loss	-	-	(667,096)	(667,096)
Unrealized gain on financial assets at FVTOCI	-	(95,864)	-	(95,864)
Effects of income tax	(3,519)	18,993	(58,191)	(42,717)
Other comprehensive income (loss) recognized in the period	14,713	(76,871)	133,253	70,555
Transferred to initial carrying amount of hedged items	-	-	99,507	99,507
Balance at December 31, 2021	$ (120,079)	$ (5,512)	$ 2,839,419	$ 2,713,828

(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	4,303	(9,272)
	(18,556)	37,104
Outstanding share options held by employees of subsidiaries	126	52
Change in subsidiaries' equity	575,753	331,427
Dividends paid by subsidiaries	(124,727)	(375,024)
Ending balance	$ 3,161,445	$ 3,152,090

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of December 31, 2021 and 2020 were as follows:

(In Thousands of Shares)

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

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
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	8,236,362	7,628,207
	$ 138,841,403	$ 115,250,550

b. Other income

	For the Year Ended December 31	
	2021	2020
Interest income	$ 156,339	$ 282,506
Dividend income	12,220	23,043
Others	769,967	381,025
	$ 938,526	$ 686,574

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	(448,672)	(337,528)
	$ (1,971,093)	$ (265,990)

d. Finance costs

	For the Year Ended December 31	
	2021	2020
Interest expense		
Bonds payable	$ 262,237	$ 342,963
Bank loans	725,090	930,083
Interest on lease liabilities	1,420,115	1,784,917
	$ 2,407,442	$ 3,057,963
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	221,459	206,936
Depreciation and amortization expense	$ 29,949,707	$ 31,374,183
An analysis of depreciation by function		
Operating costs	$ 28,885,177	$ 30,171,665
Operating expenses	843,071	995,582
	$ 29,728,248	$ 31,167,247
An analysis of amortization by function		
Operating costs	$ 12,308	$ 14,312
Operating expenses	209,151	192,624
	$ 221,459	$ 206,936

f. Employee benefits expense

	For the Year Ended December 31	
	2021	2020
Post-employment benefits		
Defined contribution plan	$ 519,911	$ 551,154
Defined benefit plan	1,335,232	1,385,872
	$ 1,855,143	$ 1,937,026
Other employee benefits		
Salary expenses	$ 20,878,698	$ 17,958,185
Personnel service expenses	5,761,628	5,400,252
	$ 26,640,326	$ 23,358,437
An analysis of employee benefits expense by function		
Operating costs	$ 23,127,124	$ 20,466,080
Operating expenses	5,368,345	4,829,383
	$ 28,495,469	$ 25,295,463

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	$ 2,169,941	$ (373,983)

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	$ 11,126,605	$ (653,797)
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	2,903	1,017
Income tax expense (benefit) recognized in profit or loss	$ 2,169,941	$ (373,983)

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	12,827	79,830
Total income tax recognized in other comprehensive income	$ (30,369)	$ (256,643)

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	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plans	$ 1,956,577	$ 16,391	$ 12,588	$ -	$ 1,985,556
Frequent flyer programs	550,530	35,431	-	-	585,961
Maintenance reserves	2,522,024	(53,718)	-	-	2,468,306
Allowance for reduction of inventories	255,267	26,922	-	-	282,189
Others	743,802	848,191	(11,500)	28,473	1,608,966
	$ 6,028,200	$ 873,217	$ 1,088	$ 28,473	$ 6,930,978
Deferred tax liabilities					
Temporary differences					
Unrealized foreign exchange gains	$ 163,433	$ (30,158)	$ -	$ -	$ 133,275
Defined benefit plans	-	181	-	-	181
Others	859,651	(29,347)	31,457	26,336	888,097
	$ 1,023,084	$ (59,324)	$ 31,457	$ 26,336	$ 1,021,553

For the year ended December 31, 2020

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plans	$ 1,891,851	$ (15,520)	$ 80,246	$ -	$ 1,956,577
Frequent flyer programs	592,977	(42,447)	-	-	550,530
Maintenance reserves	2,240,003	282,021	-	-	2,522,024
Allowance for reduction of inventories	296,857	(41,590)	-	-	255,267
Others	315,938	367,228	77,917	(17,281)	743,802
	$ 5,337,626	$ 549,692	$ 158,163	$ (17,281)	$ 6,028,200
Deferred tax liabilities					
Temporary differences					
Unrealized foreign exchange gains	$ 81,777	$ 81,656	$ -	$ -	$ 163,433
Others	475,365	4,456	414,806	(34,976)	859,651
	$ 557,142	$ 86,112	$ 414,806	$ (34,976)	$ 1,023,084

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	-
	$ 3,691,483	$ 3,599,987
Others	$ 7,109,835	$ 4,563,924

d. Unused tax loss carryforwards as of December 31, 2021 were as follows:

Expiry Year	**Unused Amount**
Mandarin Airline Co., Ltd.	
2026	$ 312,724
2028	72,551
2030	524,478
2031	1,344,629
	$ 2,254,382
Tigerair Taiwan Co., Ltd.	
2030	$ 1,951,372
2031	2,884,376
	$ 4,835,748
Taoyuan International Airport Services	
2030	$ 591,291
2031	385,915
	$ 977,206
Taiwan Airport Services	
2030	$ 245,159
2031	284,037
	$ 529,196

(Continued)

Expiry Year	Unused Amount
Sabre Travel Network (Taiwan)	
2030	$ 75,174
2031	61,107
	$ 136,281
Cal Hotel Co., Ltd.	
2030	$ 102,477
2031	101,896
	$ 204,373
Kaohsiung Catering Services, Ltd.	
2030	$ 84,873
2031	191,868
	$ 276,741
Taiwan Aircraft Maintenance And Engineering Co., Ltd.	
2025	$ 18,124
2026	31,476
2027	68,415
2028	103,161
2029	206,151
2030	275,075
2031	149,807
	$ 852,209

(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	$ 1.67	$ 0.03
Diluted earnings per share	$ 1.54	$ 0.03
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)	72,638	-
Earnings used in the computation of diluted earnings per share	$ 9,452,543	$ 140,000
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	13,300	-
Convertible bonds	512,144	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	6,141,128	5,418,776

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	Carrying Amount	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:

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 the 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 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	$ 155,780	$ -	$ -	$ 155,780
Financial assets at FVOCI				
Investments in equity instruments				
United shares - domestic	$ -	$ -	$ 28,804	$ 28,804
Unlisted shares - foreign	-	-	39,080	39,080
	$ -	$ -	$ 67,884	$ 67,884

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets for hedging	$ 3,545,706	$ -	$ 17,613	$ 3,563,319
Financial liabilities for hedging	$ 36,274,740	$ 449	$ 2,755	$ 36,277,944

(Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 274,761	$ -	$ -	$ 274,761
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	$ -	$ -	$ 29,704	$ 29,704
Unlisted shares - foreign	-	-	134,042	134,042
	$ -	$ -	$ 163,746	$ 163,746
Financial assets for hedging	$ 7,613,636	$ -	$ -	$ 7,613,636
Financial liabilities for hedging	$ 40,575,778	$ 9,307	$ -	$ 40,585,085

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.

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	$ 6,124	$ 67,884
Balance at January 1, 2020	$ 5,524	$ 209,221
Recognized in other comprehensive income	(5,524)	(45,475)
Balance at December 31, 2020	$ -	$ 163,746

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
Financial assets		
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
Financial liabilities		
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.

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	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD215,651/ USD7,785	2022.4.29-2022.12.23	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

Comprehensive Income	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ 3,062	$ (6,392)	(Note)
Aviation fuel	5,794	(6,844)	
	$ 8,856	$ (13,236)	

Note: Decrease in operating costs or exchange loss.

December 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD127,906/ USD4,371	2021.1.8-2021.11.9	28.5-29.7	Financial assets for hedging - current/ liabilities for hedging - current	$ -	$ 3,513
Aviation fuel - forward exchange contracts	NTD/USD	NTD142,045/ USD5,000	2021.1.29-2021.5.28	29.9-29.8	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 (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

Comprehensive Income	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ 4,939	$ 11,908	(Note)
Aviation fuel	4,367	(16,616)	
Aircraft prepayments	(101,570)	-	
Maintenance cost	-	5	
	$ (92,264)	$ (4,703)	

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 liabilities 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 Asset	Carrying Amount Liability
Cash flow hedges - fuel options	USD	NTD6,124	2022.1.31-2022.9.30	USD62-USD122	Financial assets for hedging - current/ liabilities for hedging - current	$ 17,613	$ 2,755

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

Comprehensive Income	Hedging Gains Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
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 Asset	Carrying Amount Liability
Cash flow hedges - fuel options	USD	-	-	-	Financial assets for hedging - current/ liabilities 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

Comprehensive Income	Hedging Losses Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
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 Compre-hensive Income Increase (Decrease)**	**Pre-tax Profit Increase (Decrease)**	**Other Compre-hensive 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	-
		$ 27,680,146	$ 121,521,677	$ 22,825,860

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	$ 7,982,767
Floating interest rate liabilities	1.6269	26,195,346	60,977,026	17,175,894
Derivative instruments	3.0492	9,249,609	32,978,809	1,815,449
Bonds payable	1.2311	12,531,511	9,303,608	1,280,778
		$ 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	Related Party Type	For the Year Ended December 31	
		2021	2020
Other income	Major shareholder of the Company	$ 12,634	$ 5,097
	Associate	$ 56	$ 122
	Joint venture	$ 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	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
The Company				
CAL Park	$ 3,850,000	$ 1,663,320	$ 3,850,000	$ 1,892,540
Tigerair Taiwan	2,590,360	258,454	2,656,591	265,062
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	42,123	2,525
	$ 84,216	$ 35,901

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	56,061,967	59,861,537
Restricted assets		
Pledged certificate deposits	577,809	302,807
	$ 88,463,061	$ 94,334,420

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
Financial assets			
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
Financial assets			
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.

37. 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$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	Total
Operating revenue	$ 134,808,935	$ 7,632,435	$ (3,599,967)	$ 138,841,403
Operation profit and loss	$ 15,210,818	$ (162,108)	$ (80,675)	$ 14,968,035
Interest revenue				156,339
Investments income accounted for using the equity method				(401,421)
Revenue				782,373
Financial costs				(2,407,442)
Expenses				(1,971,279)
Profit before income tax				$ 11,126,605
Identifiable assets	$ 179,433,732	$ 14,522,321	(6,187,509)	$ 187,768,544
Investments accounted for using the equity method				1,555,016
Assets				105,397,521
Total assets				$ 294,721,081

	For the Year Ended December 31, 2020			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 112,031,124	$ 7,263,997	$ (4,044,571)	$ 115,250,550
Operation profit and loss	$ 2,778,301	$ (509,281)	$ (84,604)	$ 2,184,416
Interest revenue				282,506
Investments income accounted for using the equity method				(200,834)
Revenue				711,308
Financial costs				(3,057,963)
Expenses				(573,230)
Profit before income tax				$ (653,797)
Identifiable assets	$ 194,219,132	$ 15,319,185	(6,120,289)	$ 203,418,029
Investments accounted for using the equity method				1,970,802
Assets				78,805,253
Total assets				$ 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								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 80,022,276	$ 6,251,447	$ 22,407,885	$ 10,404,072	$ 3,671,852	$ 8,018,797	$ 11,665,041	$ (3,599,967)	$ 138,841,403
Operation profit and losses									$ 14,968,035
Interest revenue									156,339
Investments income accounted for using the equity method									(401,421)
Revenue									782,373
Interest expense									(2,407,442)
Expenses									(1,971,279)
Profit before income tax									$ 11,126,605
Identifiable assets	$ 1,302,449	$ 145,702	$ 159,531	$ 19,669	$ 6,766	$ 32,070	$ 192,289,866	$ (6,187,509)	$ 187,768,544
Investments accounted for using the equity method									1,555,016
Assets									105,397,521
Total assets									$ 294,721,081

	For the Year Ended December 31, 2020								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 53,248,499	$ 10,515,272	$ 21,782,132	$ 9,736,725	$ 4,377,261	$ 7,374,972	$ 12,260,260	$ (4,044,571)	$ 115,250,550
Operation profit and losses									$ 2,184,416
Interest revenue									282,506
Investments income accounted for using the equity method									(200,834)
Revenue									711,308
Interest expense									(3,057,963)
Expenses									(573,230)
Profit before income tax									$ (653,797)
Identifiable assets	$ 1,336,074	$ 168,356	$ 213,936	$ 20,984	$ 15,383	$ 53,322	$ 207,730,263	$ (6,120,289)	$ 203,418,029
Investments accounted for using the equity method									1,970,802
Assets									78,805,253
Total assets									$ 284,194,084

TABLE 1

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	100% owned subsidiary	$ 14,808,714	$ 3,850,000	$ 3,850,000	$ 1,663,320	$ -	5.20	$ 37,021,787	Y	N	N
		Tigerair Taiwan Co., Ltd.	82.27% owned subsidiary by direct and indirect holdings	14,808,714	2,671,771	2,590,360	258,454	-	3.50	37,021,787	Y	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	Note 1
	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	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	4,021	-	0.02	-	-
Mandarin Airlines	Shares							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	57,156	-	57,156	-
Cal-Asia Investment	Shares							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	12,426	5.45	12,426	Note 2
Sabre Travel Network (Taiwan)	Beneficiary certificates							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	273,999	49,379	-	49,379	-
Taiwan Airport Services	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	-
Kaohsiung Catering Services	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					-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	1,106,807	15,140	-	15,140	-
Tigerair Taiwan Co., Ltd.	Government bonds							
	Philippines Government Bond		Financial assets at amortized cost - current	-	552	Not applicable	552	-

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)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
China Airlines ("Parent company")	Mandarin Airlines	Investments accounted for using the equity method	Mandarin Airlines	Subsidiary	-	$ -	-	$ -	-	$ -	$ -	$ -	-	$ -
	Tigerair Taiwan	Investments accounted for using the equity method	Tigerair Taiwan	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.

TABLE 5

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 INVESTEES 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 (%)	Carrying Amount			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	$ 1,500,000	$ 1,500,000	150,000,000	100.00	$ 1,656,167	$ 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	1,787,355	(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	1,691,853	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	1,169,505	10,237	10,954	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	533,251	(338,326)	(172,546)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	613,697	40,319	19,756	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US$ 7,172	US$ 7,172	7,172,346	100.00	514,959	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	190,694	(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	(125,763)	(59,549)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	381,148	(70,287)	(48,695)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	335,242	(70,040)	(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	(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	48,620	48,649	Note 4
	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)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,630	7,748	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	(2,269,379)	(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	(141,846)	(141,875)	-
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Aircraft maintenance	37,975	37,975	3,797,500	49.00	28,836	(18,227)	(8,931)	-
Mandarin Airlines	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)	(113,068)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	3,125	(125,763)	(1,354)	-
CAL-Asia Investment	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	43,480	15,218	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US$ 5,877	US$ 5,877	-	100.00	406,340	32,655	32,655	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,867	4	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 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)

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			
				Financial Statement Account	Amount	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Global Sky Express	a	Cargo revenue	$ 201,463	The same as ordinary transactions	0.15
		Mandarin Airlines	a	Other operating revenue	127,598	The same as ordinary transactions	0.09
		Tigerair Taiwan Co., Ltd.	a	Other operating revenue	147,001	The same as ordinary transactions	0.11
		Taoyuan International Airport Services	a	Airport service costs	1,113,547	The same as ordinary transactions	0.80
		Dynasty Aerotech International Corp.	a	Airport service costs	363,578	The same as ordinary transactions	0.26
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	a	Maintenance costs	149,036	The same as ordinary transactions	0.11
		Taiwan Air Cargo Terminal	a	Other operating costs	747,778	The same as ordinary transactions	0.54
		CAL Park	a	Other operating costs	215,222	The same as ordinary transactions	0.16
		Cal Hotel Co., Ltd.	a	Other operating costs	138,264	The same as ordinary transactions	0.10
		Mandarin Airlines	a	Accounts payable - related parties	154,849	The same as ordinary transactions	0.05
		Taoyuan International Airport Services	a	Accounts payable - related parties	251,044	The same as ordinary transactions	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	c	Airport service costs	120,005	The same as ordinary transactions	0.09
		China Airlines, Ltd.	b	Operating expenses	127,598	The same as ordinary transactions	0.09
		China Airlines, Ltd.	b	Accounts receivable - related parties	154,849	The same as ordinary transactions	0.05
		Tigerair Taiwan Co., Ltd.	c	Air transport service costs	164,165	The same as ordinary transactions	0.12
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	1,113,547	The same as ordinary transactions	0.80
		China Airlines, Ltd.	b	Accounts receivable - related parties	251,044	The same as ordinary transactions	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.	b	Operating revenue	215,222	The same as ordinary transactions	0.16
		Cal Hotel Co., Ltd.	c	Operating revenue	106,157	The same as ordinary transactions	0.08
8	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	138,264	The same as ordinary transactions	0.10
		CAL Park	c	Operating costs	106,157		0.08

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
9	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expenses	$ 147,001	The same as ordinary transactions	0.11
		Mandarin Airlines	c	Operating revenue	164,165	The same as ordinary transactions	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 truster 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.