

# **China Airlines, Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Three Months Ended March 31, 2023 and 2022 and  
Independent Auditors' Review Report**

## **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
China Airlines, Ltd.

### **Introduction**

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2023 and 2022, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the report of other auditors. The total assets of these subsidiaries were NT\$14,903,992 thousand and NT\$13,940,928 thousand, representing 5.06% and 4.90% of the consolidated total assets as of March 31, 2023 and 2022, respectively, and the total revenue of these subsidiaries were NT\$2,514,815 thousand and NT\$22,085 thousand, representing 5.89% and 0.06% of the consolidated total revenue, for the three months ended March 31, 2023 and 2022, respectively.

### **Scope of Review**

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Basis for Qualified Conclusion**

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method were not reviewed. As of March 31, 2023 and 2022, the combined total assets of these non-significant subsidiaries were NT\$20,916,254 thousand and NT\$20,406,838 thousand, respectively, representing 7.11% and 7.18%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$11,630,863 thousand and NT\$11,180,765 thousand, respectively, representing 5.28% and 5.47%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2023 and 2022, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$77,583 thousand and NT\$(164,937) thousand, respectively, representing 4.93% and (8.59%), respectively, of the consolidated total comprehensive income. As of March 31, 2023 and 2022, the aforementioned investments accounted for using the equity method were NT\$1,529,074 thousand and NT\$1,536,795 thousand, respectively; for the three months ended March 31, 2023 and 2022, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$70,278 thousand and NT\$(50,965) thousand, respectively.

## **Qualified Conclusion**

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Kuan-Hao Lee and Shiuh-Ran-Cheng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

May 10, 2023

### 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 review such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' review 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' review report and consolidated financial statements shall prevail.*

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2023 (Reviewed)		December 31, 2022 (Audited)		March 31, 2022 (Reviewed)	
	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 35,548,668	12	\$ 34,980,469	12	\$ 39,936,574	14
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	120,521	-	119,462	-	142,467	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	9,304,339	3	6,218,617	2	9,583,303	4
Financial assets for hedging - current (Notes 4, 6 and 31)	3,994,787	1	4,031,662	1	1,528,634	1
Notes and accounts receivable, net (Notes 4, 5, 10 and 31)	10,907,369	4	11,126,642	4	10,552,420	4
Notes and accounts receivable - related parties (Notes 31 and 32)	6,231	-	4,849	-	2,937	-
Other receivables (Note 31)	692,625	-	963,004	-	963,622	-
Current tax assets (Notes 4 and 28)	35,664	-	5,259	-	59,473	-
Inventories, net (Notes 4 and 11)	10,865,968	4	10,775,467	4	8,861,247	3
Non-current assets held for sale (Notes 4, 5 and 12)	-	-	-	-	64,016	-
Other current assets (Note 18)	1,584,601	1	1,596,912	1	808,106	-
Total current assets	<u>73,060,773</u>	<u>25</u>	<u>69,822,343</u>	<u>24</u>	<u>72,502,799</u>	<u>26</u>
<b>NON-CURRENT ASSETS</b>						
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	81,123	-	123,033	-	71,820	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	204,523	-	205,765	-	223,264	-
Investments accounted for using the equity method (Notes 4 and 14)	1,529,074	-	1,453,244	-	1,536,795	-
Property, plant and equipment (Notes 4, 5, 15 and 33)	125,725,341	43	128,207,404	44	131,513,405	46
Right-of-use assets (Notes 4, 21 and 33)	56,595,656	19	59,015,407	20	55,222,077	19
Investment properties (Notes 4 and 16)	2,071,955	1	2,072,012	1	2,074,464	1
Other intangible assets (Notes 4 and 17)	837,864	-	883,420	-	964,007	-
Deferred tax assets (Notes 4, 5 and 28)	8,239,702	3	8,446,347	3	7,277,204	3
Other non-current assets (Notes 18, 21, 31 and 33)	25,958,524	9	24,183,218	8	12,927,801	5
Total non-current assets	<u>221,243,762</u>	<u>75</u>	<u>224,589,850</u>	<u>76</u>	<u>211,810,837</u>	<u>74</u>
<b>TOTAL</b>	<u>\$ 294,304,535</u>	<u>100</u>	<u>\$ 294,412,193</u>	<u>100</u>	<u>\$ 284,313,636</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term borrowings (Notes 19 and 31)	\$ 2,135,000	1	\$ 835,000	-	\$ 1,932,000	1
Short-term bills payable (Notes 19 and 31)	830,000	-	-	-	-	-
Financial liabilities for hedging - current (Notes 4, 21 and 31)	9,664,811	3	9,983,959	3	8,582,710	3
Notes and accounts payable (Note 31)	1,143,039	-	1,357,805	1	1,036,009	-
Accounts payable - related parties (Notes 31 and 32)	500,317	-	317,810	-	105,378	-
Contract liabilities - current (Notes 4, 5 and 23)	23,452,466	8	17,409,654	6	4,086,926	1
Other payables (Notes 22 and 31)	12,241,624	4	15,207,259	5	11,044,426	4
Current tax liabilities (Notes 4 and 28)	515,516	-	492,415	-	4,280,518	2
Provisions - current (Notes 4, 24 and 31)	4,585,889	2	3,691,812	1	3,308,241	1
Lease liabilities - current (Notes 4 and 21)	3,107,154	1	3,027,890	1	2,639,995	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20 and 31)	2,350,000	1	2,350,000	1	2,525,000	1
Current portion of long-term borrowings (Notes 19, 31 and 33)	13,000,582	5	13,225,516	5	5,402,924	2
Other current liabilities (Note 31)	3,918,504	1	3,355,958	1	2,198,952	1
Total current liabilities	<u>77,444,902</u>	<u>26</u>	<u>71,255,078</u>	<u>24</u>	<u>47,143,079</u>	<u>17</u>
<b>NON-CURRENT LIABILITIES</b>						
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	29,721,744	10	32,190,102	11	27,874,799	10
Bonds payable - non-current (Notes 4, 20 and 31)	7,654,401	3	7,649,674	3	10,352,160	4
Long-term borrowings - non-current (Notes 19, 31 and 33)	59,634,532	20	65,109,050	22	77,989,467	27
Contract liabilities - non-current (Notes 4 and 23)	1,314,650	1	1,280,906	-	831,704	-
Provisions - non-current (Notes 4, 24 and 31)	17,286,990	6	17,271,121	6	15,855,239	6
Current tax liabilities - non-current (Notes 4 and 28)	-	-	-	-	14,530	-
Deferred tax liabilities (Notes 4 and 28)	289,180	-	166,864	-	655,319	-
Lease liabilities - non-current (Notes 4 and 21)	15,370,394	5	15,439,535	5	13,488,258	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,158,212	3	9,229,640	3	9,569,563	3
Other non-current liabilities (Note 31)	2,336,713	1	2,366,781	1	599,666	-
Total non-current liabilities	<u>142,766,816</u>	<u>49</u>	<u>150,703,673</u>	<u>51</u>	<u>157,230,705</u>	<u>55</u>
Total liabilities	<u>220,211,718</u>	<u>75</u>	<u>221,958,751</u>	<u>75</u>	<u>204,373,784</u>	<u>72</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)</b>						
Share capital	<u>60,135,374</u>	<u>20</u>	<u>60,135,374</u>	<u>20</u>	<u>59,935,427</u>	<u>21</u>
Capital surplus	<u>3,144,366</u>	<u>1</u>	<u>3,120,311</u>	<u>1</u>	<u>2,950,940</u>	<u>1</u>
Retained earnings						
Legal reserve	925,385	-	925,385	1	-	-
Unappropriated retained earnings	7,690,235	3	6,384,381	2	12,326,156	4
Total retained earnings	<u>8,615,620</u>	<u>3</u>	<u>7,309,766</u>	<u>3</u>	<u>12,326,156</u>	<u>4</u>
Other equity	(321,967)	-	(534,375)	-	1,851,016	1
Treasury shares	(30,875)	-	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	<u>71,542,518</u>	<u>24</u>	<u>70,000,201</u>	<u>24</u>	<u>77,032,664</u>	<u>27</u>
<b>NON-CONTROLLING INTERESTS (Note 26)</b>	<u>2,550,299</u>	<u>1</u>	<u>2,453,241</u>	<u>1</u>	<u>2,907,188</u>	<u>1</u>
Total equity	<u>74,092,817</u>	<u>25</u>	<u>72,453,442</u>	<u>25</u>	<u>79,939,852</u>	<u>28</u>
<b>TOTAL</b>	<u>\$ 294,304,535</u>	<u>100</u>	<u>\$ 294,412,193</u>	<u>100</u>	<u>\$ 284,313,636</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 10, 2023)

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 42,691,908	100	\$ 37,233,283	100
OPERATING COSTS (Notes 4, 11, 15, 17, 21, 24, 25, 27 and 32)	<u>37,493,621</u>	<u>88</u>	<u>31,734,202</u>	<u>86</u>
GROSS PROFIT	5,198,287	12	5,499,081	14
OPERATING EXPENSES (Notes 4, 15, 25 and 27)	<u>3,372,528</u>	<u>8</u>	<u>1,873,052</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>1,825,759</u>	<u>4</u>	<u>3,626,029</u>	<u>9</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27)	502,368	1	278,803	1
Other gains and losses (Notes 15 and 27)	31,070	-	264,142	1
Finance costs (Notes 27 and 31)	(700,663)	(1)	(565,657)	(2)
Share of the profit (loss) of associates and joint ventures (Note 14)	<u>70,278</u>	<u>-</u>	<u>(50,965)</u>	<u>-</u>
Total non-operating income and expenses	<u>(96,947)</u>	<u>-</u>	<u>(73,677)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,728,812	4	3,552,352	9
INCOME TAX EXPENSE (Notes 4 and 28)	<u>332,328</u>	<u>1</u>	<u>741,621</u>	<u>2</u>
NET INCOME FOR THE PERIOD	<u>1,396,484</u>	<u>3</u>	<u>2,810,731</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
(Loss) gain on hedging instruments subject to basis adjustment	(17,958)	-	70,548	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(42,127)	-	3,534	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>6,624</u>	<u>-</u>	<u>(13,536)</u>	<u>-</u>
	<u>(53,461)</u>	<u>-</u>	<u>60,546</u>	<u>-</u>

(Continued)

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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)	\$ (2,307)	-	\$ 72,202	-
Gain (loss) on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 31)	288,853	1	(1,264,133)	(3)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>(56,868)</u>	<u>-</u>	<u>240,843</u>	<u>1</u>
	<u>229,678</u>	<u>1</u>	<u>(951,088)</u>	<u>(2)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>176,217</u>	<u>1</u>	<u>(890,542)</u>	<u>(2)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>\$ 1,572,701</u>	<u>4</u>	<u>\$ 1,920,189</u>	<u>5</u>
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 1,305,854	3	\$ 3,072,308	8
Non-controlling interests	<u>90,630</u>	<u>-</u>	<u>(261,577)</u>	<u>(1)</u>
	<u>\$ 1,396,484</u>	<u>3</u>	<u>\$ 2,810,731</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 1,480,870	4	\$ 2,174,446	6
Non-controlling interests	<u>91,831</u>	<u>-</u>	<u>(254,257)</u>	<u>(1)</u>
	<u>\$ 1,572,701</u>	<u>4</u>	<u>\$ 1,920,189</u>	<u>5</u>
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)</b>				
Basic	<u>\$ 0.22</u>		<u>\$ 0.52</u>	
Diluted	<u>\$ 0.21</u>		<u>\$ 0.50</u>	

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

(With Deloitte & Touche auditors' review report dated May 10, 2023)

(Concluded)

**CHINA AIRLINES, LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company										
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings	Other Equity			Treasury Shares Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
Exchange Differences on Translation of the Financial Statements of Foreign Operations					Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments					
BALANCE AT JANUARY 1, 2022	\$ 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
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	35,050	-	35,050	-	35,050
Net income (loss) for the three months ended March 31, 2022	-	-	-	3,072,308	-	-	-	-	3,072,308	(261,577)	2,810,731
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	53,878	4,108	(955,848)	-	(897,862)	7,320	(890,542)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	3,072,308	53,878	4,108	(955,848)	-	2,174,446	(254,257)	1,920,189
Convertible bonds converted to ordinary shares	523,184	256,411	-	-	-	-	-	-	779,595	-	779,595
BALANCE AT MARCH 31, 2022	\$ 59,935,427	\$ 2,950,940	\$ -	\$ 12,326,156	\$ (66,201)	\$ (1,404)	\$ 1,918,621	\$ (30,875)	\$ 77,032,664	\$ 2,907,188	\$ 79,939,852
BALANCE AT JANUARY 1, 2023	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201	\$ 2,453,241	\$ 72,453,442
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	37,392	-	37,392	-	37,392
Issuance of employee share options by subsidiaries	-	24,055	-	-	-	-	-	-	24,055	5,227	29,282
Net income (loss) for the three months ended March 31, 2023	-	-	-	1,305,854	-	-	-	-	1,305,854	90,630	1,396,484
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	(2,543)	(35,503)	213,062	-	175,016	1,201	176,217
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	1,305,854	(2,543)	(35,503)	213,062	-	1,480,870	91,831	1,572,701
BALANCE AT MARCH 31, 2023	\$ 60,135,374	\$ 3,144,366	\$ 925,385	\$ 7,690,235	\$ (6,841)	\$ 5,415	\$ (320,541)	\$ (30,875)	\$ 71,542,518	\$ 2,550,299	\$ 74,092,817

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

(With Deloitte & Touche auditors' review report dated May 10, 2023)

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,728,812	\$ 3,552,352
Adjustments for:		
Depreciation expense	7,773,390	7,350,563
Amortization expense	55,129	56,622
Expected credit loss recognized on trade receivables	-	9,618
Net gain on fair value changes of financial assets at fair value through profit or loss	(339)	(686)
Interest income	(359,319)	(36,197)
Compensation costs of employee share options	29,282	-
Share of (profit) loss of associates and joint ventures	(70,278)	50,965
Gain on disposal of property, plant and equipment	(9,911)	(2,715)
Loss on inventories and property, plant and equipment	251,718	282,340
Net gain on foreign currency exchange	(634,309)	(133,352)
Finance costs	700,663	565,657
Recognition of provisions	1,401,821	1,376,905
Others	70,261	(7,047)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(721)	13,401
Notes and accounts receivable	250,871	3,093,322
Accounts receivable - related parties	(184,707)	371
Other receivables	245,125	(191,504)
Inventories	(117,243)	(978,275)
Other current assets	36,215	(169,945)
Notes and accounts payable	(94,402)	(202,207)
Accounts payable - related parties	357,299	9,816
Other payables	(3,184,480)	(3,665,249)
Contract liabilities	6,042,242	414,285
Provisions	(417,836)	(1,309,962)
Other current liabilities	628,707	(150,046)
Net defined benefit liabilities	(71,428)	(245,212)
Other liabilities	53,286	8,624
Cash generated from operations	14,479,848	9,692,444
Interest received	384,581	28,995
Interest paid	(685,466)	(555,744)
Income tax paid	(61,937)	(18,445)
	<u>14,117,026</u>	<u>9,147,250</u>
Net cash generated from operating activities		(Continued)

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	\$ (8,461,435)	\$ (7,233,050)
Proceeds from sale of financial assets at amortized cost	5,405,253	10,804,786
Purchase of financial assets for hedging	(3,963,415)	(1,329,640)
Proceeds from sale of financial assets for hedging	3,924,220	3,573,027
Payments for property, plant and equipment	(1,332,538)	(557,457)
Proceeds from disposal of property, plant and equipment	8,956	5,195
Increase in refundable deposits	(45,110)	(2,130)
Decrease in refundable deposits	3,436	41,099
Increase in prepayments for equipment	(2,410,610)	(6,147,227)
Increase in computer software costs	(8,815)	(78,033)
Increase in restricted assets	<u>(1,332)</u>	<u>(75,621)</u>
Net cash used in investing activities	<u>(6,881,390)</u>	<u>(999,051)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowing	1,300,000	-
Increase in short-term bills payable	830,000	-
Repayments of bonds payable	-	(200)
Proceeds from long-term borrowings	259,979	1,107,017
Repayments of long-term borrowings	(5,959,431)	(12,108,229)
Repayments of the principal portion of lease liabilities	(3,507,611)	(2,869,152)
Proceeds from guarantee deposits received	29,031	23,978
Refund of guarantee deposits received	<u>(111,617)</u>	<u>(22,088)</u>
Net cash used in financing activities	<u>(7,159,649)</u>	<u>(13,868,674)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>		
	<u>492,212</u>	<u>387,183</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	568,199	(5,333,292)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		
	<u>34,980,469</u>	<u>45,269,866</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		
	<u>\$ 35,548,668</u>	<u>\$ 39,936,574</u>

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

(With Deloitte & Touche auditors' review report dated May 10, 2023)

(Concluded)

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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### 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 aviation equipment; 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 March 31, 2023, December 31, 2022 and March 31, 2022, CADF and NDF held a combined 39.69%, 39.69% and 39.82%, 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 May 10, 2023.

### 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 application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
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, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

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

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2022.

##### **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 IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

##### **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 and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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.

##### **Basis of Consolidation**

The consolidated financial statements reporting principles are the same as those in the consolidated financial statements for the year ended December 31, 2022.

##### **Employee Benefits**

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

## Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material accounting judgments and key sources of estimation uncertainty for these interim consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended December 31, 2022.

## 6. CASH AND CASH EQUIVALENTS

	March 31, 2023	December 31, 2022	March 31, 2022
Cash on hand and revolving funds	\$ 384,494	\$ 599,368	\$ 523,061
Checking accounts and demand deposits	10,738,676	8,001,937	21,747,854
Cash equivalents			
Time deposits with original maturities of less than three months	20,681,220	20,620,078	16,040,588
Repurchase agreements collateralized by bonds	<u>3,744,278</u>	<u>5,759,086</u>	<u>1,625,071</u>
	<u>\$ 35,548,668</u>	<u>\$ 34,980,469</u>	<u>\$ 39,936,574</u>

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

	March 31, 2023	December 31, 2022	March 31, 2022
Bank balance	0%-4.55%	0%-1.00%	0%-1.97%
Time deposits with original maturities of less than three months	0.42%-5.32%	0.33%-4.95%	0.06%-1.77%
Repurchase agreements collateralized by bonds	0.75%-5.00%	0.58%-4.70%	0.20%-0.53%

The Group designated some deposits denominated in USD and repurchase agreements collateralized by bonds denominated in USD 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
March 31, 2023	2023.4.7-2023.5.30	Financial assets for hedging - current	\$ 3,963,415
December 31, 2022	2023.1.3-2023.1.18	Financial assets for hedging - current	3,987,730
March 31, 2022	2022.4.26-2022.4.28	Financial assets for hedging - current	1,375,358

Impact on comprehensive income (loss)

	<b>Recognized in Other Comprehensive Income (Loss)</b>
For the three months ended March 31, 2023	\$ (24,315)
For the three months ended March 31, 2022	70,548

For the three months ended March 31, 2023 and 2022, the amount of hedging instrument settlements recognized as prepayments for equipment were \$0 and \$43,812 thousand, respectively.

**7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Beneficiary certificates	<u>\$ 120,521</u>	<u>\$ 119,462</u>	<u>\$ 142,467</u>

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

**Investments in Equity Instruments**

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 49,004	\$ 81,905	\$ 36,609
Domestic investments			
Unlisted shares	<u>32,119</u>	<u>41,128</u>	<u>35,211</u>
	<u>\$ 81,123</u>	<u>\$ 123,033</u>	<u>\$ 71,820</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes and are expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 9,304,339	\$ 6,218,617	\$ 9,582,742
Government bonds	<u>-</u>	<u>-</u>	<u>561</u>
	<u>\$ 9,304,339</u>	<u>\$ 6,218,617</u>	<u>\$ 9,583,303</u>

### Non-current

Time deposits with original maturities of more than 1 year	<u>\$ 204,523</u>	<u>\$ 205,765</u>	<u>\$ 223,264</u>
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The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.92%-5.26%, 0.45%-5.05% and 0.21%-1.11% per annum as of March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

## 10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Notes receivable</u>	<u>\$ 203,644</u>	<u>\$ 72,435</u>	<u>\$ 245</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	10,965,061	11,315,652	10,797,371
Less: Allowance for impairment loss	<u>(261,336)</u>	<u>(261,445)</u>	<u>(245,196)</u>
	<u>10,703,725</u>	<u>11,054,207</u>	<u>10,552,175</u>
	<u>\$ 10,907,369</u>	<u>\$ 11,126,642</u>	<u>\$ 10,552,420</u>

The average credit period was 7 to 55 days. In determining the recoverability of a trade 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.

### March 31, 2023

	<b>Not Past Due</b>	<b>1 to 30 Days Past Due</b>	<b>31 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>Over 90 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	1.03%	4.36%	46.59%	94.34%	98.36%	
Gross carrying amount	\$ 10,707,691	\$ 99,796	\$ 15,141	\$ 3,303	\$ 139,130	\$ 10,965,061
Loss allowance (lifetime ECLs)	<u>(109,970)</u>	<u>(4,354)</u>	<u>(7,054)</u>	<u>(3,116)</u>	<u>(136,842)</u>	<u>(261,336)</u>
Amortized cost	<u>\$ 10,597,721</u>	<u>\$ 95,442</u>	<u>\$ 8,087</u>	<u>\$ 187</u>	<u>\$ 2,288</u>	<u>\$ 10,703,725</u>

### December 31, 2022

	<b>Not Past Due</b>	<b>1 to 30 Days Past Due</b>	<b>31 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>Over 90 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	1.04%	7.66%	11.02%	46.42%	99.29%	
Gross carrying amount	\$ 11,076,632	\$ 82,406	\$ 16,704	\$ 517	\$ 139,393	\$ 11,315,652
Loss allowance (lifetime ECLs)	<u>(114,644)</u>	<u>(6,315)</u>	<u>(1,841)</u>	<u>(240)</u>	<u>(138,405)</u>	<u>(261,445)</u>
Amortized cost	<u>\$ 10,961,988</u>	<u>\$ 76,091</u>	<u>\$ 14,863</u>	<u>\$ 277</u>	<u>\$ 988</u>	<u>\$ 11,054,207</u>

### March 31, 2022

	<b>Not Past Due</b>	<b>1 to 30 Days Past Due</b>	<b>31 to 60 Days Past Due</b>	<b>61 to 90 Days Past Due</b>	<b>Over 90 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0.75%	8.43%	41.57%	99.94%	100.00%	
Gross carrying amount	\$ 10,560,993	\$ 73,732	\$ 4,879	\$ 3,518	\$ 154,249	\$ 10,797,371
Loss allowance (lifetime ECLs)	<u>(79,187)</u>	<u>(6,216)</u>	<u>(2,028)</u>	<u>(3,516)</u>	<u>(154,249)</u>	<u>(245,196)</u>
Amortized cost	<u>\$ 10,481,806</u>	<u>\$ 67,516</u>	<u>\$ 2,851</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 10,552,175</u>

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

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 261,445	\$ 235,560
Add: Net remeasurement of loss allowance	-	9,618
Add: Amounts recovered	-	176
Less: Amounts written off	(108)	(163)
Foreign exchange gains and losses	<u>(1)</u>	<u>5</u>
Balance at March 31	<u>\$ 261,336</u>	<u>\$ 245,196</u>

## 11. INVENTORIES

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Aircraft spare parts	\$ 9,854,248	\$ 9,756,141	\$ 7,773,739
Items for in-flight sale	642,000	625,959	648,631
Work in process - maintenance services	275,853	301,368	350,980
Others	<u>93,867</u>	<u>91,999</u>	<u>87,897</u>
	<u>\$ 10,865,968</u>	<u>\$ 10,775,467</u>	<u>\$ 8,861,247</u>

The operating costs for the three months ended March 31, 2023 and 2022 included losses from inventory write-downs of \$137,717 thousand and \$169,321 thousand, respectively.

## 12. NON-CURRENT ASSETS HELD FOR SALE

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Aircraft held for sale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,016</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price.

The fair value measurement is classified as Level 3, and the fair value was determined according to similar transactions of the related markets and the proposed sale prices were based on the current status of the aircraft.

### 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)			
			March 31, 2023	December 31, 2022	March 31, 2022	
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	82	82	82	
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100	
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100	
	Cal-Asia Investment	General investment	100	100	100	
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100	
	Cal Park	Real estate lease and international trade	100	100	100	
	Cal Hotel Co., Ltd.	Hotel business	100	100	100	
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94	
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	97	97	
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59	
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54	54	
	Taoyuan International Airport Services	Airport services	49	49	49	
	Taiwan Airport Services (Note)	Airport services	48	48	48	
	Global Sky Express	Forwarding and storage of air cargo	25	25	25	
	Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
		Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
	Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100

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 three months ended March 31, 2023 and 2022 was reported according to financial statements that were not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

The board of directors of Tigerair Taiwan Co., Ltd. resolved to issue 36,000 thousand ordinary shares for cash on February 13, 2023 to strengthen its capital structure. The board of directors of the Company approved the subscription plan at \$25 per share on March 9, 2023. The Company subscribed for 23,993 thousand shares in April 2023. The proportion of ownership of the Group decreased to 81%.

In addition, Tigerair Taiwan Co., Ltd. applied for a listing on the Taiwan Innovation Board of the Taiwan Stock Exchange on December 21, 2022. The board of directors of the Taiwan Stock Exchange reviewed the listing application on February 21, 2023. The result of the review was approved, and it will be reported to the competent authority.

In November 2022, Taiwan Aircraft Maintenance and Engineering Co., Ltd. made up a loss of \$140,000 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

In December 2022, Cal Hotel Co., Ltd. made up a loss of \$130,200 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

#### 14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2023	December 31, 2022	March 31, 2022
Investments in associates	\$ 904,253	\$ 885,608	\$ 910,664
Investments in joint ventures	<u>624,821</u>	<u>567,636</u>	<u>626,131</u>
	<u>\$ 1,529,074</u>	<u>\$ 1,453,244</u>	<u>\$ 1,536,795</u>

##### a. Investments in associates

The investments in associates were as follows:

	March 31, 2023	December 31, 2022	March 31, 2022
<u>Unlisted companies</u>			
Dynasty Holidays	\$ -	\$ -	\$ -
Airport Air Cargo Terminal (Xiamen)	526,980	518,715	537,629
Airport Air Cargo Service (Xiamen)	316,775	309,705	315,516
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>60,498</u>	<u>57,188</u>	<u>57,519</u>
	<u>\$ 904,253</u>	<u>\$ 885,608</u>	<u>\$ 910,664</u>

At the end of the reporting period, the proportion of ownership and voting rights of associates held by the Group were as follows:

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	March 31, 2023	December 31, 2022	March 31, 2022
Dynasty Holidays	20%	20%	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%	35%

The investment gain (loss) recognized for associates accounted for using the equity method was as follows:

	<u>For the Three Months Ended March 31</u>	
	2023	2022
Dynasty Holidays	\$ -	\$ -
Airport Air Cargo Terminal (Xiamen)	5,024	5,213
Airport Air Cargo Service (Xiamen)	5,125	5,204
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>2,943</u>	<u>3,324</u>
	<u>\$ 13,092</u>	<u>\$ 13,741</u>

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 not been independently reviewed. However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently reviewed.

China Aircraft Services issued ordinary shares to meet the need for funds in March 2022. The Group did not participate in the subscription, so its proportion of ownership decreased from 20% to 4%, and the Group lost significant influence over China Aircraft Services. Therefore, the investment in China Aircraft Services, which was initially classified as investments accounted for using the equity method, has been reclassified as financial assets at fair value through other comprehensive income in March 2022.

Dynasty Holidays was classified as an associate accounted for using the equity method. On May 31, 2022, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve Dynasty Holidays. However, the liquidation process is in progress in accordance with Japanese regulations.

b. Investments in joint ventures

The investments in joint ventures were as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
China Pacific Catering Services	\$ 509,397	\$ 448,222	\$ 484,066
China Pacific Laundry Services	91,067	92,684	110,263
NORDAM Asia Ltd.	16,823	19,196	23,927
Delica International Co., Ltd.	<u>7,534</u>	<u>7,534</u>	<u>7,875</u>
	<u>\$ 624,821</u>	<u>\$ 567,636</u>	<u>\$ 626,131</u>

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Group were as follows:

	<b>Proportion of Ownership and Voting Rights</b>		
	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%
NORDAM Asia Ltd.	49%	49%	49%
Delica International Co., Ltd.	51%	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 major motion vetoes 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 gain (loss) recognized for joint ventures accounted for using the equity method was as follows:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
China Pacific Catering Services	\$ 61,176	\$ (49,185)
China Pacific Laundry Services	(1,617)	(10,613)
NORDAM Asia Ltd.	(2,373)	(4,908)
Delica International Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 57,186</u>	<u>\$ (64,706)</u>

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 were not independently reviewed. However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently reviewed.

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 6 and 7 (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

	<b>Freehold Land</b>	<b>Buildings</b>	<b>Flight Equipment</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2022	\$ 943,305	\$ 15,921,862	\$ 247,842,073	\$ 17,625,366	\$ 282,332,606
Additions	-	30,895	288,157	238,405	557,457
Disposals	-	(238)	(160,176)	(66,673)	(227,087)
Reclassification	-	3,733	5,301,405	38,372	5,343,510
Net exchange differences	<u>16,835</u>	<u>31,133</u>	<u>-</u>	<u>3,387</u>	<u>51,355</u>
Balance at March 31, 2022	<u>\$ 960,140</u>	<u>\$ 15,987,385</u>	<u>\$ 253,271,459</u>	<u>\$ 17,838,857</u>	<u>\$ 288,057,841</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ -	\$ (7,582,813)	\$ (132,691,333)	\$ (12,426,414)	\$ (152,700,560)
Depreciation expense	-	(125,038)	(3,803,900)	(238,404)	(4,167,342)
Disposals	-	238	118,241	65,923	184,402
Reclassification	-	-	159,472	1	159,473
Net exchange differences	<u>-</u>	<u>(17,530)</u>	<u>-</u>	<u>(2,879)</u>	<u>(20,409)</u>
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ (7,725,143)</u>	<u>\$ (136,217,520)</u>	<u>\$ (12,601,773)</u>	<u>\$ (156,544,436)</u>
Balance at March 31, 2022, net value	<u>\$ 960,140</u>	<u>\$ 8,262,242</u>	<u>\$ 117,053,939</u>	<u>\$ 5,237,084</u>	<u>\$ 131,513,405</u>

(Continued)

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 995,869	\$ 16,078,284	\$ 256,431,520	\$ 18,281,257	\$ 291,786,930
Additions	-	17,778	1,195,253	119,507	1,332,538
Disposals	-	(1,122)	(568,195)	(167,526)	(736,843)
Reclassification	-	259	547,875	13,184	561,318
Net exchange differences	<u>(3,305)</u>	<u>(6,112)</u>	<u>-</u>	<u>(679)</u>	<u>(10,096)</u>
Balance at March 31, 2023	<u>\$ 992,564</u>	<u>\$ 16,089,087</u>	<u>\$ 257,606,453</u>	<u>\$ 18,245,743</u>	<u>\$ 292,933,847</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2023	\$ -	\$ (8,113,161)	\$ (142,420,987)	\$ (13,045,378)	\$ (163,579,526)
Depreciation expense	-	(124,416)	(3,933,693)	(239,525)	(4,297,634)
Disposals	-	1,122	495,722	167,025	663,869
Reclassification	-	-	648	-	648
Net exchange differences	<u>-</u>	<u>3,555</u>	<u>-</u>	<u>582</u>	<u>4,137</u>
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ (8,232,900)</u>	<u>\$ (145,858,310)</u>	<u>\$ (13,117,296)</u>	<u>\$ (167,208,506)</u>
Balance at March 31, 2023, net value	<u>\$ 992,564</u>	<u>\$ 7,856,187</u>	<u>\$ 111,748,143</u>	<u>\$ 5,128,447</u>	<u>\$ 125,725,341</u> (Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	
Main buildings	45-55 years
Others	10-25 years
Machinery 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	7-13 years
Engines	10-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-7 years
Landing gear overhauls	7-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years

Refer to Note 33 for the carrying amounts of property, plant and equipment 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.

To replace aging aircraft and revitalize the fleet, the Company's board of directors resolved the sale of five 747-400F aircraft on May 10, 2023.

## 16. INVESTMENT PROPERTIES

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Carrying amount			
Investment properties	<u>\$ 2,071,955</u>	<u>\$ 2,072,012</u>	<u>\$ 2,074,464</u>

The investment properties held by the Group were land located in Nankan and buildings in Taipei, which were all leased to others. The buildings are depreciated on a straight-line basis over 55 years.

The fair values of the investment properties held by the Group were all \$2,488,931 thousand as of March 31, 2023, December 31, 2022 and March 31, 2021. The fair value valuations were 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.

## 17. OTHER INTANGIBLE ASSETS

	<b>Computer Software Cost</b>	<b>Others</b>	<b>Accumulated Amortization</b>	<b>Net Value</b>
Balance at January 1, 2022	\$ 1,880,049	\$ 168,280	\$ (1,039,337)	\$ 1,008,992
Additions	11,637	-	-	11,637
Reclassification	(28,345)	-	28,345	-
Amortization expense	<u>-</u>	<u>-</u>	<u>(56,622)</u>	<u>(56,622)</u>
Balance at March 31, 2022	<u>\$ 1,863,341</u>	<u>\$ 168,280</u>	<u>\$ (1,067,614)</u>	<u>\$ 964,007</u>
Balance at January 1, 2023	\$ 1,913,404	\$ 168,280	\$ (1,198,264)	\$ 883,420
Additions	8,815	-	-	8,815
Reclassification	(18,731)	-	19,490	759
Amortization expense	-	-	(55,129)	(55,129)
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Balance at March 31, 2023	<u>\$ 1,903,488</u>	<u>\$ 168,280</u>	<u>\$ (1,233,904)</u>	<u>\$ 837,864</u>

The above items of other intangible assets are amortized on a straight-line basis over 2-16 years.

## 18. OTHER ASSETS

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Current</u>			
Temporary payments	\$ 381,122	\$ 243,064	\$ 178,820
Prepayments	871,192	991,200	374,811
Restricted assets	13,336	13,336	9,559
Others	<u>318,951</u>	<u>349,312</u>	<u>244,916</u>
	<u>\$ 1,584,601</u>	<u>\$ 1,596,912</u>	<u>\$ 808,106</u>
<u>Non-current</u>			
Prepayments for aircraft	\$ 19,674,930	\$ 18,445,099	\$ 9,981,257
Prepayments - long-term	4,644,653	4,127,308	1,282,550
Refundable deposits	862,650	888,831	975,252
Restricted assets	740,742	689,124	655,340
Other financial assets	14,816	14,797	18,388
Others	<u>20,733</u>	<u>18,059</u>	<u>15,014</u>
	<u>\$ 25,958,524</u>	<u>\$ 24,183,218</u>	<u>\$ 12,927,801</u>

The prepayments for aircraft are comprised of prepaid deposits and capitalized interest from the purchase of A321neo, A320neo, B777F and B787-9 aircraft. For details of the contract for the purchase of the aircraft, refer to Note 34.

## 19. BORROWINGS

### a. Short-term borrowings

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Bank loans - unsecured	<u>\$ 2,135,000</u>	<u>\$ 835,000</u>	<u>\$ 1,932,000</u>
Interest rates	1.49%-1.81%	1.39%-1.90%	0.90%-1.35%

### b. Short-term bills payable

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Commercial paper	<u>\$ 830,000</u>	<u>\$ -</u>	<u>\$ -</u>
Annual discount rates	1.49%-1.80%	-	-

c. Long-term borrowings

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Unsecured bank loans	\$ 16,928,052	\$ 21,730,551	\$ 26,049,892
Secured bank loans	35,056,385	35,978,893	36,628,750
Commercial paper			
Proceeds from issuance	20,700,000	20,670,000	20,740,000
Less: Unamortized discounts	<u>49,323</u>	<u>44,878</u>	<u>26,251</u>
	72,635,114	78,334,566	83,392,391
Less: Current portion	<u>13,000,582</u>	<u>13,225,516</u>	<u>5,402,924</u>
	<u>\$ 59,634,532</u>	<u>\$ 65,109,050</u>	<u>\$ 77,989,467</u>
Interest rates	1.14%-2.08%	0.90%-2.02%	0.83%-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:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Periods	2009.2.4- 2034.10.12	2009.2.4- 2034.10.12	2009.2.4- 2032.6.30

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Group to guarantee the commercial paper issued. As of March 31, 2023, December 31, 2022 and March 31, 2022, such commercial papers were issued at discount rates of 1.8570%-2.0817%, 1.683%-1.9013% and 0.9963%-1.143%, 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 \$35,480 million, which shall be repaid within 2 years to 4 years from the date of initial drawdown. As of March 31, 2023, the Group had made a drawdown in the amount of \$34,800 million and repaid \$15,920 million of the drawdown.

## 20. BONDS PAYABLE

	March 31, 2023	December 31, 2022	March 31, 2022
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds second-time issued in 2017	-	-	1,300,000
Unsecured corporate bonds first-time issued in 2018	3,275,000	3,275,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000	3,500,000
Convertible bonds seventh-time issued	<u>2,229,401</u>	<u>2,224,674</u>	<u>2,577,160</u>
	10,004,401	9,999,674	12,877,160
Less: Current portion and put option of convertible bonds	<u>2,350,000</u>	<u>2,350,000</u>	<u>2,525,000</u>
	<u>\$ 7,654,401</u>	<u>\$ 7,649,674</u>	<u>\$ 10,352,160</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.5.19-2024.5.19	Principal repayable on due date; indicator rate; payable annually	1.75
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 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 one time in April 2026; 0.8612 discount rate p.a.	-

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

- 1) The holders may demand a lump-sum payment for the bonds upon maturity.
- 2) 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.
- 3) The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.

- 4) 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. Because the Company distributed cash dividends on July 12, 2022, the conversion price was adjusted to NT\$18.3. As of March 31, 2023, a total face value of NT\$2,211,200 thousand of convertible bonds was converted into 116,379 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	45,648
Convertible bonds converted into ordinary shares	<u>(2,132,112)</u>
Liability component at December 31, 2022	2,224,674
Interest charged at an effective interest rate	<u>4,727</u>
Liability component at March 31, 2023	<u>\$ 2,229,401</u>

- b. On March 9, 2023, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued by installments in 2023 with a limited total face value of \$8,000 million. The face value of a bond is \$1,000 thousand.

## 21. LEASE AGREEMENTS

- a. Right-of-use assets

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Carrying amounts			
Land	\$ 5,782,095	\$ 5,747,477	\$ 5,973,087
Buildings	3,330,549	2,801,527	2,208,745
Flight equipment	47,468,343	50,452,470	47,034,384
Other equipment	<u>14,669</u>	<u>13,933</u>	<u>5,861</u>
	<u>\$ 56,595,656</u>	<u>\$ 59,015,407</u>	<u>\$ 55,222,077</u>
		<b>For the Three Months Ended March 31</b>	
		<b>2023</b>	<b>2022</b>
Additions to right-of-use assets		<u>\$ 1,095,882</u>	<u>\$ 2,526,134</u>
Depreciation for right-of-use assets			
Land		\$ 103,413	\$ 56,234
Buildings		182,569	85,681
Flight equipment		3,188,889	3,040,938
Other equipment		<u>828</u>	<u>302</u>
		<u>\$ 3,475,699</u>	<u>\$ 3,183,155</u>

b. Lease liabilities

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Carrying amounts			
Current	<u>\$ 3,107,154</u>	<u>\$ 3,027,890</u>	<u>\$ 2,639,995</u>
Non-current	<u>\$ 15,370,394</u>	<u>\$ 15,439,535</u>	<u>\$ 13,488,258</u>

Range of discount rates for lease liabilities (include leases denominated in USD designated as hedging instruments):

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Land	0%-1.80%	0%-1.80%	0%-2.00%
Buildings	0%-4.65%	0%-4.65%	0%-2.98%
Flight equipment	0.68%-3.34%	0.68%-3.34%	0.68%-3.34%
Other equipment	0%-1.43%	0%-1.43%	0%-1.43%

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:

	<b>Maturity Date</b>	<b>Subject</b>	<b>Carrying Value</b>
March 31, 2023	2023.9.13-2034.12.13	Financial liabilities for hedging - current	\$ 9,554,562
		Financial liabilities for hedging - non-current	29,716,985
December 31, 2022	2023.2.7-2034.12.13	Financial liabilities for hedging - current	9,817,440
		Financial liabilities for hedging - non-current	32,183,170
March 31, 2022	2022.6.11-2034.2.14	Financial liabilities for hedging - current	8,567,537
		Financial liabilities for hedging - non-current	27,874,799

Influence of comprehensive income (loss)

	<b>Recognized in Other Comprehensive Income (Loss)</b>	<b>Reclassified to Income</b>
For the three months ended March 31, 2023	\$ 288,521	\$ (28,698)
For the three months ended March 31, 2022	(1,390,319)	172,265

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, nineteen A330-300 planes, twelve 737-800 planes, ten A320-200 planes, four A320neo planes, ten A321neo planes, and three ATR72-600 planes for operation, lease periods are 4 to 16 years from February 2007 to December 2034. 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, and the rent is revised every half year. When the lease expires, the lessee does not have purchase rights.

The information of refundable deposits and letter of credit due to rental of planes:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Refundable deposits	\$ 549,947	\$ 553,321	\$ 666,676
Credit guarantees	2,111,975	2,085,941	1,790,226

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 \$912,387 thousand, \$909,342 thousand and \$900,268 thousand on March 31, 2023, December 31, 2022 and March 31, 2022, respectively.

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 October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be introduced between 2022 and 2024. As of March 31, 2023, four A321neo have been delivered.

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 March 31, 2023, four A321neo have been delivered.

The Group also signed related aircraft purchase agreement, please refer to Note 34 for details.

f. 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. The lease commencement date was on July 15 and October 10, 2022, respectively.

g. Other lease information

The Group uses operating lease agreement for investment properties, refer to Note 16.

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term leases and low-value asset leases	<u>\$ 18,158</u>	<u>\$ 12,777</u>
Total cash outflow for leases	<u>\$ (3,918,344)</u>	<u>\$ (3,215,686)</u>

The Group chooses to waive the recognition of the contract provisions for the short-term leases and low-value asset leases and does not recognize the related right-of-use assets and lease liabilities for such lease.

## 22. OTHER PAYABLES

	March 31, 2023	December 31, 2022	March 31, 2022
Fuel costs	\$ 3,731,148	\$ 4,715,624	\$ 3,101,781
Short-term employee benefits	2,106,424	4,194,176	2,932,049
Repair expenses	1,748,801	1,518,603	1,237,284
Terminal surcharges	1,112,631	901,498	683,247
Ground service expenses	958,248	899,401	807,289
Commission expenses	132,704	85,140	94,223
Interest expenses	128,123	102,550	113,853
Others	<u>2,323,545</u>	<u>2,790,267</u>	<u>2,074,700</u>
	<u>\$ 12,241,624</u>	<u>\$ 15,207,259</u>	<u>\$ 11,044,426</u>

## 23. CONTRACT LIABILITIES

	March 31, 2023	December 31, 2022	March 31, 2022
Frequent flyer program	\$ 3,410,511	\$ 3,185,357	\$ 2,941,279
Advance ticket sales	21,341,146	15,505,203	1,967,543
Others	<u>15,459</u>	<u>-</u>	<u>9,808</u>
	<u>\$ 24,767,116</u>	<u>\$ 18,690,560</u>	<u>\$ 4,918,630</u>
Current			
Non-current	\$ 23,452,466	\$ 17,409,654	\$ 4,086,926
	<u>1,314,650</u>	<u>1,280,906</u>	<u>831,704</u>
	<u>\$ 24,767,116</u>	<u>\$ 18,690,560</u>	<u>\$ 4,918,630</u>

## 24. PROVISIONS

	March 31, 2023	December 31, 2022	March 31, 2022
Operating leases - aircraft	<u>\$ 21,872,879</u>	<u>\$ 20,962,933</u>	<u>\$ 19,163,480</u>
Current	\$ 4,585,889	\$ 3,691,812	\$ 3,308,241
Non-current	<u>17,286,990</u>	<u>17,271,121</u>	<u>15,855,239</u>
	<u>\$ 21,872,879</u>	<u>\$ 20,962,933</u>	<u>\$ 19,163,480</u>

	<b>Aircraft Lease Contracts</b>
Balance at January 1, 2022	\$ 18,654,223
Additional provisions recognized	1,376,905
Usage	(1,309,962)
Effect of foreign currency exchange differences	<u>442,314</u>
Balance at March 31, 2022	<u>\$ 19,163,480</u>
Balance at January 1, 2023	\$ 20,962,933
Additional provisions recognized	1,401,821
Usage	(417,836)
Effect of foreign currency exchange differences	<u>(74,039)</u>
Balance at March 31, 2023	<u>\$ 21,872,879</u>

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

Employee benefits expense in respect of the Group's defined retirement benefit plan was calculated using the actuarially determined pension cost discount rate as of December 31, 2022 and 2021.

	<b>For the Three Months Ended March 31</b>	
	<u>2023</u>	<u>2022</u>
Operating costs	\$ 222,504	\$ 228,632
Operating expenses	<u>88,754</u>	<u>92,760</u>
	<u>\$ 311,258</u>	<u>\$ 321,392</u>

## 26. EQUITY

### a. Share capital

#### Ordinary shares

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,135,374</u>	<u>\$ 60,135,374</u>	<u>\$ 59,935,427</u>

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 \$0 and \$798,700 thousand, respectively, for the three months ended March 31, 2023 and 2022. The number of ordinary shares exchanged was 0 and 52,318 thousand, respectively, and completed the registration of the change in equity after the issuance of new shares.

b. Capital surplus

	March 31, 2023	December 31, 2022	March 31, 2022
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,092,431	\$ 2,092,431	\$ 1,924,792
Dividend distributed to subsidiaries	1,725	1,725	-
Expired equity component of convertible bonds	929,548	929,535	913,590
<u>May only be used to offset a deficit (2)</u>			
Long-term investments	24,602	547	540
<u>May not be used for any purpose</u>			
Equity component of convertible bonds	<u>96,060</u>	<u>96,073</u>	<u>112,018</u>
	<u>\$ 3,144,366</u>	<u>\$ 3,120,311</u>	<u>\$ 2,950,940</u>

- 1) Such capital surplus may be used to offset a deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

Under the Company Act, where the Company makes 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 bonuses 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. If surplus earnings are distributed in the form of new shares, the distribution of shares shall be resolved in the shareholders' meeting; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Company has no losses, according to laws and regulations, the Company can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such capital reserve is distributed

in the form of new shares, it shall be resolved by a meeting of the shareholders; if such capital reserve 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.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the current year.

1) Appropriation of earnings in 2021

The appropriation of earnings in 2021 which was proposed and recognized in the shareholders' meeting on May 26, 2022 is as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 925,385	\$-
Cash dividends	5,000,000	0.83145736

2) Appropriation of earnings in 2022

The appropriation of earnings in 2022, which was proposed by the Company's board of directors on March 9, 2023, is as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 305,592	\$ -
Special reserve	534,375	-
Cash dividends	2,772,207	0.46099444

The appropriation of earnings in 2022 is subject to the resolution of the shareholders in their meeting on May 31, 2023.

d. Other equity items

The movement of other equity items is as follows:

	<b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Gain (Loss) on Hedging Instruments</b>	<b>Total</b>
Balance at January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on translation of the financial statements of foreign operations	65,861	-	-	65,861
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(980,015)	(980,015)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(214,794)	(214,794)

(Continued)

	<b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Gain (Loss) on Hedging Instruments</b>	<b>Total</b>
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	\$ -	\$ 3,534	\$ -	\$ 3,534
Effects of income tax	<u>(11,983)</u>	<u>574</u>	<u>238,961</u>	<u>227,552</u>
Other comprehensive income (loss) recognized in the period	<u>53,878</u>	<u>4,108</u>	<u>(955,848)</u>	<u>(897,862)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>35,050</u>	<u>35,050</u>
Balance at March 31, 2022	<u>\$ (66,201)</u>	<u>\$ (1,404)</u>	<u>\$ 1,918,621</u>	<u>\$ 1,851,016</u>

	<b>Exchange Differences on the Translation of the Financial Statements of Foreign Operations</b>	<b>Unrealized Gain (Loss) on Financial Assets at FVTOCI</b>	<b>Gain (Loss) on Hedging Instruments</b>	<b>Total</b>
Balance at January 1, 2023	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (534,375)
Exchange differences on translation of the financial statements of foreign operations	(3,446)	-	-	(3,446)
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	228,674	228,674
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	42,143	42,143
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(42,127)	-	(42,127)
Effects of income tax	<u>903</u>	<u>6,624</u>	<u>(57,755)</u>	<u>(50,228)</u>
Other comprehensive income (loss) recognized in the period	<u>(2,543)</u>	<u>(35,503)</u>	<u>213,062</u>	<u>175,016</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>37,392</u>	<u>37,392</u>
Balance at March 31, 2023	<u>\$ (6,841)</u>	<u>\$ 5,415</u>	<u>\$ (320,541)</u>	<u>\$ (321,967)</u>

e. Non-controlling interests

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 2,453,241	\$ 3,161,445
Net profit (loss) attributable to non-controlling interests	90,630	(261,577)
Exchange differences on translation of the financial statements of foreign operations	1,139	6,341
Cumulative gain (loss) on changes in fair value of hedging instruments	(10)	1,224
		(Continued)

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Cumulative gain (loss) arising on changes in fair value of hedging instruments		
Reclassified to profit or loss	\$ 88	\$ -
Effects of income tax	<u>(16)</u>	<u>(245)</u>
	1,201	7,320
Outstanding share options held by employees of subsidiaries	<u>5,227</u>	<u>-</u>
Ending balance	<u>\$ 2,550,299</u>	<u>\$ 2,907,188</u> (Concluded)

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of the reporting date and are as follows:

**(In Thousands of Shares)**

<b>Period of Treasury Shares</b>	<b>Number of Shares, Beginning of Year</b>	<b>Reduction During the Year</b>	<b>Number of Shares, End of Year</b>
For the three months ended March 31, 2023	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the three months ended March 31, 2022	<u>2,075</u>	<u>-</u>	<u>2,075</u>

<b>Subsidiary</b>	<b>Shares (In Thousands)</b>	<b>Carrying Amount</b>	<b>Market Value</b>
<u>March 31, 2023</u>			
Mandarin Airlines	2,075	<u>\$ 40,455</u>	<u>\$ 40,455</u>
<u>December 31, 2022</u>			
Mandarin Airlines	2,075	<u>\$ 39,418</u>	<u>\$ 39,418</u>
<u>March 31, 2022</u>			
Mandarin Airlines	2,075	<u>\$ 55,289</u>	<u>\$ 55,289</u>

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

## 27. NET INCOME

### a. Revenue

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Passenger	\$ 24,549,091	\$ 2,185,039
Cargo	15,704,004	32,779,543
Others	<u>2,438,813</u>	<u>2,268,701</u>
	<u>\$ 42,691,908</u>	<u>\$ 37,233,283</u>

### b. Other income

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Interest income	\$ 359,319	\$ 36,197
Others	<u>143,049</u>	<u>242,606</u>
	<u>\$ 502,368</u>	<u>\$ 278,803</u>

### c. Other gains and losses

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Gain on disposal of property, plant and equipment	\$ 9,911	\$ 2,715
Gain on financial assets mandatorily classified as at FVTPL	339	686
Net foreign exchange gains	89,149	275,940
Others	<u>(68,329)</u>	<u>(15,199)</u>
	<u>\$ 31,070</u>	<u>\$ 264,142</u>

### d. Finance costs

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Interest expense		
Bonds payable	\$ 30,530	\$ 41,367
Bank loans	277,180	190,533
Interest on lease liabilities	392,575	333,757
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	<u>378</u>	<u>-</u>
	<u>\$ 700,663</u>	<u>\$ 565,657</u>

(Continued)

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Capitalization interest	<u>\$ 79,490</u>	<u>\$ 16,717</u>
Capitalization rate	1.64%-1.71%	0.63%-0.70% (Concluded)

e. Depreciation and amortization expense

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant, equipment	\$ 4,297,634	\$ 4,167,342
Right-of-use assets	3,475,699	3,183,155
Investment properties	57	66
Intangible assets	<u>55,129</u>	<u>56,622</u>
Depreciation and amortization expense	<u>\$ 7,828,519</u>	<u>\$ 7,407,185</u>
An analysis of depreciation by function		
Operating costs	\$ 7,375,118	\$ 7,080,678
Operating expenses	<u>398,272</u>	<u>269,885</u>
	<u>\$ 7,773,390</u>	<u>\$ 7,350,563</u>
An analysis of amortization by function		
Operating costs	\$ 1,255	\$ 1,298
Operating expenses	<u>53,874</u>	<u>55,324</u>
	<u>\$ 55,129</u>	<u>\$ 56,622</u>

f. Employee benefits expense

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Post-employment benefits		
Defined contribution plan	\$ 132,742	\$ 128,528
Defined benefit plan	<u>311,258</u>	<u>321,392</u>
	<u>\$ 444,000</u>	<u>\$ 449,920</u>
Other employee benefits		
Salary expenses	\$ 5,180,501	\$ 5,944,428
Personnel service expenses	<u>1,824,895</u>	<u>1,400,103</u>
	<u>\$ 7,005,396</u>	<u>\$ 7,344,531</u>

(Continued)

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 5,895,492	\$ 6,506,322
Operating expenses	<u>1,553,904</u>	<u>1,288,129</u>
	<u>\$ 7,449,396</u>	<u>\$ 7,794,451</u>
		(Concluded)

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 three months ended March 31, 2023 and 2022, the estimated amount of compensation of employees were \$47,122 thousand and \$124,243 thousand, respectively.

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 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:

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
Current year	\$ 47,593	\$ 1,219,661
Adjustments for prior periods	-	(16,973)
Deferred tax		
Current year	<u>284,735</u>	<u>(461,067)</u>
Income tax expense recognized in profit or loss	<u>\$ 332,328</u>	<u>\$ 741,621</u>

b. Income tax recognized in other comprehensive income

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ 903	\$ (11,983)
Fair value changes of financial assets at FVTOCI	6,624	574
Fair value changes of hedging instruments for cash flow hedging	<u>(57,771)</u>	<u>238,716</u>
Total income tax recognized in other comprehensive income	<u>\$ (50,244)</u>	<u>\$ 227,307</u>

c. Income tax assessment

The income tax returns of the Company through 2020 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. EARNINGS PER SHARE**

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Basic earnings per share	<u>\$ 0.22</u>	<u>\$ 0.52</u>
Diluted earnings per share	<u>\$ 0.21</u>	<u>\$ 0.50</u>
Earnings used in the computation of basic earnings per share	\$ 1,305,854	\$ 3,072,308
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>4,724</u>	<u>6,529</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,310,578</u>	<u>\$ 3,078,837</u>
<u>In thousands of shares</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	6,011,463	5,965,183
Effect of potentially dilutive ordinary shares:		
Compensation of employees or bonuses issued to employees	6,765	16,118
Convertible bonds	<u>125,071</u>	<u>166,755</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,143,299</u>	<u>6,148,056</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares will be 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 goal, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 30 to the Group's consolidated financial statements for the year ended December 31, 2022.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair values of financial instruments not measured 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.

	<u>March 31, 2023</u>		<u>December 31, 2022</u>		<u>March 31, 2022</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>						
Bonds payable	\$ 10,004,401	\$ 10,292,958	\$ 9,999,674	\$ 10,313,545	\$ 12,877,160	\$ 14,100,109

Lease liabilities and long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bonds 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).

March 31, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 120,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,521</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 32,119	\$ 32,119
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>49,004</u>	<u>49,004</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,123</u>	<u>\$ 81,123</u>
Financial assets for hedging	<u>\$ 3,963,415</u>	<u>\$ 6,816</u>	<u>\$ 24,556</u>	<u>\$ 3,994,787</u>
Financial liabilities for hedging	<u>\$ 39,271,547</u>	<u>\$ 73,215</u>	<u>\$ 41,793</u>	<u>\$ 39,386,555</u>

December 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 119,462</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,462</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 41,128	\$ 41,128
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>81,905</u>	<u>81,905</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,033</u>	<u>\$ 123,033</u>
Financial assets for hedging	<u>\$ 3,987,730</u>	<u>\$ 4,935</u>	<u>\$ 38,997</u>	<u>\$ 4,031,662</u>
Financial liabilities for hedging	<u>\$ 42,000,610</u>	<u>\$ 117,693</u>	<u>\$ 55,758</u>	<u>\$ 42,174,061</u>

March 31, 2022

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Domestic money market funds	\$ <u>142,467</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>142,467</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 35,211	\$ 35,211
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>36,609</u>	<u>36,609</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,820</u>	<u>\$ 71,820</u>
Financial assets for hedging	\$ <u>1,375,358</u>	\$ <u>6,402</u>	\$ <u>146,874</u>	\$ <u>1,528,634</u>
Financial liabilities for hedging	\$ <u>36,442,336</u>	\$ <u>-</u>	\$ <u>15,173</u>	\$ <u>36,457,509</u>

There were no transfers between Levels 1 and 2 in the current period.

4) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
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 currency options and fuel options and swap 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 currency options and fuel options and swap.

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 multiplier and liquidity discount of financial instruments based on Level 3 fair value measurement were as follows:

	<b>Multiplier</b>	<b>Liquidity Discount</b>
March 31, 2023	0.74-14.31	80%
December 31, 2022	0.39-12.39	80%
March 31, 2022	0.74-14.31	80%

The movements of financial instruments based on Level 3 fair value measurement were as follows:

	<b>Derivative Instruments</b>	<b>Equity Instruments</b>
Balance at January 1, 2023	\$ (16,761)	\$ 123,033
Recognized in other comprehensive income	<u>(2,278)</u>	<u>(41,910)</u>
Balance at March 31, 2023	<u>\$ (19,039)</u>	<u>\$ 81,123</u>
Balance at January 1, 2022	\$ 6,124	\$ 67,884
Recognized in other comprehensive income	<u>119,334</u>	<u>3,936</u>
Balance at March 31, 2022	<u>\$ 125,458</u>	<u>\$ 71,820</u>

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Group's collective instruments.

c. Categories of financial instruments

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 120,521	\$ 119,462	\$ 142,467
Financial assets for hedging	3,994,787	4,031,662	1,528,634
Financial assets at amortized cost (Note 1)	58,295,299	55,105,434	62,920,659
Financial assets at FVTOCI - investments in equity instruments	81,123	123,033	71,820
<u>Financial liabilities</u>			
Financial liabilities for hedging	39,386,555	42,174,061	36,457,509
Financial liabilities at amortized cost (Note 2)	142,144,628	147,815,221	146,249,385

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 borrowings, short-term bills payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable, long-term borrowings, 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 Company has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the 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 rate 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 of \$218,495 thousand and an increase in pre-tax other comprehensive income of \$1,056,478 thousand, for the three months ended March 31, 2023, and a decrease in pre-tax profit of \$68,564 thousand and an increase in pre-tax other comprehensive income of \$1,214,782 thousand, for the three months ended March 31, 2022.

The Group's hedging strategy is to enter into foreign exchange forward contracts and foreign currency option 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 currency options contracts and 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 currency option contracts, 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.

Please refer to Note 21 for aircraft rental contract for hedging.

### March 31, 2023

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	NTD141,114/ USD4,629	2023.4.10- 2023.9.27	29.631-30.702	Financial assets for hedging - current/ liabilities for hedging - current	\$ 239	\$ -
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD2,957,317/ USD97,000	2023.4.28- 2024.3.29	29.292-31.748	Financial assets for hedging - current/ liabilities for hedging - current	6,577	68,456

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aircraft prepayments in U.S. dollars) was \$(61,640) thousand.

### December 31, 2022

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	NTD138,344/ USD4,510	2023.1.18- 2023.8.25	29.979-30.702	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 198
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD3,312,883/ USD 108,000	2023.1.19- 2023.6.30	29.5-31.9	Financial assets for hedging - current/ liabilities for hedging - current	4,935	110,563

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aircraft prepayments in U.S. dollars) was \$(105,826) thousand.

### March 31, 2022

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	NTD251,919/ USD9,055	2022.4.27- 2022.12.23	27.6-28.6	Financial assets for hedging - current/ liabilities for hedging - current	\$ 6,402	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$6,402 thousand.

For the three months ended March 31, 2023

<b>Comprehensive Income</b>	<b>Hedging Gains (Losses) Recognized in Other Comprehensive Income</b>	<b>Amount Reclassified to Profit and Loss and the Adjusted Line Item</b>	
Cash flow hedge			
Aircraft rentals	\$ 437	\$ (410)	(Note)
Aircraft prepayments	<u>6,357</u>	<u>-</u>	
	<u>\$ 6,794</u>	<u>\$ (410)</u>	

Note: Decrease in operating costs or exchange loss.

For the three months ended March 31, 2023, the amounts of hedging instrument settlements recognized as aircraft prepayments were \$(37,392) thousand.

For the three months ended March 31, 2022

<b>Comprehensive Income</b>	<b>Hedging Gains (Losses) Recognized in Other Comprehensive Income</b>	<b>Amount Reclassified to Profit and Loss and the Adjusted Line Item</b>	
Cash flow hedge			
Aircraft rentals	<u>\$ 6,852</u>	<u>\$ -</u>	(Note)

Note: Decrease in operating costs or exchange loss.

b) Interest rate risk

The Group enters into interest rate swap contracts to hedge against the risks on changes in interest rates of long-term borrowings. The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amounts of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Fair value interest rate risk	\$ 56,599,301	\$ 59,825,679	\$ 56,678,987
Cash flow interest rate risk	86,754,308	89,811,596	94,093,154

## Sensitivity analysis

The sensitivity analysis below was 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 pretax profit for the three months ended March 31, 2023 would have decreased by \$54,221 thousand.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Group's pretax profit for the three months ended March 31, 2022 would have decreased by \$58,808 thousand.

The following tables summarize the information relating to the hedges for interest rate risk.

### March 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge - Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1 2027.5.24	1.39-1.58	Financial assets for hedging - current/ liabilities for hedging - non-current	\$ -	\$ 4,759

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(4,759) thousand.

### December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge - Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1 2027.5.24	1.39-1.58	Financial assets for hedging - current/ liabilities for hedging - non-current	\$ -	\$ 6,932

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(6,932) thousand.

### For the three months ended March 31, 2023

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
<b>Comprehensive Income</b>			
Cash flow hedge			
Interest expense on long-term borrowings	\$ 2,173	\$ (378)	(Note)

Note: Increase in finance costs or other losses.

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 and swap contracts to hedge against adverse risks on fuel price changes.

March 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - aviation fuel - fuel options	USD	NTD18,614	2023.6.30-2024.3.31	USD60-USD139	Financial assets for hedging - current/ liabilities for hedging - current	\$ 24,556	\$ 41,368
Cash flow hedges - aviation fuel - swap	USD	NTD425	2023.12.31	USD78	Financial assets for hedging - current/ liabilities for hedging - current	-	425

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 \$(19,039) thousand.

December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - aviation fuel - fuel options	USD	NTD7,094	2023.3.31-2023.12.31	USD60-USD148	Financial assets for hedging - current/ liabilities for hedging - current	\$ 38,997	\$ 46,091
Cash flow hedges - aviation fuel - swap	USD	NTD9,667	2023.3.31	USD96	Financial assets for hedging - current/ liabilities for hedging - current	-	9,667

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 \$(16,761) thousand.

March 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD125,457	2022.6.30-2023.12.31	USD60-USD177	Financial assets for hedging - current/ liabilities for hedging - current	\$ 146,874	\$ 15,173

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 \$125,457 thousand.

For the three months ended March 31, 2023

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
<b>Comprehensive Income</b>			
Cash flow hedges - aviation fuel	\$ (2,278)	\$ (12,745)	(Note)

Note: Increase in operating costs.

For the three months ended March 31, 2022

<b>Comprehensive Income</b>	<b>Hedging Gain (Loss) Recognized in Other Comprehensive Income</b>	<b>Amount Reclassified to Profit and Loss and the Adjusted Line Item</b>	
Cash flow hedges - aviation fuel	\$ 119,334	\$ 42,529	(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.

	<b>For the Three Months Ended March 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Pre-tax Profit Increase (Decrease)</b>	<b>Other Compre- hensive Income Increase (Decrease)</b>	<b>Pre-tax Profit Increase (Decrease)</b>	<b>Other Compre- hensive Income Increase (Decrease)</b>
Fuel price increase of 5%	\$ 1,208	\$ 952	\$ 12,585	\$ 6,273
Fuel price decrease of 5%	(1,208)	(952)	(12,585)	(6,273)

2) Credit risk

The objective, policies and procedure of credit risk management are the same as the consolidated financial statements for the year ended December 31, 2022. Related illustration can be referred to in Note 31.

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.

	<b>Undrawn Bank Loan Commitments (Unsecured)</b>
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 25,583,508

### 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 are 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.

#### March 31, 2023

	<b>The Weighted Average Effective Interest Rate (%)</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
Lease liabilities	2.5895	\$ 3,309,761	\$ 8,391,365	\$ 8,365,775
Floating interest rate liabilities	1.7477	17,297,034	50,236,983	10,663,652
Hedging instruments	2.8491	13,609,792	34,460,587	11,615,159
Bonds payable	1.0460	<u>2,454,645</u>	<u>7,734,465</u>	<u>-</u>
		<u>\$ 36,671,232</u>	<u>\$ 100,823,400</u>	<u>\$ 30,644,586</u>

#### December 31, 2022

	<b>The Weighted Average Effective Interest Rate (%)</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
Lease liabilities	2.5047	\$ 4,001,479	\$ 9,815,619	\$ 7,695,130
Floating interest rate liabilities	1.5794	15,275,398	53,591,807	12,743,750
Hedging instruments	2.8390	11,026,182	27,455,159	7,480,222
Bonds payable	1.0465	<u>2,454,645</u>	<u>7,729,726</u>	<u>-</u>
		<u>\$ 32,757,704</u>	<u>\$ 98,592,311</u>	<u>\$ 27,919,102</u>

March 31, 2022

	<b>The Weighted Average Effective Interest Rate (%)</b>	<b>Less than 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>
Lease liabilities	2.4115	\$ 2,943,827	\$ 10,304,781	\$ 9,485,120
Floating interest rate liabilities	1.0456	8,213,613	66,493,855	12,480,648
Hedging instruments	2.8983	9,629,350	27,574,753	2,157,445
Bonds payable	1.0846	<u>2,664,665</u>	<u>10,464,439</u>	<u>-</u>
		<u>\$ 23,451,455</u>	<u>\$ 114,837,828</u>	<u>\$ 24,123,213</u>

### 32. TRANSACTIONS WITH RELATED PARTIES

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

<u>Related Party Name</u>	<u>Relationship with the Company</u>
China Aircraft Service	Associate (became not related party since March 2022)
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

<b>Account Items</b>	<b>Related Party Type</b>	<b>For the Three Months Ended March 31</b>	
		<b>2023</b>	<b>2022</b>
Other income	Major shareholder of the Company	<u>\$ 2,946</u>	<u>\$ 2,233</u>
	Joint venture	<u>\$ 17,175</u>	<u>\$ 5,862</u>

c. Purchases

Related Party Type	For the Three Months Ended March 31	
	2023	2022
Major shareholders of the Company	\$ 6,253	\$ 4,698
Associate	\$ 80,322	\$ 105,952
Joint venture	\$ 498,194	\$ 69,070

d. Accounts receivable - related parties (generated by operations)

Related Party Type	March 31, 2023	December 31, 2022	March 31, 2022
Major shareholders of the Company	\$ 1,668	\$ 3,804	\$ 856
Joint venture	4,563	1,045	2,081
	<u>\$ 6,231</u>	<u>\$ 4,849</u>	<u>\$ 2,937</u>

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment periods of such accounts were within 30 to 90 days, and there are no overdue payments.

e. Accounts payable - related parties (generated by operations)

Related Party Type	March 31, 2023	December 31, 2022	March 31, 2022
Major shareholders of the Company	\$ 3,279	\$ 39,491	\$ 1,484
Associate	32,766	275,898	36,180
Joint venture	464,272	2,421	67,714
	<u>\$ 500,317</u>	<u>\$ 317,810</u>	<u>\$ 105,378</u>

The remaining balance of accounts payable - related parties will be paid in cash if they are not secured.

f. Lease arrangements

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 three months ended March 31, 2023 and 2022, the Company paid rentals of \$6,253 thousand and \$4,698 thousand, respectively.

g. Endorsements and guarantees

	March 31, 2023		December 31, 2022		March 31, 2022	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
<u>The Company</u>						
Cal Park	\$ 3,850,000	\$ 1,334,640	\$ 3,850,000	\$ 1,444,200	\$ 3,850,000	\$ 1,553,760
Tigerair Taiwan Co., Ltd.	2,850,976	284,457	2,868,466	286,202	2,679,427	267,341
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,517,000	2,000,000	1,517,000	2,000,000	1,565,000

h. Remuneration of key management personnel

	<b>For the Three Months Ended March 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 22,250	\$ 23,596
Post-employment benefits	<u>800</u>	<u>13,062</u>
	<u>\$ 23,050</u>	<u>\$ 36,658</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term bank loans and business transactions:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Property, plant and equipment	\$ 33,439,518	\$ 36,711,923	\$ 31,229,703
Restricted assets	<u>754,078</u>	<u>765,059</u>	<u>664,899</u>
	<u>\$ 34,193,596</u>	<u>\$ 37,476,982</u>	<u>\$ 31,894,602</u>

The above restricted assets included pledged time deposits and demand deposits which were made according to loan agreements.

### 34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at March 31, 2023 were as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with 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 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 March 31, 2023, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
HTS CONSTRUCTION CO., LTD.	Project A of the renovation and expansion project of Taoyuan Air Cargo Terminal for the plan to continue to operate - the waterproof landside terminal walkway construction project	\$ 11,200
INBRIDGE CONSTRUCTION CO., LTD.	Project A of the renovation and expansion project of Taoyuan Air Cargo Terminal for the plan to continue to operate - steel structure rust removal and painting of three-dimensional parking lot, mechanical and electrical pipeline renewal and exterior wall painting project	77,770

As of March 31, 2023, the accumulated payments of construction in process for construction equipment were \$4,799 thousand (VAT included). The amounts were recognized as construction in progress.

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 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 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% for less than \$2 billion and 8% for \$2 billion to \$4 billion.

- 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 March 31, 2023, the list price had been paid in the amount of US\$60,694 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand. As of March 31, 2023, two out of the four backup engines have 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 Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with 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\$3,905,142 thousand. As of March 31, 2023, five out of ten aircraft have been delivered. The total list price of the remaining five aircraft is US\$2,019,932 thousand, and the list price has been paid in the amount of US\$402,320 thousand (recognized as prepayments for aircraft).
- e. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircraft and the option to purchase eight 787-9 aircraft. The total list price of the sixteen aircraft is US\$5,868,695 thousand, and the list price of the option to purchase eight aircraft is US\$3,039,894 thousand. The sixteen aircraft's expected delivery periods are from 2025 to 2027. As of March 31, 2023, the list price has been paid in the amount of US\$137,678 thousand (recognized as prepayments for aircraft). On May 10, 2023, the Company's board of directors resolved to exercise the option to purchase eight aircraft. The expected delivery periods are from 2026 to 2028. As of March 31, 2023, the list price has been paid in the amount of US\$18,240 thousand (recognized as prepayments for aircraft).
- f. 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 March 31, 2023, 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 March 31, 2023, 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.
- g. On March 27, 2023, the board of directors of Mandarin Airlines approved to sign a contract with AVIONS DE TRANSPORT REGIONAL G.I.E to purchase three ATR-600 aircraft. The total amount of the contract is not more than US\$69,000 thousand.

### 35. IMPACT OF COVID-19

For the three months ended March 31, 2022, because of the COVID-19 pandemic, the Group received subsidies of \$402,567 thousand, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense was \$276,314 thousand. These subsidies were recognized as other income or deduction from other expenses. The Group has not received such subsidies since 2023.

The Group has obtained a 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:

March 31, 2023

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,306,875	30.4878	\$ 39,843,757
EUR	40,434	33.2226	1,343,333
HKD	245,653	3.8790	952,883
JPY	5,831,344	0.2291	1,336,147
RMB	421,989	4.4405	1,873,840
<u>Financial liabilities</u>			
Monetary items			
USD	2,246,487	30.4878	68,490,457
EUR	8,720	33.2226	289,705
HKD	56,216	3.8790	218,062
JPY	4,490,232	0.2291	1,028,855
RMB	113,261	4.4405	502,935

December 31, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,130,182	30.6748	\$ 34,668,125
EUR	35,074	32.7869	1,149,979
HKD	310,589	3.9386	1,223,286
JPY	6,179,784	0.2317	1,431,856
RMB	572,690	4.4131	2,527,337
<u>Financial liabilities</u>			
Monetary items			
USD	2,255,888	30.6748	69,198,932
EUR	6,849	32.7869	224,557
HKD	48,341	3.9386	190,397
JPY	3,309,634	0.2317	766,842
RMB	112,939	4.4131	498,411

March 31, 2022

	<b>Foreign Currency (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 987,534	28.6533	\$ 28,296,100
EUR	28,746	31.9489	918,412
HKD	237,502	3.6563	868,381
JPY	9,026,766	0.2343	2,114,987
RMB	530,105	4.5086	2,390,016
<u>Financial liabilities</u>			
Monetary items			
USD	2,142,808	28.6553	61,398,524
EUR	5,198	31.9489	166,072
HKD	55,240	3.6563	201,975
JPY	2,990,835	0.2343	700,758
RMB	116,344	4.5086	524,544

For the three months ended March 31, 2023 and 2022, the Group's net foreign exchange gains were \$89,149 thousand and \$275,940 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: None
  - 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 4 (attached)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
  - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)
  - 10) Trading in derivative instruments (Note 31)
- b. Information on investments in mainland China: Table 7 (attached)
- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)
- d. Information of major shareholders: Table 9 (attached)

### **38. 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 three months ended March 31, 2023 and 2022, financial information of reportable segments is listed below:

	<b>For the Three Months Ended March 31, 2023</b>			
	<b>Air Transportation</b>	<b>Others</b>	<b>Adjustments and Elimination</b>	<b>Total</b>
Operating revenue	<u>\$ 41,825,634</u>	<u>\$ 2,225,713</u>	<u>\$ (1,359,439)</u>	<u>\$ 42,691,908</u>
Operation profit and loss	<u>\$ 1,778,756</u>	<u>\$ 64,000</u>	<u>\$ (16,997)</u>	\$ 1,825,759
Interest revenue				359,319
Investment income (loss) accounted for using the equity method				70,278
Revenue				242,448
Financial costs				(700,663)
Expenses				<u>(68,329)</u>
Profit before income tax				<u>\$ 1,728,812</u>
Identifiable assets	<u>\$ 175,901,444</u>	<u>\$ 14,314,030</u>	<u>\$ (5,822,522)</u>	\$ 184,392,952
Investments accounted for using the equity method				1,529,074
Assets				<u>108,382,509</u>
Total assets				<u>\$ 294,304,535</u>

	<b>For the Three Months Ended March 31, 2022</b>			
	<b>Air Transportation</b>	<b>Others</b>	<b>Adjustments and Elimination</b>	<b>Total</b>
Operating revenue	<u>\$ 36,188,614</u>	<u>\$ 2,144,846</u>	<u>\$ (1,100,177)</u>	<u>\$ 37,233,283</u>
Operation profit and loss	<u>\$ 3,843,400</u>	<u>\$ (199,736)</u>	<u>\$ (17,635)</u>	\$ 3,626,029
Interest revenue				36,197
Investment income (loss) accounted for using the equity method				(50,965)
Revenue				521,947
Financial costs				(565,657)
Expenses				<u>(15,199)</u>
Profit before income tax				<u>\$ 3,552,352</u>
Identifiable assets	<u>\$ 180,663,070</u>	<u>\$ 14,293,087</u>	<u>\$ (6,146,211)</u>	\$ 188,809,946
Investments accounted for using the equity method				1,536,795
Assets				<u>93,966,895</u>
Total assets				<u>\$ 284,313,636</u>

## CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
 FOR THE THREE MONTHS ENDED MARCH 31, 2023  
 (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	Yes	\$ 106,707	\$ 106,707	\$ 106,707	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 156,070	\$ 312,140	

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**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	Cal Park Tigerair Taiwan Co., Ltd.	100% owned subsidiary 82.27% owned subsidiary by direct and indirect holdings	\$ 14,308,503 14,308,503	\$ 3,850,000 2,850,976	\$ 3,850,000 2,850,976	\$ 1,334,640 284,457	\$ - -	5.38 3.99	\$ 35,771,259 35,771,259	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	14,308,503	2,000,000	2,000,000	1,517,000	-	2.80	35,771,259	Yes	No	No

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

MARCH 31, 2023

(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	March 31, 2023				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Shares</u>							
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	16,724	\$ 23,315	13.59	\$ 25,646	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	1,672	2,331	-	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	32,119	11.00	32,119	-
	China Aircraft Services Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	1,072	-	-	-	-
Mandarin Airlines	<u>Shares</u>							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	40,455	-	40,455	-
Cal-Asia Investment	<u>Shares</u>							
	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	-	23,358	5.45	23,358	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u>							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	99,582	18,077	-	18,077	-
Taiwan Airport Services	<u>Shares</u>							
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u>							
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,163,289	50,963	-	50,963	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,728,020	51,482	-	51,481	-

Note 1: The subsidiary's net asset value was \$25,646 thousand, which included ordinary shares and preference shares as of March 31, 2023.

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**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(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")	Mandarin Airlines	Subsidiary	Sale	\$ (271,539)	(0.72)	2 months	\$ -	-	\$ 183,892	1.69	-
	China Pacific Catering Services	Equity-method investee	Purchase	424,734	1.25	90 days	-	-	(420,991)	(21.56)	-
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	121,698	0.36	30 days	-	-	(41,491)	(2.13)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	253,684	0.75	40 days	-	-	(217,714)	(11.15)	-

**CHINA AIRLINES, LTD. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**MARCH 31, 2023**

**(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		
China Pacific Catering Services	China Airlines	Parent company	\$ 420,991	5.03	\$ -	-	\$ 143,727	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	217,714	4.76	-	-	123,214	-

## CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of March 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2023	December 31, 2022	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	151,546,405	100.00	\$ 1,745,217	\$ 7,184	\$ 16,764	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,196,801	(1,092)	(1,063)	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	1,842,543	95,646	51,622	Note 4
	Cal-Dynasty International	Los Angeles, U.S.A.	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,367,414	16,218	15,918	Notes 2 and 4
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	509,397	119,952	61,176	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	403,458	(42,997)	(21,068)	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	592,701	7,744	7,744	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	194,324	8,931	8,389	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	93,714	(21,281)	(10,077)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	357,492	16,449	8,004	Note 5
	Cal Hotel Co., Ltd	Taoyuan, Taiwan	Hotel business	465,000	465,000	33,480,000	100.00	302,527	(2,406)	(2,422)	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	91,067	(2,940)	(1,617)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	151,817	7,301	7,294	Notes 1 and 4
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 8,000	160	20.00	-	-	-	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	8,553	1,188	297	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	5,640,197	313,631,656	78.41	1,085,058	428,630	336,078	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	56,000,000	100.00	432,721	(18,600)	(18,600)	-
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	16,823	(4,843)	(2,373)	-
	Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	53,392	428,630	16,538
Taiwan Airport Services		Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,132	(21,281)	(229)	-
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	60,498	19,646	2,943	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	448,151	15,677	4,949	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,534	-	-	-

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 THREE MONTHS ENDED MARCH 31, 2023

(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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,130,018 (RMB 254,480)	Indirect (Note 1)	\$ 127,621 (US\$ 4,186)	\$ -	\$ -	\$ 127,621 (US\$ 4,186)	\$ 17,645 (RMB 3,989)	14.00	\$ 2,512 (RMB 559)	\$ 250,820 (RMB 56,485)	\$ 107,822 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,167 (RMB 14,000)	Indirect (Note 1)	59,373 (US\$ 1,947)	-	-	59,373 (US\$ 1,947)	18,967 (RMB 4,288)	14.00	2,563 (RMB 600)	145,649 (RMB 32,800)	47,577 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,533,232 (US\$ 83,090)	Indirect (Note 1)	65,585 (US\$ 2,151)	-	-	65,585 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	355,579 (US\$ 11,663)	Indirect (Note 1)	19,390 (US\$ 636)	-	-	19,390 (US\$ 636)	-	5.45	-	23,358 (RMB 5,260)	10,869 (US\$ 357)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$271,970 (US\$8,920)	\$659,839 (Note 3)	\$44,455,690 (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, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2023	Accumulated Repatriation of Investment Income as of March 31, 2023
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,130,018 (RMB 254,480)	Indirect (Note 5)	\$ 122,511 (US\$ 4,018)	\$ -	\$ -	\$ 122,511 (US\$ 4,018)	\$ 17,645 (RMB 3,989)	14.00	\$ 2,512 (RMB 559)	\$ 276,160 (RMB 62,191)	\$ 138,450 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,167 (RMB 14,000)	Indirect (Note 5)	58,742 (US\$ 1,927)	-	-	58,742 (US\$ 1,927)	18,967 (RMB 4,288)	14.00	2,563 (RMB 600)	171,126 (RMB 38,537)	63,775 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$181,253 (US\$5,945)	\$181,253 (US\$5,945)	\$118,750 (Note 4)

Note 1: The Company invested in CAL-Asia Investment, which invested in a company located in mainland China.

Note 2: As of March 31, 2023, 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 THREE MONTHS ENDED MARCH 31, 2023  
(In Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Mandarin Airlines	a	Air transport service revenue	\$ 255,713	The same as ordinary transactions	0.60
		Taiwan Air Cargo Terminal	a	Other operating costs	121,698	The same as ordinary transactions	0.29
		Taoyuan International Airport Service	a	Airport service costs	253,684	The same as ordinary transactions	0.59
		Mandarin Airlines	a	Accounts receivable - related parties	183,892	The same as ordinary transactions	0.06
		Taoyuan International Airport Service	a	Accounts payable - related parties	217,714	The same as ordinary transactions	0.07
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	121,698	The same as ordinary transactions	0.29
2	Mandarin Airlines	China Airlines, Ltd.	b	Air transport service costs	255,713	The same as ordinary transactions	0.60
		China Airlines, Ltd.	b	Accounts payable - related parties	183,892	The same as ordinary transactions	0.06
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	253,684	The same as ordinary transactions	0.59
		China Airlines, Ltd.	b	Accounts receivable - related parties	217,714	The same as ordinary transactions	0.07

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.

**TABLE 9****CHINA AIRLINES, LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
MARCH 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.05
National Development Fund (NDF)	519,750,519	8.64

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.