

# 2022 China Airlines General Shareholders Meeting Minutes

**Meeting Time:** May 26, 2022 (Thu.), 9:00 AM

**Meeting Location:** Taipei Innovation City Convention Center (2F, No. 223, Section 3, Beixin Road, Xindian District, New Taipei City)

**Shareholders Present:** The Company has issued a total of 5,993,542,732 shares.

After deducting 2,074,628 of the Company's shares held by subordinate companies, a total of 5,991,468,104 shares can be represented by shareholders attending the General Shareholders Meeting.

A total of 3,489,675,144 shares are represented by shareholders present in person or by proxy (including the 1,573,296,599 shares represented by shareholders exercising voting rights via electronic methods), accounting for 58.24% of the total shares that can be represented by attending shareholders.

**Directors Present:** Hsieh, Su-Chien; Kao, Shing-Hwang; Chen, Han-Ming

**Independent Directors Present:** Huang, Hsieh-Hsing

**Chairman:** Hsieh, Su-Chien, Chairman of the Board of Directors

**Minutes Taker:** Lee, Chia-Ying

**I. Meeting Called to Order:** The number and percentage of the shares represented by the attending shareholders at this Shareholders Meeting meet the legal requirements for meetings. The Chairman called the meeting to order.

**II. Chairman's Address:** Omitted.

**III. Report Items:**

Item 1: Business Report for the year 2021 - please see pages 3-7 in the Meeting Agenda.

Item 2: Audit Committee's review report for the year 2021 - please see page 9 of the Meeting Agenda.

Item 3: Proposal for distribution of 2021 employee compensation- please see page 10 of

the Meeting Agenda.

Item 4: Proposal for distribution of 2021 cash dividends - please see page 11 of the Meeting Agenda.

Item 5: 744F cargo & A333 Aircraft Service Life Change Report - please see page 12 of the Meeting Agenda.

Item 6: Status report on the domestic 7<sup>th</sup> Unsecured Convertible Bonds - please see page 13-14 of the Meeting Agenda.

#### **IV. Ratification Items:**

Item 1: Acknowledgement of Business Report and Financial Statements for the year 2021 (Proposed by the Board of Directors).

Explanatory Notes: 1. The Company's 2021 Financial Statements (including the Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement) have been verified by accountants Huang, Jui-Chan and Cheng, Shiuh-Ran of Deloitte & Touche. This proposal was approved in the 4<sup>th</sup> meeting of the 22<sup>nd</sup> Board of Directors.

2. Please see pages 3-7 in the Meeting Agenda for the 2021 Business Report. Please see Appendix 1 for the accountants' audit report and the above-mentioned financial statements.

Resolution: The voting result of this proposal is as follows:

There were 3,489,675,144 votes represented by attending shareholders at the time of voting.

<b>Voting Result (Including Electronic Votes)</b>	<b>% of Attending Shareholders' Votes</b>
Approval Votes: 3,271,147,270	93.73%
Disapproval Votes: 2,833,594	0.08%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 215,694,280	6.18%

Through voting, the proposal was approved as proposed.

Item 2: Acknowledgement of the Proposal for distribution of 2021 profits (Proposed by the Board of Directors).

- Explanatory Notes: 1. Handled in accordance with Article 228 of the Company Act.
2. Net income after tax for 2021 was NT\$9,379,905,181. The total distributable surplus earnings reached NT\$8,328,463,411 after the following measures: deducting the remeasurement of the defined benefit plan of NT\$28,409,950, making changes in the retained earnings of NT\$104,639,306 from affiliates being recognized not based on the portion of shares held, adding NT\$ \$6,992,310 for the changes in affiliates recognized by the equity method, and setting aside 10% of the legal reserve of NT\$925,384,824. The company proposes to pay NT\$5,000,000,000 in cash dividends, representing NT\$0.83636529 per share. The payment of each shareholder's cash dividend is to be in full New Taiwan Dollars while the fractional amounts will be added to the company's other income.
3. Please see Appendix 2 for the Distribution of 2021 surplus earnings table.
4. The proposal was approved in the 4<sup>th</sup> meeting of the 22<sup>nd</sup> Board of Directors meeting. After the resolution is adopted during this Shareholders' Meeting, the Board of Directors will be authorized to set the base date and the ex-dividend date for cash dividend distribution.

Resolution: The voting result of this proposal is as follows:

There were 3,489,675,144 votes represented by attending shareholders at the time of voting.

<b>Voting Result (Including Electronic Votes)</b>	<b>% of Attending Shareholders' Votes</b>
Approval Votes: 3,274,441,608	93.83%
Disapproval Votes: 3,074,827	0.08%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 212,158,709	6.07%

Through voting, the proposal was approved as proposed.

## V. Discussion Items

Item 1: Amendment to the “Articles of Incorporation”. To be determined by all parties (Proposed by the Board of Directors).

Explanatory Notes: 1. In accordance with the amendment to Article 172-2 of the Companies Act, a public company may set forth in its Articles of Incorporation to amend the Articles of Incorporation of a public company in a Shareholders' Meeting by videoconference or other means as announced by a central competent authority.

2. Please see Appendix 3 for the amended and original Articles of Incorporation.

3. The proposal was approved in the 4<sup>th</sup> meeting of the 22<sup>nd</sup> Board of Directors meeting.

Resolution: The voting result of this proposal is as follows:

There were 3,489,675,144 votes represented by attending shareholders at the time of voting.

<b>Voting Result (Including Electronic Votes)</b>	<b>% of Attending Shareholders' Votes</b>
Approval Votes: 3,141,632,060	90.02%
Disapproval Votes: 19,177,038	0.54%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 328,866,046	9.42%

Through voting, the proposal was approved as proposed.

Item 2: Amendment to the “Procedures Governing the Acquisition and Disposal of Assets” (Proposed by the Board of Directors).

Explanatory Notes: 1. Responded to the Company’s organizational restructuring and prescribed practices to align with revisions of the Company’s “Operational Procedures for Endorsements/Guarantees”.

2. Please see Appendix 4 for the amended and original Articles of Incorporation.

3. The proposal was approved in the 4<sup>th</sup> meeting of the 22<sup>nd</sup> Board of Directors meeting.

Resolution: The voting result of this proposal is as follows:

There were 3,489,675,144 votes represented by attending shareholders at the

time of voting.

<b>Voting Result (Including Electronic Votes)</b>	<b>% of Attending Shareholders' Votes</b>
Approval Votes: 3,159,071,129	90.52%
Disapproval Votes: 3,031,354	0.08%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 327,572,661	9.38%

Through voting, the proposal was approved as proposed.

## **VI. Extempore Motions**

Summary:

Shareholder No. 216732 thanked the hard work of the management team for the difficulties in the Company's operations caused by the epidemic.

Shareholder No. 497242 advised the Company to raise its dividends to NT\$1 and inquired about selling aircraft to American politicians.

Shareholder No. 757172 inquired about the Company's stock price compared to that of EVA Air and suggested the Company's in-flight meal could be sold externally.

Shareholder No. 500857 inquired about the loss of the Company's subsidiary, Tigerair Taiwan.

Shareholder No. 749072 inquired about the Company's passenger aircraft transforming into cargo aircraft.

Shareholder No. 87678 recommended the Company to enhance aircraft maintenance and inspection as well as crew quality to ensure safety first.

Shareholder No. 649280 inquired about employee benefits, such as epidemic insurance and whether to recruit flight attendants and ground staff this year.

The above-mentioned inquiries made by shareholders have been explained and addressed by the Chairman himself or designated personnel.

## **VII. The Chairman adjourned the meeting (At 9:55 a.m. on the same day).**

(The meeting minutes are recorded in accordance with the provisions of the Company Act. As far as the content and procedures of the meeting are concerned, the video and audio recordings of the meeting shall prevail.)

## Appendix 1

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders  
China Airlines, Ltd.

#### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### Basis for Opinion

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

#### Key Audit Matters

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

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

#### Recognition of Cargo Revenue

In accordance with IFRS 15 “Revenue from Contracts with Customers”, cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2021, cargo revenue amounted to NT\$124,249,632 thousand. Refer to Notes 4 and 25 to the accompanying financial statements for detailed information.

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

Our main audit procedures performed included the following:

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

### **Other Matter - Audited by Other Independent Auditors**

The financial statements of some investments accounted for using the equity method in Note 12 were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors. As of December 31, 2021 and 2020, the aforementioned investments accounted for using the equity method amounted to NT\$2,955,909 thousand and NT\$2,304,113 thousand, representing 1.09% and 0.88% of the total assets, respectively. For the years ended December 31, 2021 and 2020, comprehensive income (loss) (including share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method) amounted to NT\$(1,739,024) thousand and NT\$(952,289) thousand, representing (18.44%) and (98.48%) of the total comprehensive income (loss), respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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



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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2022

Notice to Readers

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

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

# CHINA AIRLINES, LTD.

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

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 35,913,117	13	\$ 19,959,820	8
Financial assets at amortized cost - current (Notes 8 and 29)	11,923,194	5	5,863,137	2
Financial assets for hedging - current (Notes 4, 6 and 29)	3,563,319	1	7,613,636	3
Notes and accounts receivables, net (Notes 4, 10 and 29)	12,990,399	5	9,198,055	4
Notes and accounts receivables - related parties (Note 30)	54,474	-	101,424	-
Other receivables	543,768	-	427,722	-
Current tax assets (Notes 4 and 26)	52,282	-	60,129	-
Inventories (Notes 4 and 10)	8,380,327	3	8,093,152	3
Non-current assets held for sale (Notes 4 and 11)	36,719	-	89,296	-
Other current assets (Note 16)	389,191	-	452,414	-
Total current assets	<u>73,846,790</u>	<u>27</u>	<u>51,858,785</u>	<u>20</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 29)	55,458	-	147,161	-
Investments accounted for using the equity method (Notes 4 and 12)	12,830,025	5	12,321,157	5
Property, plant and equipment (Notes 4, 13 and 31)	115,174,548	42	126,414,462	48
Right-of-use assets (Notes 4, 19 and 31)	50,965,378	19	54,555,761	21
Investment properties (Notes 4 and 14)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 15)	754,349	-	867,453	-
Deferred tax assets (Notes 4 and 26)	5,234,304	2	4,981,859	2
Other non-current assets (Notes 16, 19 and 29)	9,742,416	4	7,715,679	3
Total non-current assets	<u>196,803,926</u>	<u>73</u>	<u>209,050,980</u>	<u>80</u>
<b>TOTAL</b>	<u>\$ 270,650,716</u>	<u>100</u>	<u>\$ 260,909,765</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term bills payable (Notes 17 and 29)	\$ -	-	\$ 8,088,882	3
Financial liabilities for hedging - current (Notes 4, 19 and 29)	8,437,648	3	8,126,239	3
Notes and accounts payable (Note 29)	826,989	-	1,128,517	1
Notes and accounts payable - related parties (Note 30)	733,837	-	588,234	-
Other payables (Notes 20 and 25)	12,865,006	5	7,128,080	3
Current tax liabilities	2,880,785	1	2	-
Lease liabilities - current (Notes 4 and 19)	882,538	1	842,592	-
Contract liabilities current (Notes 4 and 21)	3,416,733	1	3,218,846	1
Provisions - current (Notes 4 and 22)	2,578,812	1	-	-
Current portion of bonds payable and put option of convertible bonds (Notes 4, 18, 29 and 30)	2,525,000	1	12,132,859	5
Current portion of long-term borrowings (Notes 17, 29 and 31)	8,351,129	3	14,798,442	6
Other current liabilities	2,168,227	1	687,317	-
Total current liabilities	<u>45,666,704</u>	<u>17</u>	<u>56,740,010</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities for hedging - non-current (Notes 4, 19 and 29)	27,839,847	10	32,455,333	13
Bonds payable (Notes 4, 18, 29 and 30)	11,125,026	4	10,300,000	4
Long-term borrowings (Notes 17, 29 and 31)	76,804,516	29	68,815,395	26
Contract liabilities - non-current (Notes 4 and 21)	635,633	-	1,761,104	1
Provisions - non-current (Notes 4 and 22)	15,229,888	6	13,741,244	5
Deferred tax liabilities (Notes 4 and 26)	822,368	-	875,388	-
Lease liabilities - non-current (Notes 4 and 19)	9,677,756	4	10,055,776	4
Net defined benefit liabilities - non-current (Notes 5 and 23)	8,359,189	3	8,217,395	3
Other non-current liabilities	446,216	-	388,637	-
Total non-current liabilities	<u>150,940,439</u>	<u>56</u>	<u>146,610,272</u>	<u>56</u>
Total liabilities	<u>196,607,143</u>	<u>73</u>	<u>203,350,282</u>	<u>78</u>
<b>EQUITY (Notes 18 and 24)</b>				
Share capital	59,412,243	22	54,209,846	21
Capital surplus	2,694,529	1	1,187,327	-
Retained earnings				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Unappropriated retained earnings (accumulated deficit)	9,253,848	3	(350,581)	-
Total retained earnings (accumulated deficit)	9,253,848	3	(350,581)	-
Other equity	2,713,828	1	2,543,766	1
Treasury shares	(30,875)	-	(30,875)	-
Total equity	<u>74,043,573</u>	<u>27</u>	<u>57,559,483</u>	<u>22</u>
<b>TOTAL</b>	<u>\$ 270,650,716</u>	<u>100</u>	<u>\$ 260,909,765</u>	<u>100</u>

## CHINA AIRLINES, LTD.

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 30)	\$ 132,140,248	100	\$ 106,327,123	100
OPERATING COSTS (Notes 4, 10, 25 and 30)	<u>106,229,554</u>	<u>80</u>	<u>95,190,179</u>	<u>89</u>
GROSS PROFIT	25,910,694	20	11,136,944	11
OPERATING EXPENSES (Notes 4, 25 and 30)	<u>6,590,298</u>	<u>5</u>	<u>6,252,089</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>19,320,396</u>	<u>15</u>	<u>4,884,855</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	374,625	-	440,761	-
Other gains and losses (Notes 11, 12, 13 and 25)	(1,971,900)	(1)	(523,827)	-
Finance costs (Notes 25 and 30)	(2,164,174)	(2)	(2,780,363)	(3)
Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	<u>(3,585,007)</u>	<u>(3)</u>	<u>(1,850,331)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>(7,346,456)</u>	<u>(6)</u>	<u>(4,713,760)</u>	<u>(5)</u>
PROFIT BEFORE INCOME TAX	11,973,940	9	171,095	-
INCOME TAX EXPENSE (Notes 4 and 26)	<u>2,594,035</u>	<u>2</u>	<u>31,095</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>9,379,905</u>	<u>7</u>	<u>140,000</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 24 and 29)	(75,214)	-	(474,202)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	(91,703)	-	39,305	-
Remeasurement of defined benefit plans (Notes 4 and 23)	(35,512)	-	(494,218)	(1)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	2,831	-	(9,095)	-

(Continued)

## CHINA AIRLINES, LTD.

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

	2021		2020	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 26)	21,236	-	163,172	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 24)	17,597	-	(101,142)	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	2,087	-	4,205	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 24 and 29)	264,168	-	2,098,393	2
Income tax related to items that may be reclassified subsequently to profit or loss (Note 26)	<u>(56,353)</u>	<u>-</u>	<u>(399,450)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>49,137</u>	<u>-</u>	<u>826,968</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 9,429,042</u>	<u>7</u>	<u>\$ 966,968</u>	<u>1</u>
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)</b>				
Basic	<u>\$ 1.67</u>		<u>\$ 0.03</u>	
Diluted	<u>\$ 1.54</u>		<u>\$ 0.03</u>	

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

(Concluded)

**CHINA AIRLINES, LTD.**

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

	Retained Earnings					Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2020	\$ 54,209,846	\$ 2,488,907	\$ 466,416	\$ 12,967	\$ (1,777,225)	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ (43,372)	\$ 56,553,772	
Issuance of employee share options by subsidiaries	-	172	-	-	-	-	-	-	-	172	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(169,272)	-	-	-	-	(169,272)	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	200,989	-	200,989	
Appropriation of 2019 earnings											
Legal reserve	-	-	(466,416)	-	466,416	-	-	-	-	-	
Special reserve	-	-	-	(12,967)	12,967	-	-	-	-	-	
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	1,297,843	-	-	-	-	-	
Net profit for the year ended December 31, 2020	-	-	-	-	140,000	-	-	-	-	140,000	
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(319,576)	(79,545)	(35,903)	1,261,992	-	826,968	
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(179,576)	(79,545)	(35,903)	1,261,992	-	966,968	
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	12,497	6,854	
BALANCE AT DECEMBER 31, 2020	54,209,846	1,187,327	-	-	(350,581)	(134,252)	71,359	2,606,659	(30,875)	57,559,483	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	99,507	-	99,507	
Appropriation of 2020 earnings											
Capital surplus used to cover accumulated deficit	-	(350,581)	-	-	350,581	-	-	-	-	-	
Issuance of employee share options by subsidiaries	-	540	-	-	-	-	-	-	-	540	
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(104,639)	-	-	-	-	(104,639)	
Net profit for the year ended December 31, 2021	-	-	-	-	9,379,905	-	-	-	-	9,379,905	
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(21,418)	14,173	(76,871)	133,253	-	49,137	
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	9,358,487	14,173	(76,871)	133,253	-	9,429,042	
Equity component of convertible bonds issued by the Company	-	188,862	-	-	-	-	-	-	-	188,862	
Convertible bonds converted to ordinary shares	5,202,397	1,668,381	-	-	-	-	-	-	-	6,870,778	
BALANCE AT DECEMBER 31, 2021	\$ 59,412,243	\$ 2,694,529	\$ -	\$ -	\$ 9,253,848	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ (30,875)	\$ 74,043,573	

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

# CHINA AIRLINES, LTD.

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

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 11,973,940	\$ 171,095
Adjustments for:		
Depreciation expense	26,503,214	28,018,746
Amortization expense	179,111	169,158
Expected credit loss recognized on trade receivables	38,474	3,000
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	-	(3,596)
Interest income	(132,220)	(208,081)
Dividend income	(8,355)	(8,720)
Share of loss (profit) of subsidiaries, associates and joint ventures	3,585,007	1,850,331
Loss (gain) on disposal of property, plant and equipment	932,718	(8,005)
Loss on disposal of investments	540	-
Impairment loss recognized on property, plant and equipment	-	424,573
Loss on inventory and property, plant and equipment	1,391,279	471,518
Net gain on foreign currency exchange	(895,534)	(1,048,369)
Impairment loss recognized on investments accounted for using the equity method	136,672	46,757
Finance costs	2,164,174	2,780,363
Recognition of provisions	5,796,335	5,580,416
Loss on sale and leaseback transactions	342,080	-
Others	(3,625)	1,876
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	4,030
Financial liabilities at fair value through profit or loss	-	(11,749)
Notes and accounts receivable	(3,875,256)	(1,467,229)
Accounts receivable - related parties	46,950	130,962
Other receivables	(117,036)	107,524
Inventories	(1,009,933)	(70,344)
Other current assets	70,928	1,701,803
Notes and accounts payable	(278,147)	(59,328)
Accounts payable - related parties	145,603	(881,200)
Other payables	5,815,179	(3,724,692)
Contract liabilities	(927,584)	(15,840,648)
Provisions	(1,476,769)	(705,117)
Other current liabilities	1,474,423	(1,915,678)
Defined benefit liabilities	106,282	134,432
Cash generated from operations	51,978,450	15,643,828
Interest received	129,028	228,141
Dividends received	213,017	842,919
Interest paid	(2,140,081)	(2,966,777)
Income tax paid	(45,987)	(23,308)
Net cash generated from operating activities	<u>50,134,427</u>	<u>13,724,803</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		

(Continued)

# CHINA AIRLINES, LTD.

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

	2021	2020
Purchase of financial assets at amortized cost	(11,956,286)	(5,896,451)
Proceeds from sale of financial assets at amortized cost	5,863,137	1,460,450
Purchase of financial assets for hedging	(7,126,515)	(10,269,055)
Proceeds from sale of financial assets for hedging	11,110,497	2,363,897
Acquisition of investments and joint ventures accounted for using the equity method	(4,527,062)	(1,837,845)
Payments for property, plant and equipment	(1,702,245)	(859,654)
Proceeds from disposal of property, plant and equipment	586,395	23,385
Increase in refundable deposits	(79,357)	(18,214)
Decrease in refundable deposits	104,584	34,599
Increase in prepayments for equipment	(12,182,071)	(9,966,342)
Increase in computer software costs	(66,007)	(95,217)
Net cash inflow on disposal of subsidiary	<u>9,730</u>	<u>-</u>
Net cash used in investing activities	<u>(19,965,200)</u>	<u>(25,060,447)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Decrease) increase in short-term bill payable	(8,088,882)	8,088,882
Proceeds from issuance of bonds payable	4,500,000	-
Repayments of bonds payable	(6,300,000)	(10,000,000)
Proceeds from long-term borrowings	40,224,874	40,200,000
Repayments of long-term borrowings	(38,683,066)	(18,912,651)
Repayments of the principal portion of lease liabilities	(8,769,985)	(8,909,975)
Proceeds of guarantee deposits received	273,890	166,697
Refund of guarantee deposits received	(200,415)	(146,566)
Proceeds from sale and leaseback transactions	<u>2,810,098</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(14,233,486)</u>	<u>10,486,387</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>17,556</u>	<u>183,063</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>15,953,297</b>	<b>(666,194)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>19,959,820</u>	<u>20,626,014</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 35,913,117</u>	<u>\$ 19,959,820</u>

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

(Concluded)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
China Airlines, Ltd.

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

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

#### Recognition of Cargo Revenue

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

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



Our main audit procedures performed included the following:

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

### **Other Matter**

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

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2022

Notice to Readers

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

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

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

ASSETS	2021		2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 45,269,866	15	\$ 27,125,937	10
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	155,780	-	274,761	-
Financial assets at amortized cost (Notes 9 and 31)	13,028,521	5	6,551,693	2
Financial assets for hedging - current (Notes 4, 6 and 31)	3,563,319	1	7,613,636	3
Notes and accounts receivable, net (Notes 4, 10 and 31)	13,473,493	5	9,697,511	4
Notes and accounts receivable - related parties (Notes 31 and 32)	2,348	-	1,667	-
Other receivables (Notes 4 and 31)	752,764	-	801,134	-
Current tax assets (Notes 4 and 28)	59,341	-	67,549	-
Inventories (Notes 4 and 11)	8,814,975	3	8,788,105	3
Non-current assets held for sale (Notes 4, 5 and 12)	36,719	-	89,296	-
Other current assets (Note 18)	692,464	-	861,179	-
Total current assets	<u>85,849,590</u>	<u>29</u>	<u>61,872,468</u>	<u>22</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 31)	67,884	-	163,746	-
Financial assets at amortized cost (Notes 4, 9 and 31)	70,596	-	311,596	-
Investments accounted for using the equity method (Notes 4 and 14)	1,555,016	1	1,970,802	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	129,632,046	44	141,481,694	50
Right-of-use assets (Notes 4, 21 and 33)	56,061,967	19	59,861,537	21
Investment properties (Notes 4 and 16)	2,074,531	1	2,074,798	1
Other intangible assets (Notes 4 and 17)	1,008,992	-	1,076,351	-
Deferred tax assets (Notes 4, 5 and 28)	6,930,978	2	6,028,200	2
Other non-current assets (Notes 18, 21, 31 and 33)	11,469,481	4	9,352,892	3
Total non-current assets	<u>208,871,491</u>	<u>71</u>	<u>222,321,616</u>	<u>78</u>
<b>TOTAL</b>	<u>\$ 294,721,081</u>	<u>100</u>	<u>\$ 284,194,084</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 19)	\$ 1,932,000	1	\$ 1,932,000	1
Short-term bills payable (Note 19)	-	-	8,088,882	3
Financial liabilities for hedging - current (Notes 4, 21 and 31)	8,438,097	3	8,129,752	3
Notes and accounts payable (Note 31)	1,115,600	-	1,354,237	1
Accounts payable - related parties (Notes 31 and 32)	130,572	-	128,567	-
Other payables (Notes 22 and 31)	14,661,347	5	8,306,257	3
Current tax liabilities (Notes 4 and 28)	3,054,287	1	216,602	-
Lease liabilities - current (Notes 3, 4 and 21)	2,533,452	1	2,525,957	1
Contract liabilities - current (Note 23)	3,868,712	1	3,569,360	1
Provisions - current (Notes 4 and 24)	3,247,236	1	164,800	-
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20, 27 and 31)	2,525,000	1	11,982,859	4
Current portion of long-term borrowings (Notes 19, 31 and 33)	9,324,318	3	15,234,374	5
Other current liabilities (Note 31)	2,408,484	1	1,016,068	-
Total current liabilities	<u>53,239,105</u>	<u>18</u>	<u>62,649,715</u>	<u>22</u>
<b>NON-CURRENT LIABILITIES</b>				
Financial liabilities for hedging - non-current (Notes 3, 4, 21 and 31)	27,839,847	10	32,455,333	11
Bonds payable - non-current (Notes 4, 20, 27 and 31)	11,125,026	4	10,300,000	4
Long-term borrowings (Notes 19, 31 and 33)	85,069,285	29	77,288,330	27
Contract liabilities - non-current (Notes 4 and 23)	635,633	-	1,761,104	1
Provisions - non-current (Notes 4 and 24)	15,406,987	5	14,369,486	5
Current tax liabilities - non-current (Notes 4 and 28)	-	-	87,181	-
Deferred tax liabilities (Notes 4 and 28)	1,021,553	1	1,023,084	-
Lease liabilities - non-current (Notes 3, 4, and 21)	12,758,050	4	13,279,792	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,814,737	3	9,737,741	4
Other non-current liabilities (Note 31)	605,840	-	530,745	-
Total non-current liabilities	<u>164,276,958</u>	<u>56</u>	<u>160,832,796</u>	<u>57</u>
Total liabilities	<u>217,516,063</u>	<u>74</u>	<u>223,482,511</u>	<u>79</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)</b>				
Share capital	59,412,243	20	54,209,846	19
Capital surplus	2,694,529	1	1,187,327	-
Retained earnings (accumulated deficit)				
Legal reserve	-	-	-	-
Special reserve	-	-	-	-
Unappropriated retained earnings (accumulated deficit)	9,253,848	3	(350,581)	-
Total retained earnings (accumulated deficit)	<u>9,253,848</u>	<u>3</u>	<u>(350,581)</u>	<u>-</u>
Other equity	2,713,828	1	2,543,766	1
Treasury shares	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	74,043,573	25	57,559,483	20
<b>NON-CONTROLLING INTERESTS (Note 26)</b>	<u>3,161,445</u>	<u>1</u>	<u>3,152,090</u>	<u>1</u>
Total equity	<u>77,205,018</u>	<u>26</u>	<u>60,711,573</u>	<u>21</u>
<b>TOTAL</b>	<u>\$ 294,721,081</u>	<u>100</u>	<u>\$ 284,194,084</u>	<u>100</u>

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

## CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 138,841,403	100	\$ 115,250,550	100
OPERATING COSTS (Notes 4, 10, 11, 17, 24, 25, 27 and 32)	<u>115,486,946</u>	<u>83</u>	<u>105,031,349</u>	<u>91</u>
GROSS PROFIT	23,354,457	17	10,219,201	9
OPERATING EXPENSES (Notes 4, 25, 27 and 32)	<u>8,386,422</u>	<u>6</u>	<u>8,034,785</u>	<u>7</u>
PROFIT FROM OPERATIONS	<u>14,968,035</u>	<u>11</u>	<u>2,184,416</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 8 and 27)	938,526	1	686,574	1
Other gains and losses (Notes 12, 14, 15, 27 and 31)	(1,971,093)	(2)	(265,990)	-
Finance costs (Notes 27 and 31)	(2,407,442)	(2)	(3,057,963)	(3)
Share of the profit of associates and joint ventures (Note 14)	<u>(401,421)</u>	<u>-</u>	<u>(200,834)</u>	<u>-</u>
Total non-operating income and expenses	<u>(3,841,430)</u>	<u>(3)</u>	<u>(2,838,213)</u>	<u>(2)</u>
PROFIT (LOSS) BEFORE INCOME TAX	11,126,605	8	(653,797)	-
INCOME TAX (EXPENSE) BENEFIT (Notes 4, 5 and 28)	<u>(2,169,941)</u>	<u>(2)</u>	<u>373,983</u>	<u>-</u>
NET INCOME (LOSS) FOR THE YEAR	<u>8,956,664</u>	<u>6</u>	<u>(279,814)</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 26 and 31)	(75,214)	-	(474,202)	(1)
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 8)	(95,864)	-	(45,588)	-
Remeasurement of defined benefit plans (Notes 4 and 25)	(64,137)	-	(399,150)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	10,779	-	34,271	-

(Continued)

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	2021		2020	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>26,961</u>	-	<u>144,158</u>	-
	<u>(197,475)</u>	-	<u>(740,511)</u>	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	18,156	-	(97,948)	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 31)	267,230	-	2,103,332	2
Income tax related to items that may be reclassified subsequently to profit or loss (Note 28)	<u>(57,330)</u>	-	<u>(400,801)</u>	-
	<u>228,056</u>	-	<u>1,604,583</u>	2
Other comprehensive income (loss) for the year, net of income tax	<u>30,581</u>	-	<u>864,072</u>	1
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 8,987,245</u>	<u>6</u>	<u>\$ 584,258</u>	<u>1</u>
<b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 9,379,905	7	\$ 140,000	-
Non-controlling interests	<u>(423,241)</u>	(1)	<u>(419,814)</u>	-
	<u>\$ 8,956,664</u>	<u>6</u>	<u>\$ (279,814)</u>	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Company	\$ 9,429,042	7	\$ 966,968	1
Non-controlling interests	<u>(441,797)</u>	(1)	<u>(382,710)</u>	-
	<u>\$ 8,987,245</u>	<u>6</u>	<u>\$ 584,258</u>	<u>1</u>
<b>EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)</b>				
Basic	<u>\$ 1.67</u>		<u>\$ 0.03</u>	
Diluted	<u>\$ 1.54</u>		<u>\$ 0.03</u>	

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

(Concluded)

**CHINA AIRLINES, LTD. AND SUBSIDIARIES**

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

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

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

# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (loss) before income tax	\$ 11,126,605	\$ (653,797)
Adjustments for:		
Depreciation expense	29,728,248	31,167,247
Amortization expense	221,459	206,936
Expected credit loss recognized on trade receivables	38,376	4,895
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(186)	(2,287)
Interest income	(156,339)	(282,506)
Dividend income	(12,220)	(23,043)
Share of loss (profit) of associates and joint ventures	401,421	200,834
Loss (gain) on disposal of property, plant and equipment	933,151	(13,347)
Loss on disposal of investments	540	-
Impairment loss recognized on property, plant, equipment	40,967	424,573
Loss on inventories and property, plant and equipment	1,486,792	471,507
Net gain on foreign currency exchange	(1,108,112)	(1,338,716)
Compensation costs of employee share options	666	224
Finance costs	2,407,442	3,057,963
Impairment loss recognized on investments accounted for using the equity method	59,901	46,757
Impairment loss recognized on intangible assets	143,043	-
Recognition of provisions	6,435,015	6,075,077
Loss on sale and leaseback transactions	342,080	-
Others	(3,321)	(2,435)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	119,424	241,592
Financial liabilities at fair value through profit or loss	-	(11,749)
Notes and accounts receivable	(3,956,141)	(1,073,959)
Accounts receivable - related parties	(90,695)	593,365
Other receivables	133,762	(85,263)
Inventories	(840,170)	(83,341)
Other current assets	79,366	1,830,887
Notes and accounts payable	(127,647)	(628,780)
Accounts payable - related parties	89,079	(1,043,501)
Other payables	6,366,239	(4,295,509)
Contract liabilities	(825,952)	(17,966,621)
Provisions	(2,042,423)	(1,308,170)
Other current liabilities	1,371,927	(2,620,022)
Defined benefit liabilities	15,799	(97,570)
Other liabilities	2,739	(17,082)
Cash generated from operations	52,380,835	12,774,159
Interest received	153,976	304,642
Dividends received	24,840	32,433
Interest paid	(2,389,939)	(3,209,074)

(Continued)



# CHINA AIRLINES, LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(In Thousands of New Taiwan Dollars)

	2021	2020
Income tax paid	<u>(284,312)</u>	<u>(178,685)</u>
Net cash generated from operating activities	<u>49,885,400</u>	<u>9,723,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(13,371,713)	(6,235,773)
Proceeds from sale of financial assets at amortized cost	7,248,501	1,934,516
Purchase of financial assets for hedging	(7,126,515)	(10,269,055)
Proceeds from sale of financial assets for hedging	11,110,497	2,363,897
Payments for property, plant and equipment	(2,477,191)	(1,237,515)
Proceeds from disposal of property, plant and equipment	595,447	45,620
Increase in refundable deposits	(102,544)	(63,005)
Decrease in refundable deposits	136,943	122,324
Increase in prepayments for equipment	(12,249,495)	(11,407,502)
Payments for other intangible assets	(203,116)	(130,461)
Increase in restricted assets	(226,905)	(171,219)
Net cash inflow on disposal of subsidiaries	<u>942</u>	<u>-</u>
Net cash used in investing activities	<u>(16,665,149)</u>	<u>(25,048,173)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	-	1,552,000
(Decrease) increase in short-term bill payable	(8,088,882)	8,088,882
Proceeds from issuance of bonds payable	4,500,000	-
Repayments of bonds payable	(6,300,000)	(9,850,000)
Proceeds from long-term borrowings	43,968,069	45,605,919
Repayments of long-term borrowings	(42,097,170)	(20,746,998)
Repayments of the principal portion of lease liabilities	(10,466,575)	(10,583,872)
Proceeds from guarantee deposits received	328,432	165,404
Refund of guarantee deposits received	(267,618)	(156,143)
Proceeds from sale and leaseback transactions	2,810,098	-
Proceeds from issuance of ordinary shares of subsidiaries	471,114	162,155
Cash dividends paid to non-controlling interests	(124,727)	(375,024)
Proceeds from disposal of treasury shares	<u>-</u>	<u>6,854</u>
Net cash (used in) generated from financing activities	<u>(15,267,259)</u>	<u>13,869,177</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>190,937</u>	<u>121,930</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>18,143,929</b>	<b>(1,333,591)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>27,125,937</u>	<u>28,459,528</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 45,269,866</u>	<u>\$ 27,125,937</u>

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

(Concluded)

**Appendix 2**

**China Airlines Ltd.**  
**Distribution of 2021 earnings**

Unit: NT\$

Items	Total
Unappropriated retained earnings (beginning balance)	\$ 0
Deduct: Remeasurement of defined benefit plans	(28,409,950)
Add: Changes in recognized associates using the equity method	6,992,310
Deduct: Changes in retained earnings due to not recognizing associates according to the shareholding ratio	(104,639,306)
Add: 2021 Net income after tax	<u>9,379,905,181</u>
Subtotal	9,253,848,235
Subtract: 10% Legal Reserve	(925,384,824)
Retained Earnings Available for Distribution as of December 31, 2021	8,328,463,411
Distribution Item:	
Cash Dividends to Common Shareholders (\$0.83636529per share)	<u>(5,000,000,000)</u>
Unappropriated retained earnings (Ending Balance)	<u>\$ 3,328,463,411</u>

Chairman: HSIEH, SU-CHIEN

Manager: KAO, SHING-HWANG

Accounting Supervisor: CHEN, I-CHIEH

## Appendix 3

### China Airlines Ltd.

#### Comparison Table: Articles of Incorporation

Revised Provisions	Current Provisions	Revision Notes
<p>Article 10-1</p> <p>When the company's shareholders' meeting is held, it may be held by video conference or other methods announced by the central competent authority.</p> <p>The company holds a video conference of the shareholders' meeting, which shall be handled in accordance with the relevant laws and regulations and the company's rules of procedure for the shareholders' meeting.</p>	<p>NO, Added to this article</p>	<p>1. Added to this article.</p> <p>2. In response to the revision of Article 172-2 of the Company Law, open public offerings may, as stipulated in the Articles of Incorporation, be held by video conference or by way of announcement. However, the conditions to be met, relevant operating procedures and other matters to be complied with are subject to the regulations of the securities regulatory authority. In order to increase the flexibility of shareholders' meetings, provide shareholders with other ways to participate in shareholders' meetings, promote the practice of corporate governance, and respond to force majeure situations such as the epidemic, this article is newly added to cooperate with the aforementioned amendments.</p>
<p>Article 26 :</p> <p>The present Articles of Incorporation were announced on August 15, 1959, and the <u>seventy four (74th)</u> amendment was made on <u>May 26, 2022</u>.</p> <p>Matters not prescribed under the Articles of Incorporation shall be governed by and</p>	<p>Article 26 :</p> <p>The present Articles of Incorporation were announced on August 15, 1959, and the <u>seventy third (73rd)</u> amendment was made on <u>June 23, 2020</u>.</p> <p>Matters not prescribed under the Articles of</p>	<p>Adjust the revision date to match.</p>

Revised Provisions	Current Provisions	Revision Notes
construed in accordance with the provisions of the relevant laws and decrees. second	Incorporation shall be governed by and construed in accordance with the provisions of the relevant laws and decrees. second	

## Appendix 4

### China Airlines

#### Comparison Table: Procedures Governing the Acquisition and Disposal of Assets

Revised Provisions	Current Provisions	Revision Notes
<p>Article 6 Units responsible for implementation:</p> <p>1. The <u>Finance Division</u> oversees long-term securities. Short-term securities are overseen by the Finance Division. The Administration Division is responsible for real property. Assets other than securities investments and real property shall be overseen by the relevant department. As prescribed by the competent authorities, information disclosure is the responsibility of the Finance Division.</p> <p>2. (Omitted.)</p>	<p>Article 6 Units responsible for implementation:</p> <p>1. The <u>Corporate Development Office</u> oversees long-term securities. Short-term securities are overseen by the Finance Division. The Administration Division is responsible for real property. Assets other than securities investments and real property shall be overseen by the relevant department. As prescribed by the competent authorities, information disclosure is the responsibility of the Finance Division.</p> <p>2. (Omitted.)</p>	<p>1. According to the adjustment of the company's organization, the authority and responsibility unit for investing in long-term marketable securities shall be revised.</p>
<p>Article 8 Commissioning expert appraisal reports or opinions:</p> <p>1. Appraisal report for acquisition or disposal of real property, or equipment, or right-of-use assets thereof: In acquiring or disposing of real property, or equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or in excess of NT\$300 million, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the</p>	<p>Article 8 Commissioning expert appraisal reports or opinions:</p> <p>1. Appraisal report for acquisition or disposal of real property, or equipment, or right-of-use assets thereof: In acquiring or disposing of real property, or equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or in excess of NT\$300 million, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall</p>	<p>In accordance with the letter of the FSC, the amendments to Articles 5, 9 and 11 of the "Guidelines for the Handling of Assets Acquired or Disposed by Public Companies" are as follows:</p> <p>1. The words in Subparagraphs 3 and 3 of Paragraph 1 are deleted, and the accountants should follow the</p>

Revised Provisions	Current Provisions	Revision Notes
<p>following provisions:  (1)~ (2) : (Omitted.)  (3): Where any one of the following circumstances applies with respect to the professional appraiser's results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:  1: The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.  2: The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.  (4). (Omitted.)</p> <p>2.(Omitted.)  3. Acquisition or disposal of intangible</p>	<p>further comply with the following provisions:  (1)~ (2) : (Omitted.)  (3): Where any one of the following circumstances applies with respect to the professional appraiser's results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:  1: The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.  2: The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.  (4). (Omitted.)</p> <p>2.(Omitted.)  3. Acquisition or disposal of</p>	<p>provisions of the Bulletin of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China.</p> <p>2. As the trade associations to which external experts belong have relevant norms for their undertaking related businesses, in order to clarify the procedures and responsibilities that external experts should follow, it is amended to regulate the issuance of valuation reports or opinions by professional appraisers and their appraisers, accountants, lawyers or securities</p>

Revised Provisions	Current Provisions	Revision Notes
<p>assets, right-of-use assets, or memberships: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p> <p>4.(Omitted.)</p> <p>5. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions shall meet the following requirements:</p> <p>(1). May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial</p>	<p>intangible assets, right-of-use assets, or memberships: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the certified public account shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF</u></p> <p>4.(Omitted.)</p> <p>5. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions shall meet the following requirements:</p> <p>(1). May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial</p>	<p>underwriters In addition to the items listed in the second subparagraph of point 5, the documents shall be handled in accordance with the self-discipline regulations of the respective trade associations to which they belong.</p> <p>3. Corrected some texts to be in line with reality.</p>

Revised Provisions	Current Provisions	Revision Notes
<p>Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(2).May not be a related party or de facto related party of any party to the transaction</p> <p>(3). If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, <u>the self-discipline rules of the trade associations to which it belongs and</u> the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>(1).Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2).When <u>implement</u> a case, they shall appropriately plan and execute adequate working procedures, in order to form a</p>	<p>Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(2).May not be a related party or de facto related party of any party to the transaction</p> <p>(3). If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other. When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>(1).Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2).When examining a case, they shall appropriately plan and execute adequate working</p>	



Revised Provisions	Current Provisions	Revision Notes
<p>conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3). They shall undertake an item-by-item evaluation of <u>the appropriateness</u>, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4). They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u>, and that they have complied with applicable laws and regulations.</p> <p>6. (Omitted.)</p>	<p>procedures, in order to form a conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3). They shall undertake an item-by-item evaluation of <u>the comprehensiveness, accuracy, and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4). They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>reasonable and accurate</u>, and that they have complied with applicable laws and regulations.</p> <p>6. (Omitted.)</p>	
<p>Article 9 Related party transactions:</p> <p>1. (Omitted).</p> <p>2. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or</p>	<p>Article 9 Related party transactions:</p> <p>1. (Omitted).</p> <p>2. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real</p>	<p>In accordance with the letter of the FSC, Article 15 of the "Criteria for the Treatment of Assets Acquired or</p>

Revised Provisions	Current Provisions	Revision Notes
<p>right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors <u>and by the Audit Committee</u>:</p> <p>(1).The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 1, Subparagraph 3 and 4 of this Article.</p> <p>(4). The date and price at which the related party originally acquired the property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6). Monthly cash flow forecasts for the</p>	<p>property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors <u>and recognized by the Audit Committee</u>:</p> <p>(1).The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 1, Subparagraph 3 and 4 of this Article.</p> <p>(4). The date and price at which the related party originally acquired the property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p>	<p>Disposed by Public Companies" is amended, and the explanation is as follows:</p> <p>1. Tenth point added:</p> <p>(1) In order to strengthen the management of related party transactions and protect the rights of minority shareholders of public companies to express their opinions on the transactions between the company and related parties, it is necessary to refer to the provisions of major international capital markets such as Singapore and Hong Kong that regulate transactions with major related parties in advance for the approval of the</p>

Revised Provisions	Current Provisions	Revision Notes
<p>year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(7). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>3~9. (Omitted).</p> <p><u>10. If the company or a subsidiary of a non-domestic public company has the second transaction, and the transaction amount is more than 10% of the company's total assets, the company shall submit the materials listed in the second paragraph to the shareholders' meeting for approval before proceeding. A transaction contract must be signed and payment made. However, transactions between the Company and its parent company, subsidiaries, or subsidiaries of the Company are not subject to this limitation.</u></p> <p><u>11. The calculation of the transaction amount shall be handled in accordance with the provisions of Subparagraph 2 of Paragraph 1 of Article 11, but it has been submitted to the Audit Committee and the Board of Directors for approval or submitted to the shareholders' meeting for approval in accordance with the provisions of these procedures for partial exemption.</u></p> <p><u>12. The company and its subsidiaries, or</u></p>	<p>(6). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(7). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>3~9. (Omitted).</p> <p><u>10. The calculation of the transaction amounts shall be made in accordance with Article 11 Paragraph 1 Subparagraph 2. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.</u></p> <p><u>11. If the Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or capital amount conduct the following transactions among each other, the Board may authorize the Chairman in advance within a fixed amount and report ratification of the most recent board of directors:</u></p> <p>(1). Where equipment or its right-of-use assets for business use are acquired or disposed of</p>	<p>shareholders' meeting , In addition, in order to prevent the public offering company from conducting major related party transactions through the subsidiaries of the non-domestic public offering company, if evasion is required, the relevant information must be submitted to the shareholders' meeting for approval. The second point is that the company has a transaction of acquiring or disposing of assets with a related party, and the transaction amount is more than 10% of the total assets of the public offering company. Subsidiaries that are non-public offerings shall</p>

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<p>subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, are engaged in the following transactions. The board of directors may authorize the chairman of the board to make decisions within a certain amount, and then report to the most recent board of directors for ratification:</p> <p>(1). Acquiring or disposing of equipment or right-of-use assets for business use.</p> <p>(2). Acquiring or disposing of real estate right-of-use assets for business use.</p>	<p>(2). Where real estate right-of-use assets for business use are acquired or disposed of.</p>	<p>submit matters to the shareholders' meeting for approval, which shall be handled by the parent company of the public offering at the next higher level.</p> <p>(2) Considering the overall business planning needs of the public offering company and its parent company, subsidiaries, or its subsidiaries, and taking into account the exemption specifications of the major international capital markets in advance, the proviso to relax the waiver of shareholders' meeting resolutions for transactions between these companies.</p> <p>(3). Considering the overall business planning needs of</p>

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		<p>the public offering company and its parent company, subsidiaries, or its subsidiaries, and taking into account the exemption specifications of the major international capital markets in advance, the proviso to relax the waiver of shareholders' meeting resolutions for transactions between these companies.</p> <p>2. Points 10 and 11 of the current provisions have been moved to points 11 and 12 of the revised provisions. And amend the calculation of the transaction amount in point 11 to include the transaction submitted to the shareholders' meeting for</p>

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		approval.
<p>Article 11 Announcements, reporting, and disclosure of material information:</p> <p>1. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated information reporting website of the securities authority using the specified format based on the nature of the transaction:</p> <p>(1)~(5) (Omitted).</p> <p>(6). Where an asset transaction other than any of those referred to in (1) to (5) of this article, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided that this shall not apply to the following circumstances:</p> <p>1. Trading of domestic government bonds <u>or foreign public bonds with a credit rating not lower than my country's sovereign rating.</u></p> <p>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust</p>	<p>Article 11 Announcements, reporting, and disclosure of material information:</p> <p>1. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated information reporting website of the securities authority using the specified format based on the nature of the transaction:</p> <p>(1)~(5) (Omitted).</p> <p>(6). Where an asset transaction other than any of those referred to in (1) to (5) of this article, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided that this shall not apply to the following circumstances:</p> <p>1. Trading of domestic government bonds.</p> <p>2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p>	<p>Cooperate with the letter of the Financial Supervisory Commission to amend Article 31 of the "Standards for the Treatment of Assets Acquired or Disposed by Public Companies".</p> <p>Considering that the current public issuance companies have been exempted from public announcement and declaration for their trading of domestic public bonds, the sixth paragraph of Paragraph 1 is amended to relax the issuance of foreign public bonds whose trading rating is not lower than my country's sovereign rating, and they are also exempted from public</p>

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<p>enterprises.</p> <p>2~6. (Omitted)</p>	<p>2~6. (Omitted)</p>	<p>announcement and declaration.</p>
<p>Article 14</p> <p>These Procedures were adopted on May 18, 1991 and the <u>11th</u> revision was made on <u>May 26, 2022</u>. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.</p>	<p>Article 14</p> <p>These Procedures were adopted on May 18, 1991 and the <u>10th</u> revision was made on <u>June 25, 2019</u>. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations..</p>	<p>Discretionary amendment of date and frequency.</p>