

Stock Code:2610



CHINA AIRLINES

2019 Annual Shareholders' Meeting

Agenda Handbook

Time: June 25, 2019 (Tue.), 9:00 AM

Location: Novotel Taipei Taoyuan International Airport, No.1-1, Hangzhan S. Rd., Dayuan Dist., Taoyuan City 33758, Taiwan

(Summary Translation)

This document is based on the Chinese version and is for reference only. In the event of discrepancies between the English and Chinese versions, the Chinese version shall prevail.

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China Airlines 2019 Annual Shareholders' Meeting Agenda

Time: June 25, 2019 (Tue.), 9:00 AM

Location: Novotel Taipei Taoyuan International Airport, No. 1-1, Hangzhan S. Rd, Dayuan Dist., Taoyuan City 33758, Taiwan

1. Presentation of Report to Shareholders and Meeting Called to Order

2. Chairman's Address

3. Matters to Report

- (1) Business Report for the year 2018
- (2) Audit Committee's review report for the year 2018
- (3) Proposal for distribution of 2018 employee compensation
- (4) Status report on the Unsecured Ordinary Corporate Bonds of NT\$4.5 billion issued in 2018
- (5) Performance report on repurchasing CAL's shares 2018

4. Matters for Acknowledgement

- (1) Acknowledgement of Business Report and Financial Statements for the year 2018
- (2) Acknowledgement of proposal for distribution of 2018 profits

5. Matters for Discussion

- (1) Amendment to the "Articles of Incorporation"
- (2) Amendment to the "Procedures Governing the Election of Directors"
- (3) Amendment to the "Procedures Governing the Acquisition and Disposal of Assets"
- (4) Amendment to the "Operational Procedures for Derivatives Trading"
- (5) Amendment to the "Operational Procedures for Lending Funds to Others"
- (6) Amendment to the "Operational Procedures for Endorsements/Guarantees"
- (7) The Release of Tigerair Taiwan Stock
- (8) Proposal to release non-compete restrictions on Chairman Su-Chien Hsieh

6. Questions and Motions

7. Meeting Adjournment

Matters to Report

Agenda Item #1

Description: Business Report for the year 2018. To be reviewed by all parties.

Details: Please refer to pages 3-7 of this handbook.

Business Report for the year 2018

The operating environment for the aviation industry is closely related to the global economic atmosphere. In recent years, economic growth has stimulated overall air transport demand. The demand growth rate in the Asia-Pacific region is higher than the global level and has become momentum driving global growth. With advantages including increasing opening of traffic rights and the new southbound policy, the air transport market is also flourishing.

Looking at 2018, the passenger flight business and cargo flight business of China Airlines both showed spectacular performance, with a total number of 91,000 flights, carrying 15.61 million passengers and 1.51 million tons of cargo. In terms of passenger business, after the introduction of the 14th Airbus A350-900 in October, 24 next-generation long-haul passenger aircrafts are in use. Through the increase of flights on European routes, such as Vienna and Rome, and next-generation passenger aircraft taking over New Zealand/Australia markets, we continue to leverage our product strengths to enhance our competitiveness and overall profitability. For regional markets, flights have been increased on existing routes, such as Taoyuan-Nagoya and Taoyuan-Hanoi; Kaohsiung and Taichung have also increased transportation capacity to optimize the efficiency of the flight network. We have also strengthened inter-airline cooperation, increased code-sharing cooperation with Royal Brunei Airlines and other airlines, to reinforce our market layout. In terms of cargo business, benefiting from the recovery of economy, the warming of the freight market, the continued growth of demand for e-commerce goods, and the shipping boom at the end of the year driven by the tense trade relations between China and the United States, revenue has increased. In September, the 11th United States cargo aircraft destination, Columbus, Ohio, began with three flights a week, providing more options for shippers.

Providing safe services is a top priority of operation in the aviation industry. China Airlines was awarded the Operational Safety Audit (IOSA) of the International Air Transport Association (IATA) for the eighth time in 2018, ensuring flight safety through basic actions in line with international standards. In addition, the launch of the on-board service In-flight Medical Project provides high-quality and reliable journeys and one more protection

for passengers.

In addition to its commitment to the operation of the aviation industry, China Airlines has also taken advantage of the Group's diversified operations to promote e-commerce sales and aerospace maintenance business. The e-commerce platform Dynasty Miles Go was officially launched. Also, the re-invested Taiwanese aircraft maintenance company has passed the certification of the Civil Aeronautics Administration of the Ministry of Transportation and Communications. The new hangar will be officially opened in March 2019, and the company will sign the Airbus MRO Alliance (AMA) contract with Airbus. The advantages of maintenance technology and aviation material resources will be fully enhanced, bringing in entirely new opportunities for profit.

Corporate governance is the cornerstone of a company's sustainable operation. China Airlines is committed to promoting corporate governance and enhancing its operational synergy. It also focuses on aspects of "safeguarding shareholders' rights and interests," "equal treatment of shareholders," "strengthening Board structure and operations," "improving information transparency," and "implementing corporate social responsibility." In 2018, China Airlines was awarded the high honor of ranking in the top 5% in corporate governance evaluations held by the Taiwan Stock Exchange.

Looking ahead to 2019, air transport demand continues to grow, but there are still underlying concerns, such as the trade war between China and the US, oil price fluctuations, and fierce market competition. China Airlines will continue to optimize its operating efficiency as it enters its 60th anniversary, with an optimistic but cautious mindset.

1. Results of the business strategy

Operating revenue in NT dollars (same hereafter) was NT\$150.264 billion, a 7.47% increase over the last year, After-tax net profit was NT\$1.79 billion, for a basic after-tax net profit of NT\$0.33 per share.

1.1 Fleet:

As of the end of December, the company held 73 passenger aircraft (including leased aircraft) and 21 cargo aircraft, for a total of 94. In 2018, China Airlines introduced four Airbus A350-900 self-owned passenger aircrafts. Seven 747-400

and three A340-300 passenger planes were sold.

1.2 Passenger flights:

Revenue from passenger business was NT\$94.248 billion, a 4.07% increase over the last year, accounting for 62.72% of total operating revenue. As of the end of 2018, the China Airlines Group flew to 23 countries and 78 passenger destinations, spanning Asia, Europe, the Americas and Oceania. On average, there are 718 round-trip flights per week.

1.3 Cargo flights:

Cargo business income was NT\$49.422 billion, a 15.02% increase over the last year, accounting for 32.89% of total operating revenue. As of the end of 2018, the China Airlines group flew 18 cargo planes in cargo operations, flying to 15 countries and 34 destinations. Each week, there were an average of 97 cargo flights.

1.4 Other operating income:

Other operating revenue included in-flight duty-free sales revenue, a total of NT\$6.594 billion, a 4.92% increase over the last year, accounting for 4.39% of total operating revenue.

1.5 Investments and earnings:

As of the end of December, the company had investment in a total of 32 companies, areas of business such as air business, ground services, logistics, aircraft maintenance, air cargo station business, etc. contributed NT\$1.919 billion revenue over the year.

2. Business cash flow budget and profitability analysis

2.1 Cash flow:

Operating revenue was NT\$150.264 billion, up 10.449 billion over last year.

Operating costs and expenses were NT\$148.417 billion, up NT\$15.96 billion over last year.

Pre-tax net profit was NT\$2.315 billion, down NT\$0.773 billion over last year.

After-tax net profit was NT\$1.79 billion, down NT\$0.418 billion over last year.

2.2 Budget execution:

Projected operating revenue was NT\$144.545 billion, and actual operating revenue was NT\$150.264 billion, for a 103.96% attainment; projected operating

costs and fees were NT\$139.126 billion, and actual operating costs were NT\$148.417 billion, a spend rate of 106.68%. Projected losses from non-operating activities were NT\$2.504 billion, with actual losses from non-operating activities at NT\$0.468 billion. Actual annual pre-tax net profit was NT\$2.315 billion, a budget-achieving rate of 79.42%.

2.3 Profitability:

Return on assets 1.33%

Return on equity 3.14%

After-tax profit margin 1.19%

After-tax earnings per share NT\$0.33

3. Research and development

In view of the rise of the e-service era, China Airlines is committed to the development of website functions and the optimization of the ticket purchasing system, which will provide a better website experience and convenient services. In terms of payment, the China Airlines official website supports a multi-currency payment function to make it more convenient for passengers; in addition, in response to the fact that mobile phones have become mainstream for modern people to collect information and make transactions, the mobile phone ticket purchasing process has been revised to make the operations more convenient for passengers and to provide passengers with experience consistent with the experience on desktop web pages. In recent years, revenue from additional services has become increasingly important in the aviation industry. The Company provides travel insurance purchase function in South Korea, Hong Kong, and other markets, to provide more value-added services for passengers. At the same time, China Airlines also continues to promote advance customs clearance, going paperless, Electronic Airway Bill (e-AWB) and other solutions, to achieve the sustainable goal of low carbon emissions and energy conservation.

The Company's information strategy development in 2018 had seven major directions: going mobile, big data, artificial intelligence, cloud services, information security, virtual and augmented reality, and Internet of Things. We continued to grasp the pulse of the industry and utilize digital technology to understand customer value, master profit-earning trends, find opportunities for innovation, strengthen information security

risk management, and enhance the Company's operational competitiveness.

In recent years, benefiting from the rapid economic growth of developing countries, which has driven the demand of the overall air transport market, while the countries gradually loosen their air traffic rights policies, the development of aviation industry has been accelerated. However, the rapid development has also led to the congestion of airports in major cities around the world; with the saturation of airlines' aviation network layout, the aviation market competition will continue to be fierce, which will cause an impact on the overall revenue.

China Airlines will continue to improve its operations, and strengthen its external competitiveness through optimizing its products, aviation network and service quality. We will also continue to integrate Group's internal resources to achieve the synergy of diversified operations, and to realize our vision of "becoming the top airline choice in Taiwan."

Chairman: Ho, Nuan-Hsuan

President: Hsieh, Su-Chien

Vice President, Finance Div.: Chen, I-Chieh

Agenda Item #2

Description: Audit Committee's review report for the year 2018. To be reviewed by all parties.

Details: Please refer to page 9 of this handbook.

Audit Committee Report

The Board of Directors shall create and send (1) the 2018 consolidated financial statement and individual financial statement that have been jointly audited by Deloitte CPAs Chen-Hsiu Yang and Rui-Chan Huang who released an official unqualified opinion by March 20, 2019 and (2) the 2018 business report and Deficit Compensation Statement, after having been found to have no discrepancies by this audit committee and, thereupon, issued a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee: CHANG, HSIEN GEN-SEN

20 March 2019

Agenda Item #3

Description: Proposal for distribution of 2018 employee compensation. To be reviewed by all parties.

Details:

1. In accordance with Article 25 of the Company's Articles of Incorporation, in the case of a profitable fiscal year, the Company is to allocate no less than 3% as employee compensation.
2. The 2018 employee compensation is NT\$51 million.
3. This item was approved during the 5th session of the 21th Meeting of the Board.

Agenda Item #4

Description: Status report on the Unsecured Ordinary Corporate Bonds of NT\$4.5 billion issued in 2018. To be reviewed by all parties.

Details:

1. In accordance with Article 246 of the Articles of the Company Act, a company may, by a resolution adopted by the Board of Directors, invite subscription for corporate bonds, provided that the reasons for the said action as well as other relevant matters shall be reported to the meeting of shareholders.
2. In response to requirements for business development, repayment of loans, and the stable costs for future medium and long-term financing, the Company passed a resolution in the 2nd session of the 21st Meeting of the Board to issue domestic unsecured ordinary corporate bonds totaling no more than NT\$8 billion. The corporate bonds may be issued separately.
3. The Company has raised NT\$4.5 billion in unsecured ordinary corporate bonds in 2018 and the issuance status is as follows:

Item	Issuance of unsecured ordinary domestic corporate bonds in 2018
Issuance date	November 30, 2018
Total issuance amount	NT\$4.5 billion
Issuance price	Issued at 100% of face value
Duration of issuance	Type A: 5 years Type B: 7 years
Coupon rate	Type A: Fixed annual interest rate at 1.32% Type B: Fixed annual interest rate at 1.45%
Principal repayment method	Type A: 50% repayment at the end of the 4th year; 50% repayment at the end of the 5th year Type B: 50% repayment at the end of the 6th year; 50% repayment at the end of the 7th year
Implementation of capital allocation plan	Completed in 2019 Q1

4. The case has been reported to the 5th session of the 21st Meeting of the Board.

Agenda Item #5

Description: Performance report on repurchasing CAL's shares 2018. To be reviewed by all parties.

Details:

1. According to Article 28-2 of the Securities and Exchange Act, after the Company repurchases shares, it shall report the resolution and implementation status of the Board of Directors in the next shareholders' meeting.
2. The Company repurchased 50,000,000 shares of the Company in 2018 and canceled these shares to reduce the capital on December 18, 2018. The details are provided in the table below:

	Item	The Company's shares repurchased in 2018
Expected share repurchase	Board meeting resolution date	Thursday, August 9, 2018
	Objective of share repurchase	The Company repurchased and canceled the Company's ordinary shares to protect shareholders' equity
	Expected repurchase period	August 10, 2018 - October 9, 2018
	Repurchase price range	NT\$9 to NT\$14 per share
	Expected number of shares repurchased	50,000,000 shares
	Maximum total repurchase amount	NT\$700 million
Actual implementation status	Actual repurchase period	August 10, 2018 - October 9, 2018
	Actual quantity repurchased	50,000,000 shares
	Actual repurchase amount	NT\$469,526,285
	Average repurchase price per share	NT\$9.39
Cancellation and transfer date		Canceled and capital decrease on December 18, 2018
Quantity of canceled and transferred shares		50,000,000 shares
Cumulative number of shares of the Company		0 shares
Percentage of cumulative number of shares of the Company of total shares issued (%)		0%

3. The case has been reported to the 4th session of the 21st Meeting of the Board.

Matters for Acknowledgement

Agenda Item #1 (Proposed by the Board of Directors)

Description: Acknowledgement of Business Report and Financial Statements for the year 2018

Details:

1. The Company's 2018 annual financial statements (including Balance Sheet, Consolidated Income Statement, and Changes in Equity and Cash Flow Statement) have been jointly audited by Deloitte CPAs Chen-Hsiu Yang and Rui-Chan Huang and were approved and documented during the 5th session of the 21th Meeting of the Board.
2. For the 2018 Annual Business Report, please refer to pages 3-7 of this handbook; for the CPA Audit Report and the financial statements referred to above, please see pages 14-35 of this handbook.

Resolution:

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, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2018 and 2017, 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 and other regulations.

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, 2017. 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.

The key audit matters in the audit of the financial statements of the Company are stated below:

Passenger Revenue Recognition

In accordance with IFRS 15 "Revenue from Contracts with Customers", passenger sales are accounted for as contract liabilities before relevant transportation services are provided. After providing the related services, contract liabilities are reclassified to passenger

revenue. As of December 31, 2018, passenger revenue was NT\$94,248,291 thousand. Refer to Notes 4 and 27 to the accompanying consolidated financial statements for related detailed information.

Since relevant sales can only be recognized as passenger revenue when passengers actually boarded, confirmation from each passenger holding the ticket who actually boarded involves a complicated process; therefore, we identified passenger revenue recognition as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood and tested the internal control related to the process of revenue from passenger, including manual and automatic control.
2. We understood and tested the effectiveness of the information system related to the process of passenger revenue.
3. We sampled several flight tickets, which were flown and recognized as revenue, to verify whether the boarding date matched the date recorded on the tickets, from advanced sales tickets

New Aircraft Acquisition Cost

In accordance with IAS 16 "Property, Plant and Equipment", aircraft acquisition costs were allocated into several significant components, which include airframe, airframe overhaul, engine, engine overhaul, landing gear, etc., and are depreciated over different useful lives. As of December 31, 2018, the carrying amount of the flight equipment was NT\$133,222,119 thousand. Refer to Notes 4, 5 and 15 to the accompanying financial statements for related detailed information.

Since the Company introduced A350-900 brand new aircraft this year, the allocation base was adjusted. Moreover, the carrying amount of the flight equipment and the depreciation expense recognized will be subject to the allocation of acquisition cost and the estimated useful life, which were made in accordance with management's judgment. Therefore, we identified new aircraft acquisition cost as a key audit matter.

The main audit procedures that we performed included the following:

1. We reviewed the certificates issued by the aircraft and engine manufacturers, the suggested operating cost of the aircraft manufacturer, and the historical experience of the maintenance department to assess the rationale used to determine the allocated amount by management.
2. We conducted an assessment on the rationality of the aircraft's useful life based on aircraft performance in the industry, historical experience of aircraft operations, and documents that described the basis used by management to determine the useful life of its new aircraft.

Other Matter - Audited by Other Independent Auditors

Some investments accounted for using the equity method and disclosure information in Note 14 were audited by other independent auditors, and our audit opinion is based solely on the audit report of other independent auditors. As of December 31, 2018, the aforementioned investment accounted for using the equity method was NT\$ 1,805,921 thousand dollars, representing 0.84% of total assets. For the year ended December 31, 2018, comprehensive income (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) was NT\$ 890,786 thousand dollars.

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 and supervisors, 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, 2018 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 audit resulting in this independent auditors' report are Chen-Hsiu Yang and Jui-Chan Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 18,688,022	9	\$ 16,563,559	8
Derivative financial assets for hedging - current (Notes 4 and 32)	-	-	293	-
Financial assets at amortized cost (Notes 9 and 32)	2,310,000	1	-	-
Financial assets for hedging— current (Notes 4 and 32)	27,354	-	-	-
Receivables:				
Notes and accounts, net (Notes 4, 11 and 32)	9,280,662	4	8,044,940	4
Accounts - related parties (Notes 32 and 33)	298,311	-	510,588	-
Other receivables	656,790	-	532,974	-
Current tax assets (Notes 4 and 28)	15,810	-	24,096	-
Inventories, net (Notes 4 and 12)	8,451,892	4	8,610,958	4
Non-current assets held for sale (Notes 4 and 13)	46,154	-	426,553	-
Other current assets (Note 18)	3,157,864	2	3,219,735	2
Total current assets	42,932,859	20	37,933,696	18
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non current (Notes 4, 8 and 32)	83,366	-	-	-
Financial assets measured at cost - non-current, (Notes 4, 10 and 32)	-	-	64,177	-
Investments accounted for using the equity method (Notes 4 and 14)	13,158,355	6	11,551,369	5
Property, plant and equipment (Notes 4, 15 and 34)	149,029,054	69	142,265,548	67
Investment properties (Notes 4 and 16)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 17)	979,708	1	989,327	1
Deferred tax assets (Notes 4 and 28)	4,561,346	2	4,974,941	2
Other non-current assets (Notes 18, 21 and 32)	2,122,085	1	12,091,486	6
Total non-current assets	171,981,362	80	173,984,296	82
TOTAL ASSETS	\$ 214,914,221	100	\$ 211,917,992	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	\$ 221	-	\$ 8,655	-
Derivative financial liabilities for hedging - current (Notes 4 and 32)	-	-	77,639	-
Financial liabilities for hedging - current(Notes 4 and 32)	239	-	-	-
Notes and accounts payable (Note 32)	1,198,647	1	297,952	-
Contract liabilities current (Notes 4 and 23)	17,065,481	8	-	-
Accounts payable - related parties (Notes 32 and 33)	1,583,684	1	1,494,006	1
Other payables (Notes 22 and 27)	11,739,299	5	10,908,752	5
Current tax liabilities (Notes 4 and 28)	2	-	2	-
Provisions - current (Notes 4 and 24)	268,901	-	406,457	-
Deferred revenue - current (Notes 4 and 23)	-	-	14,048,025	7
Bonds payable and put option of convertible bonds - current (Notes 4, 20, 26, 32 and 33)	4,445,900	2	4,367,100	2
Loans and debts - current (Notes 18, 32 and 34)	15,335,005	7	18,814,633	9
Capital lease obligations - current portion (Notes 4, 21, 32 and 34)	596,000	-	1,580,000	1
Other current liabilities (Note 32)	2,946,455	1	2,922,143	1
Total current liabilities	55,179,834	25	54,925,364	26
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 7 and 32)	-	-	926	-
Derivative financial liabilities for hedging - non-current (Notes 4 and 32)	-	-	6,994	-
Bonds payable - non-current (Notes 4, 20, 26, 32 and 33)	28,773,710	13	21,350,000	10
Loans and debts - non-current (Notes 19, 32 and 34)	56,827,738	27	61,907,978	29
Contract liabilities - non-current (Notes 4 and 23)	1,903,665	1	-	-
Provisions - non-current (Notes 4 and 24)	7,730,114	4	7,352,194	4
Deferred tax liabilities (Notes 4 and 28)	21,195	-	38,946	-
Capital lease obligations - non-current (Notes 4, 21, 32 and 34)	-	-	596,000	-
Deferred revenue - non-current (Notes 4 and 23)	-	-	1,818,265	1
Accrued pension costs (Notes 4, 5 and 25)	6,932,783	3	6,158,744	3
Other non-current liabilities (Note 32)	463,610	-	739,344	-
Total non-current liabilities	102,652,815	48	99,969,391	47
Total liabilities	157,832,649	73	154,894,755	73
EQUITY (Notes 20 and 26)				
Share capital	54,209,846	25	54,709,846	26
Capital surplus	1,241,214	1	799,999	-
Retained earnings				
Legal reserve	351,923	-	206,092	-
Special reserve	118,810	-	-	-
Unappropriated retained earnings	1,144,928	1	1,458,313	1
Total retained earnings	1,615,661	1	1,664,405	1
Other equity	58,223	-	(107,641)	-
Treasury shares	(43,372)	-	(43,372)	-
Total equity	57,081,572	27	57,023,237	27
TOTAL LIABILITIES AND EQUITY	\$ 214,914,221	100	\$ 211,917,992	100

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

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
REVENUE (Notes 4, 27 and 33)	\$ 150,264,792	100	\$ 139,815,211	100
COSTS (Notes 4, 12, 27 and 33)	<u>137,614,956</u>	<u>92</u>	<u>121,848,814</u>	<u>87</u>
GROSS PROFIT	12,649,836	8	17,966,397	13
OPERATING EXPENSES (Notes 4, 27 and 33)	<u>10,802,269</u>	<u>7</u>	<u>10,608,283</u>	<u>8</u>
OPERATING PROFIT	<u>1,847,567</u>	<u>1</u>	<u>7,358,114</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27)	420,416	-	360,980	-
Other gains and losses (Notes 10, 13, 15 and 27)	(559,230)	-	(4,980,870)	(3)
Finance costs (Notes 10, 27 and 33)	(1,312,044)	(1)	(1,277,807)	(1)
Share of the profit of associates and joint ventures (Note 14)	<u>1,918,922</u>	<u>1</u>	<u>1,627,786</u>	<u>1</u>
Total non-operating income and expenses	<u>468,064</u>	<u>-</u>	<u>(4,269,911)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	2,315,631	1	3,088,203	2
INCOME TAX EXPENSE (Notes 4, and 28)	<u>525,270</u>	<u>-</u>	<u>880,137</u>	<u>-</u>
NET INCOME	<u>1,790,361</u>	<u>1</u>	<u>2,208,066</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Gain on hedging instruments subject to basis adjustments (Notes 4, 26 and 32)	23,884	-	-	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 26)	(23,830)	-	-	-
Remeasurement of defined benefit plans (Notes 4 and 25)	(674,905)	-	(645,219)	(1)
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method	(105,569)	-	(211,952)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	127,120	-	109,687	-

(Continued)

CHINA AIRLINES, LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 26)	34,140	-	(134,857)	-
Cash flow hedges (Notes 4 and 26)	-	-	(116,580)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4 and 26)	29,573	-	(11,212)	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 32)	75,454	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 28)	<u>(18,193)</u>	<u>-</u>	<u>42,744</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(532,326)</u>	<u>-</u>	<u>(967,389)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>\$ 1,258,035</u></u>	<u><u>1</u></u>	<u><u>\$ 1,240,677</u></u>	<u><u>1</u></u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
Basic	<u>\$ 0.33</u>		<u>\$ 0.40</u>	
Diluted	<u>\$ 0.32</u>		<u>\$ 0.39</u>	

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

(Concluded)

CHINA AIRLINES, LTD.

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Retained Earnings					Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity			Treasury Shares Held by Subsidiaries	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deflect)			Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments		
BALANCE AT JANUARY 1, 2017	\$ 54,708,901	\$ 799,932	\$ 287,224	\$ 76,486	\$ (157,618)	\$ 78,564	\$ 1,714	\$ -	\$ 31,986	\$ -	\$ (43,372)	\$ 55,783,817
Compensation of deficit - capital surplus	-	-	(81,132)	(76,486)	157,618	-	-	-	-	-	-	-
Convertible bonds converted to ordinary shares	945	131	-	-	-	-	-	-	-	-	-	1,076
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	(64)	-	-	-	-	-	-	-	-	-	(64)
Difference between cost of the acquisition of subsidiaries and net value	-	-	-	-	(2,269)	-	-	-	-	-	-	(2,269)
Net income for the year ended December 31, 2017	-	-	-	-	2,208,066	-	-	-	-	-	-	2,208,066
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(747,484)	(113,550)	60	-	(106,415)	-	-	(967,389)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,460,582	(113,550)	60	-	(106,415)	-	-	1,240,677
BALANCE AT DECEMBER 31, 2017	54,709,846	799,999	206,092	-	1,458,313	(34,986)	1,774	-	(74,429)	-	(43,372)	57,023,237
Effect of retrospective application and retrospective restatement	-	-	-	-	60	-	(1,774)	42,351	74,429	(74,429)	-	40,637
BALANCE AT JANUARY 1, 2018 AS RESTATED	54,709,846	799,999	206,092	-	1,458,373	(34,986)	-	42,351	-	(74,429)	(43,372)	57,063,874
Issuance of convertible bonds	-	409,978	-	-	-	-	-	-	-	-	-	409,978
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	-	-	12,118	-	12,118
Appropriation of 2017 earnings												
Legal reserve	-	-	145,831	-	(145,831)	-	-	-	-	-	-	-
Special reserve	-	-	-	118,810	(118,810)	-	-	-	-	-	-	-
Cash dividends - \$0.2181820086 per share	-	-	-	-	(1,193,670)	-	-	-	-	-	-	(1,193,670)
Changes in capital surplus from dividends distributed to subsidiaries	-	630	-	-	-	-	-	-	-	-	-	630
Net income for the year ended December 31, 2018	-	-	-	-	1,790,361	-	-	-	-	-	-	1,790,361
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(645,495)	25,322	-	268	-	87,579	-	(532,326)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,144,866	25,322	-	268	-	87,579	-	1,258,035
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(469,393)	(469,393)
Treasury shares retired	(500,000)	30,607	-	-	-	-	-	-	-	-	469,393	-
BALANCE AT DECEMBER 31, 2018	\$ 54,209,846	\$ 1,241,214	\$ 351,923	\$ 118,810	\$ 1,144,928	\$ (9,664)	\$ -	\$ 42,619	\$ -	\$ 25,268	\$ (43,372)	\$ 57,081,572

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

(With Deloitte & Touche auditors' report dated March 20, 2019)

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,315,631	\$ 3,088,203
Adjustments for:		
Bad debt expenses	50,000	50,000
Depreciation expenses	18,192,291	17,375,194
Amortization expenses	165,050	247,725
Net loss on fair value changes of financial assets and liabilities held for trading	(11,076)	33,385
Interest income	(274,189)	(176,329)
Dividend income	(9,603)	(9,564)
Share of profit of associates and joint ventures	(1,918,922)	(1,627,786)
Loss (gain) on disposal of property, plant and equipment	273,308	(5,839)
Gain on disposal of investments accounted for using the equity method	(450,195)	(101,105)
Loss (gain) on disposal of non-current assets held for sale	368,992	(252,467)
Loss on inventories and property, plant and equipment	623,012	642,423
Impairment loss recognized on property, plant and equipment	50,000	690,579
Net gain on foreign currency exchange	288,598	(343,681)
Finance costs	1,312,044	1,277,807
Recognition of provisions	2,566,045	2,524,079
Amortization of unrealized gain on sale-leasebacks	(13,888)	(14,512)
Impairment loss recognized on financial assets measured at cost	-	56,023
Impairment loss recognized on non-current assets held for sale	75,437	3,571,301
Changes in operating assets and liabilities		
Financial assets held for trading	-	(32,185)
Financial assets mandatorily classified as at fair value through profit or loss	11,076	-
Financial liabilities mandatorily classified as at fair value through profit or loss	(9,359)	9,580
Notes and accounts receivable	(1,260,344)	(271,309)
Accounts receivable - related parties	212,277	(71,079)
Other receivables	(94,232)	266,338
Inventories	(225,553)	(591,043)
Financial assets at amortized cost - current	(2,310,000)	-
Other current assets	62,151	(733,731)
Notes and accounts payable	878,219	(305,161)
Accounts payable - related parties	89,678	146,999
Other payables	513,674	2,073,621
Contract liabilities	3,102,855	-
Deferred revenue	-	653,161
Provisions	(2,539,210)	(1,138,140)
Other current liabilities	10,515	157,417
Accrued pension liabilities	99,135	(703,821)
Cash generated from operations	22,143,417	26,486,083
Interest received	244,604	192,138

(Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Dividends received	624,834	639,454
Interest paid	(1,242,278)	(1,245,421)
Income tax paid	<u>(19,085)</u>	<u>(31,203)</u>
Net cash generated from operating activities	<u>21,751,492</u>	<u>26,041,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the equity method	(243,743)	(1,240,837)
Payments for property, plant and equipment	(2,561,987)	(953,218)
Proceeds from disposal of property, plant and equipment	330,136	82,534
Proceeds from disposal of non-current assets held for sale	688,427	1,128,472
Proceeds from disposal of investments accounted for using the equity method	-	380,850
Increase in refundable deposits	(51,378)	(107,935)
Decrease in refundable deposits	103,593	180,381
Increase in prepayments for equipment	(13,798,867)	(24,215,469)
Increase in computer software costs	<u>(155,431)</u>	<u>(121,951)</u>
Net cash used in investing activities	<u>(15,689,250)</u>	<u>(24,867,173)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bills payable	-	(900,000)
Payments for buy-back of treasury shares	(469,393)	-
Proceeds from issuance of bonds payable	10,512,000	5,850,000
Repayments of bonds payable	(2,700,000)	(2,700,000)
Proceeds from long-term borrowings	17,200,000	30,380,000
Repayments of long-term borrowings and capital lease obligations	(27,339,868)	(36,947,007)
Proceeds from guarantee deposits received	118,367	233,015
Refunds of guarantee deposits received	(67,905)	(192,672)
Dividends paid to owners of the Company	<u>(1,193,670)</u>	<u>-</u>
Net cash used in financing activities	<u>(3,940,469)</u>	<u>(4,276,664)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>2,690</u>	<u>(68,245)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	2,124,463	(3,171,031)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>16,563,559</u>	<u>19,734,590</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 18,688,022</u>	<u>\$ 16,563,559</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, 2018 and 2017, 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, 2018 and 2017, 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, 2018. 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.

The key audit matters in the audit of the consolidated financial statements of the Group are stated below:

Passenger Revenue Recognition

In accordance with IFRS 15 “Revenue from Contracts with Customers”, passenger sales are accounted for as contract liabilities before relevant transportation services are provided. After providing the related services, contract liabilities are reclassified to passenger revenue. As of December 31, 2018, passenger revenue was NT\$108,345,648 thousand. Refer to Notes 4 and 28 in the accompanying consolidated financial statements for related detailed information.

Since relevant sales can only be recognized as passenger revenue when passengers actually boarded, confirmation from each passenger holding the ticket who actually boarded involves a complicated process; therefore, we identified passenger revenue recognition as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood and tested the internal control related to the process of revenue from passenger, including manual and automatic control.
2. We understood and tested the effectiveness of the information system related to the process of passenger revenue.
3. We sampled several flight tickets, which were flown and recognized as revenue, to verify whether the boarding date matched the date recorded on the tickets, from advanced sales tickets.

New Aircraft Acquisition Cost

In accordance with IAS 16 “Property, Plant and Equipment”, aircraft acquisition costs were allocated into several significant components, which include airframe, airframe overhaul, engine, engine overhaul, landing gear, etc., and are depreciated over different useful lives. As of December 31, 2018, the carrying amount of flight equipment was NT\$136,187,473 thousand. Refer to Notes 4, 5, and 16 to the accompanying consolidated financial statements for related detailed information.

Since the Group acquired several A350-900 brand new aircraft this year, the allocation base was adjusted. Moreover, the carrying amount related to the aircraft and the depreciation expense recognized will be subject to the allocation of acquisition costs and the estimated useful life, which were made in accordance with management’s judgment. Therefore, we identified new aircraft acquisition cost as a key audit matter.

The main audit procedures that we performed included the following:

1. We reviewed the certificates issued by the aircraft and engine manufacturers, the

estimated overhaul cost of the manufacturers, and the historical experience from the maintenance division to assess management's rationale to determine the allocated amount of components.

2. We conducted an assessment on the rationality of the aircraft's useful life based on aircraft performance in the industry, historical experience of aircraft operations, and documents that described the basis used by management to determine the useful life of its new aircraft.

Other Matter Audited by Other Independent Auditors

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

As of December 31, 2018, total assets of these subsidiaries amounted to NT\$5,864,701 thousand dollars, representing 2.55% of the combined total assets. For the year ended December 31, 2018, revenue from these subsidiaries amounted to NT\$8,634,324 thousand dollars, representing 5.06% of the combined total revenue.

Other Matter Parent Company Only Financial Statements

We have also audited the parent company only financial statements of China Airlines, Ltd. as of and for the years ended December 31, 2018 and 2017 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 and supervisors, 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, 2018 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 audit resulting in this independent auditors' report are Chen-Hsiu Yang and Jui-Chan Huang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 20, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 19 and 33)	\$ 24,937,537	11	\$ 22,585,332	10
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	206,001	-	306,839	-
Financial assets at amortized cost (Notes 9 and 33)	3,856,660	2	-	-
Derivative financial assets for hedging - current (Notes 4, 5, 8 and 31)	-	-	293	-
Financial assets for hedging - current (Notes 4 and 33)	32,906	-	-	-
Notes and accounts receivable, net (Notes 4, 11 and 33)	10,038,528	4	8,604,265	4
Notes and accounts receivable- related parties (Notes 31 and 33)	9,043	-	8,359	-
Other receivables (Notes 4 and 33)	879,191	-	714,413	-
Current tax assets (Notes 4 and 29)	18,948	-	32,487	-
Inventories, net (Notes 4 and 12)	8,654,710	4	8,731,755	4
Non-current assets held for sale (Notes 4, 5 and 13)	46,154	-	426,553	-
Other assets - current (Notes 6 and 19)	<u>4,147,882</u>	<u>2</u>	<u>6,001,538</u>	<u>3</u>
Total current assets	<u>52,827,560</u>	<u>23</u>	<u>47,411,834</u>	<u>21</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 33)	132,191	-	-	-
Financial assets measured at cost - non-current, net of current portion (Notes 3, 10 and 33)	-	-	84,075	-
Investments accounted for using the equity method (Notes 4 and 15)	2,200,149	1	2,507,346	1
Property, plant and equipment (Notes 4, 5, 16 and 35)	163,107,718	71	153,617,531	68
Investment properties (Notes 4 and 17)	2,075,345	1	2,075,624	1
Other intangible assets (Notes 4 and 18)	1,210,796	1	1,019,345	1
Deferred income tax asset (Notes 4, 5 and 29)	5,152,070	2	5,519,332	2
Other assets - non-current (Notes 19, 22, 33 and 34)	<u>3,430,753</u>	<u>1</u>	<u>13,664,545</u>	<u>6</u>
Total non-current assets	<u>177,309,022</u>	<u>77</u>	<u>178,487,798</u>	<u>79</u>
TOTAL	<u>\$ 230,136,582</u>	<u>100</u>	<u>\$ 225,899,632</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term debts (Note 20)	\$ -	-	\$ 120,000	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 33)	221	-	8,655	-
Derivative financial liabilities for hedging - current (Notes 4, 8 and 33)	-	-	82,295	-
Financial liabilities for hedging - current (Notes 4 and 33)	560	-	-	-
Notes and accounts payable (Note 33)	1,594,487	1	483,884	-
Accounts payable - related parties (Notes 33 and 34)	532,815	-	590,806	-
Other payables (Notes 23 and 33)	14,146,198	6	13,033,069	6
Current tax liabilities (Notes 4 and 29)	164,181	-	28,722	-
Provisions - current (Notes 4, 5 and 24)	321,075	-	475,725	-
Contract liabilities - current (Notes 4, 5 and 24)	19,546,455	9	-	-
Deferred revenue - current (Notes 4, 5 and 24)	-	-	16,375,789	7
Bonds payable and put option of convertible bonds - current portion (Notes 4, 21, 27 and 33)	4,445,900	2	4,367,100	2
Loans and debts - current portion (Notes 20, 33 and 35)	15,709,487	7	19,304,674	9
Capital lease obligations - current portion (Notes 4, 22, 33 and 35)	633,398	-	1,617,321	1
Other current liabilities (Note 33)	<u>3,855,115</u>	<u>2</u>	<u>3,801,073</u>	<u>2</u>
Total current liabilities	<u>60,949,892</u>	<u>27</u>	<u>60,289,113</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - non-current (Notes 4, 5, 7 and 33)	-	-	926	-
Derivative financial liabilities for hedging - non-current (Notes 4, 5, 8 and 33)	-	-	6,994	-
Bonds payable - non-current (Notes 4, 21, 27 and 33)	28,473,710	12	21,050,000	9
Loans and debts - non-current (Notes 20, 33 and 35)	60,686,148	26	65,753,503	29
Provisions - non-current (Notes 4, 5 and 25)	8,473,464	4	8,013,583	4
Contract liabilities - current (Notes 4, 5 and 24)	1,903,665	1	-	-
Deferred tax liabilities (Notes 4 and 29)	188,447	-	190,682	-
Capital lease obligations - non-current (Notes 4, 22, 33 and 35)	2,945	-	636,222	-
Deferred revenue - non-current (Notes 4, 5 and 24)	-	-	1,818,265	1
Accrued pension costs (Notes 4, 5 and 26)	8,803,382	4	8,101,565	4
Other non-current liabilities (Note 33)	<u>607,845</u>	<u>-</u>	<u>881,260</u>	<u>-</u>
Total non-current liabilities	<u>109,139,606</u>	<u>47</u>	<u>106,453,000</u>	<u>47</u>
Total liabilities	<u>170,089,498</u>	<u>74</u>	<u>166,742,113</u>	<u>74</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 27)				
Share capital	<u>54,209,846</u>	<u>24</u>	<u>54,709,846</u>	<u>24</u>
Capital surplus	<u>1,241,214</u>	<u>-</u>	<u>799,999</u>	<u>-</u>
Retained earnings				
Legal reserve	351,923	-	206,092	-
Special reserve	118,810	-	-	-
Unappropriated retained earnings (accumulated deficits)	<u>1,144,928</u>	<u>1</u>	<u>1,458,313</u>	<u>1</u>
Total retained earnings	<u>1,615,661</u>	<u>1</u>	<u>1,664,405</u>	<u>1</u>
Other equity	<u>58,223</u>	<u>-</u>	<u>(107,641)</u>	<u>-</u>
Treasury shares	<u>(43,372)</u>	<u>-</u>	<u>(43,372)</u>	<u>-</u>
Total equity attributable to owners of the Company	57,081,572	25	57,023,237	25
NON-CONTROLLING INTERESTS (Note 27)	<u>2,965,512</u>	<u>1</u>	<u>2,134,282</u>	<u>1</u>
Total equity	<u>60,047,084</u>	<u>26</u>	<u>59,157,519</u>	<u>26</u>
TOTAL	<u>\$ 230,136,582</u>	<u>100</u>	<u>\$ 225,899,632</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
REVENUE (Notes 4, 28 and 34)	\$ 170,711,607	100	\$ 156,121,785	100
COSTS (Notes 4, 9, 12, 18, 25, 26, 28 and 34)	<u>153,504,076</u>	<u>90</u>	<u>134,149,374</u>	<u>86</u>
GROSS PROFIT	17,207,531	10	21,972,411	14
OPERATING EXPENSES (Notes 4, 26 and 28)	<u>13,185,148</u>	<u>8</u>	<u>13,146,251</u>	<u>8</u>
OPERATING PROFIT	<u>4,022,383</u>	<u>2</u>	<u>8,826,160</u>	<u>6</u>
NON-OPERATING INCOME AND LOSS				
Other income (Notes 4, 8 and 28)	606,453	1	560,399	-
Other gains and losses (Notes 10, 13, 16, 28 and 31)	(534,848)	-	(5,052,031)	(3)
Finance costs (Notes 9, 28 and 33)	(1,379,985)	(1)	(1,346,801)	(1)
Share of the profit of associates and joint ventures (Note 15)	<u>367,246</u>	<u>-</u>	<u>536,236</u>	<u>-</u>
Total non—operating income and loss	<u>(941,134)</u>	<u>-</u>	<u>(5,302,197)</u>	<u>(4)</u>
PRETAX PROFIT	3,081,249	2	3,523,963	2
INCOME TAX EXPENSE (Notes 4, 5 and 29)	<u>808,565</u>	<u>1</u>	<u>1,033,171</u>	<u>-</u>
NET INCOME	<u>2,272,684</u>	<u>1</u>	<u>2,490,792</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain on hedging instruments subject to basis adjustment (Notes 4, 27 and 33)	23,884	-	-	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income (Notes 8)	930	-	-	-
Remeasurement of defined benefit plans (Note 4 and 26)	(851,866)	-	(1,021,715)	(1)
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4, 15 and 31)	(33,242)	-	(42,277)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)	<u>187,881</u>	<u>-</u>	<u>173,691</u>	<u>-</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
	<u>(672,413)</u>	<u>-</u>	<u>(890,301)</u>	<u>(1)</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 27)	26,567	-	(140,074)	-
Cash flow hedges (Notes 4 and 27)	-	-	(128,280)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Notes 4, 5 and 31)	-	-	60	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 27 and 33)	85,341	-	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 29)	<u>(17,858)</u>	<u>-</u>	<u>45,419</u>	<u>-</u>
	<u>94,050</u>	<u>-</u>	<u>(222,875)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(578,363)</u>	<u>-</u>	<u>(1,113,176)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,694,321</u>	<u>1</u>	<u>\$ 1,377,616</u>	<u>1</u>
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 1,790,361	1	\$ 2,208,066	2
Non-controlling interests	<u>482,323</u>	<u>-</u>	<u>282,726</u>	<u>-</u>
	<u>\$ 2,272,684</u>	<u>1</u>	<u>\$ 2,490,792</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 1,258,035	1	\$ 1,240,677	1
Non-controlling interests	<u>436,286</u>	<u>-</u>	<u>136,939</u>	<u>-</u>
	<u>\$ 1,694,321</u>	<u>1</u>	<u>\$ 1,377,616</u>	<u>1</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 30)				
Basic	<u>\$ 0.33</u>		<u>\$ 0.40</u>	
Diluted	<u>\$ 0.32</u>		<u>\$ 0.39</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company												Non-Controlling Interests	Total Equity
	Retained Earnings					Other Equity								
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Asset at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total		
BALANCE AT JANUARY 1, 2017	\$ 54,708,901	\$ 799,932	\$ 287,224	\$ 76,486	\$ (157,618)	\$ 78,564	\$ 1,714	\$ -	\$ 31,986	\$ -	\$ (43,372)	\$ 55,783,817	\$ 2,083,381	\$ 57,867,198
Compensation of deficit - capital surplus	-	-	(81,132)	(76,486)	157,618	-	-	-	-	-	-	-	-	-
Disposal of capital surplus of investments in associates accounted for using the equity method	-	(64)	-	-	-	-	-	-	-	-	-	(64)	-	(64)
Convertible bonds converted to ordinary shares	945	131	-	-	-	-	-	-	-	-	-	1,076	-	1,076
Difference between cost of the acquisition of subsidiaries and net value	-	-	-	-	(2,269)	-	-	-	-	-	-	(2,269)	(46,118)	(48,387)
Net income for the year ended December 31, 2017	-	-	-	-	2,208,066	-	-	-	-	-	-	2,208,066	282,726	2,490,792
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(747,484)	(113,550)	60	-	(106,415)	-	-	(967,389)	(145,787)	(1,113,176)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,460,582	(113,550)	60	-	(106,415)	-	-	1,240,677	136,939	1,377,616
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(39,920)	(39,920)
BALANCE AT DECEMBER 31, 2017	54,709,846	799,999	206,092	-	1,458,313	(34,986)	1,774	-	(74,429)	-	(43,372)	57,023,237	2,134,282	59,157,519
Effect of retrospective application and retrospective restatement	-	-	-	-	60	-	(1,774)	42,351	74,429	(74,429)	-	40,637	-	40,637
BALANCE AT JANUARY 1, 2018 AS RESTATED	54,709,846	799,999	206,092	-	1,458,373	(34,986)	-	42,351	-	(74,429)	(43,372)	57,063,874	2,134,282	59,198,156
Issuance of convertible bonds	-	409,978	-	-	-	-	-	-	-	-	-	409,978	-	409,978
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	-	-	12,118	-	12,118	-	12,118
Appropriation of 2017 earnings	-	-	145,831	-	(145,831)	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	(118,810)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	118,810	(118,810)	-	-	-	-	-	-	-	-	-
Cash dividends - \$0.2181820086 per share	-	-	-	-	(1,193,670)	-	-	-	-	-	-	(1,193,670)	-	(1,193,670)
Changes in capital surplus from dividends distributed to subsidiaries	-	630	-	-	-	-	-	-	-	-	-	630	-	630
Net income for the year ended December 31, 2018	-	-	-	-	1,790,361	-	-	-	-	-	-	1,790,361	482,323	2,272,684
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(645,495)	25,322	-	268	-	87,579	-	(532,326)	(46,037)	(578,363)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,144,866	25,322	-	268	-	87,579	-	1,258,035	436,286	1,694,321
Gain or loss on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	565,963	565,963
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(469,393)	(469,393)	-	(469,393)
Treasury shares retired	(500,000)	30,607	-	-	-	-	-	-	-	-	469,393	-	-	-
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(171,019)	(171,019)
BALANCE AT DECEMBER 31, 2018	\$ 54,209,846	\$ 1,241,214	\$ 351,923	\$ 118,810	\$ 1,144,928	\$ (9,664)	\$ -	\$ 42,619	\$ -	\$ 25,268	\$ (43,372)	\$ 57,081,572	\$ 2,965,512	\$ 60,047,084

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,081,249	\$ 3,523,963
Adjustments for operating activities:		
Depreciation expenses	19,325,083	18,340,022
Amortization expenses	191,979	259,129
Bad debts expense	49,824	45,016
Net (gain) loss on fair value changes of financial assets and liabilities held for trading	(11,168)	32,039
Interest income	(330,710)	(210,264)
Dividend income	(9,603)	(9,564)
Share of profit of associates and joint ventures	(367,246)	(536,236)
Loss (Gain) on disposal of property, plant and equipment	270,597	(6,153)
Gain on disposal of investments accounted for using the equity method	(450,195)	(101,105)
Loss (Gain) on disposal of non-current assets held for sale	368,992	(252,467)
Impairment loss on non-current assets held for sale	75,437	3,571,301
Impairment loss recognized on property, plant, equipment	50,000	690,579
Loss on inventories and property, plant and equipment	623,022	644,005
Impairment loss on financial assets measured at cost	-	56,023
Net loss (gain) on foreign currency exchange	298,787	(327,854)
Finance costs	1,379,985	1,346,801
Recognition of provisions	3,386,052	3,201,642
Amortization of unrealized gain on sale-leasebacks	(13,888)	(14,512)
Changes in operating assets and liabilities		
Financial assets held for trading	-	77,133
Financial assets mandatorily classified as at fair value through profit or loss	269,682	-
Financial liabilities mandatorily classified as at fair value through profit or loss	(9,359)	9,580
Notes and accounts receivable	(1,304,948)	(298,519)
Accounts receivable - related parties	253,540	(101,830)
Other receivables	(100,400)	215,027
Inventories	(288,941)	(616,396)
Derivative financial assets for hedging	(1,838,950)	-
Other current assets	15,763	(1,474,384)
Notes and accounts payable	993,434	(464,147)
Accounts payable - related parties	(97,753)	309,729
Other payables	535,211	2,239,296
Contract liabilities	3,256,101	-
Deferred revenue	-	1,564,292
Provisions	(3,310,089)	(1,755,029)
Other current liabilities	73,958	314,740
Accrued pension liabilities	(205,340)	(876,289)
Other liabilities	2,698	(23,007)
Cash generated from operations	<u>26,162,804</u>	<u>29,372,561</u>
Interest received	301,465	228,247
Dividends received	228,636	443,509
Interest paid	(1,319,690)	(1,319,910)
Income tax paid	<u>(185,208)</u>	<u>(177,389)</u>
Net cash generated from operating activities	<u>25,188,007</u>	<u>28,547,018</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)**

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of associates	-	(2,450)
Proceeds from disposal of non-current assets held for sale	688,427	1,128,472
Proceeds from disposal of investments accounted for using the equity method	-	380,850
Payments for property, plant and equipment	(4,608,600)	(2,535,293)
Proceeds from disposal of property, plant and equipment	333,284	95,929
Increase in refundable deposits	(265,335)	(289,911)
Decrease in refundable deposits	391,487	245,505
Increase in prepayments for equipment	(14,991,412)	(24,756,184)
Increase in long-term lease receivable	(785)	(716)
Increase in computer software costs	(184,223)	(141,448)
Decrease in restricted assets	59,726	82,906
Acquisition of subsidiaries	<u>136,769</u>	<u>-</u>
Net cash used in investing activities	<u>(18,440,662)</u>	<u>(25,792,340)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for buy-back of ordinary shares	(469,393)	-
Decrease in short-term debts	(120,000)	(18,021)
Decrease in short-term bills payable	-	(900,000)
Proceeds from issuance of bonds payable	10,512,000	5,850,000
Repayments of bonds payable	(2,700,000)	(2,700,000)
Proceeds from long-term borrowings	18,285,457	30,657,300
Repayments of long-term borrowings and capital lease obligations	(28,587,288)	(37,506,405)
Proceeds from guarantee deposits received	126,578	250,062
Refunds of guarantee deposits received	(70,204)	(214,060)
Dividends paid to owners of the Company	(1,193,040)	-
Cash dividends paid to non-controlling interests	(171,019)	(39,920)
Acquisition of subsidiaries' shares	<u>-</u>	<u>(48,387)</u>
Net cash used in financing activities	<u>(4,386,909)</u>	<u>(4,669,431)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(8,231)</u>	<u>232,888</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	2,352,205	(1,681,865)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>22,585,332</u>	<u>24,267,197</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 24,937,537</u>	<u>\$ 22,585,332</u>

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

(Concluded)

Agenda Item #2 (Proposed by the Board of Directors)

Description: Acknowledgement of proposal for distribution of 2018 profits.

Details:

1. In accordance with Article 228 of the Company Act and Article 25 of the Company's Articles of Incorporation.
2. The net profit after tax in 2018 was NT\$1,790,360,549 of which NT\$645,432,992 was allocated to make up for losses. The Company appropriated 10%, totaling 114,492,756, as statutory surplus reserve and NT\$15,843,578 as rotating special reserves. The total distributable earnings amounted to NT\$1,136,278,379 and the Company plans to distribute cash dividends of NT\$1,136,278,379, equaling NT\$0.20960737 in cash dividends per share. The cash dividends shall be distributed to the NTD (decimals are rounded down). The total number of fractional amounts below NT\$1 shall be listed as the Company's other income.
3. Refer to the Distribution of 2018 earnings table on page 37 of this handbook.
4. This plan was approved in the 5th convention of the 21th 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:

China Airlines Ltd.
Distribution of 2018 earnings

Unit: NT\$

Items	Total
Undistributed earnings at the beginning of the period	\$ 0
Plus: IFRS 9 accounting adjustment	
Minus: Remeasurement of defined benefit plan	59,661 (539,923,349)
Minus: Changes in affiliate enterprises accounted for using equity method	<u>(105,569,304)</u>
Accumulated losses after adjustment	(645,432,992)
Plus: After-tax net profit of 2018	1,790,360,549
Minus: Appropriation of 10% as statutory surplus reserve	(114,492,756)
Plus: Rotating special reserves	<u>105,843,578</u>
Retained earnings available for distribution for this period	1,136,278,379

Chairman: HO, NUAN-HSUAN

Manager: HSIEH, SU-CHIEN

Accounting Supervisor: CHEN, I-CHIEH

Matters for Discussion

Agenda Item #1 (Proposed by the Board of Directors)

Description: Amendment to the "Articles of Incorporation", to be determined by all parties.

Details:

1. The "Articles of Incorporation" are amended in accordance with the amendment of the "Company Act" based on the President's Hua-Zong-I-Jing No. 10700083291 Order on August 1, 2018 and the "Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare" promulgated by the Ministry of Transportation and Communications in the Jiao-Hang No. 10750153771 Order on November 19, 2018.
2. For the amended and original Articles of Incorporation, please refer to pages 39-43 of this handbook.
3. This item was approved during the 5th session of the 21th Meeting of the Board.

Resolution:

China Airlines Ltd.

Comparison Table: Articles of Incorporation

Revised Provisions	Current Provisions	Revision Notes
<p>Article 6:</p> <p>Share certificates issued by the Company are not required to be printed. <u>The Company, however, shall register the issued shares with a centralized securities depository enterprise.</u></p> <p>(Paragraph 3 omitted)</p>	<p>Article 6:</p> <p><u>The share certificates of the Company shall be registered, signed by or affixed with the seals of at least three directors, and issued upon being certified by the competent authority or a certification organization approved by it.</u></p> <p><u>When there is a new issue of shares, the Company may print a consolidated share certificate representing the total number of new shares or be exempted from printing share certificates for the said issue.</u></p> <p>(Paragraph 3 omitted)</p>	<ol style="list-style-type: none"> 1. The operating regulations for physical share certificates are deleted based on the actual implementation of share issuance by the Company to meet standard requirements. 2. According to the amendment of Article 161-2 of the Company Act, a company not printing its share certificate shall register the issued shares with a centralized securities depository enterprise. This article is amended to facilitate compliance.

Revised Provisions	Current Provisions	Revision Notes
<p>Article 16-1:</p> <p>The directors of the Company provided in the preceding article shall include three independent directors <u>and one shall be an independent director undertaking public welfare.</u></p> <p>The election of the directors of the Company shall be held in accordance with the candidate nomination system. The election of directors shall be held in accordance with the Company Act and other applicable laws and regulations; the independent directors, <u>independent directors undertaking public welfare, and non-independent directors</u> shall be elected at the same time but in separately calculated numbers elect, and candidates to whom the ballots cast represent a prevailing number of votes shall be elected as independent directors, <u>independent directors undertaking public welfare, and non-independent directors.</u></p> <p>The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, exercise of power, and other matters for compliance with respect to independent directors shall be governed by and construed in accordance with the Securities and Exchange Act and the provisions of the relevant laws and decrees; <u>those of independent directors undertaking</u></p>	<p>Article 16-1:</p> <p>The directors of the Company provided in the preceding article shall include three independent directors <u>as from the 19th term of office of the directors.</u></p> <p>The election of the directors of the Company shall be held in accordance with the candidate nomination system. The election of directors shall be held in accordance with the Company Act and other applicable laws and regulations; the independent directors and <u>other directors</u> shall be elected at the same time but in separately calculated numbers elect, and candidates to whom the ballots cast represent a prevailing number of votes shall be elected as independent directors and <u>other directors.</u></p> <p>The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, exercise of power, and other matters for compliance with respect to independent directors shall be governed by and construed in accordance with the Securities and Exchange Act and the provisions of the relevant laws and decrees.</p>	<ol style="list-style-type: none"> 1. The Company adds provisions to appoint at least one independent director undertaking public welfare in accordance with Article 49-1 of the Civil Aviation Act. 2. The qualifications, criteria, roles, and other related matters pertaining to independent directors undertaking public welfare shall be governed by the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors

Revised Provisions	Current Provisions	Revision Notes
<p><u>public welfare shall be governed by the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare.</u></p>		<p>Undertaking Public Welfare.</p>
<p>Article 17:</p> <p>The term of office of the directors is three years, and the directors may be eligible for re-election; <u>independent directors undertaking public welfare are only eligible for two re-elections.</u> The total number of shares held by all the directors shall be governed by the provisions of the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”.</p>	<p>Article 17:</p> <p>The term of office of the directors is three years, and the directors may be eligible for re-election. The total number of shares held by all the directors shall be governed by the provisions of the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies”.</p>	<p>The Company added restrictions on the re-election of independent directors undertaking public welfare in accordance with Article 11 of the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare.</p>
<p>Article 25:</p> <p>(Paragraph 1 omitted)</p> <p>The above compensation shall be distributed as stock or cash, following a Board of Directors majority approval in which at least two-thirds of board members are present. If passed, the resolution shall be reported during a Shareholders’ Meeting.</p> <p>In the case of a profitable fiscal year, the Company shall pay taxes in</p>	<p>Article 25:</p> <p>(Paragraph 1 omitted)</p> <p>The above compensation shall be distributed as stock or cash, following a Board of Directors majority approval in which at least two-thirds of board members are present. If passed, the resolution shall be reported during a Shareholders’ Meeting.</p> <p>In the case of a profitable fiscal year, the Company shall pay taxes in accordance with the law, make up</p>	<p>Pursuant to the amendment of Article 240 of the Company Act, the Company specifies in the Articles of Incorporation that the Board of Directors shall be authorized to distribute cash</p>

Revised Provisions	Current Provisions	Revision Notes
<p>accordance with the law, make up accumulated deficits, and then allot 10% to the statutory surplus reserve. In accordance with regulations, the remaining balance shall then be appropriated for provisions and rotating special reserves. If there is still surplus and/or accumulated undistributed earnings, the Board of Directors shall submit an allocation proposal in accordance with the following principles:</p> <ol style="list-style-type: none"> 1. Not less than 50% thereof shall be distributed as dividend and bonus to shareholders. However, if the distributable balance from the current year's pre-tax profit after making the deductions in accordance with the aforesaid computation method is not sufficient, the Company may apply the accumulative retained earnings-unappropriated to cover the shortfall. 2. When the Company does not suffer any loss, it may, with due consideration to financial and/or commercial and/or operational factor(s), appropriate all or a part of the reserve to issue new shares or distribute cash to shareholders in accordance with the laws and decrees, or the regulations of the competent authority. 3. Distribution of the aforesaid dividend and bonus may be made in the form of shares or cash; provided, however, that the cash dividend shall not be 	<p>accumulated deficits, and then allot 10% to the statutory surplus reserve. In accordance with regulations, the remaining balance shall then be appropriated for provisions and rotating special reserves. If there is still surplus and/or accumulated undistributed earnings, the Board of Directors shall submit an allocation proposal at a Shareholders' Meeting. <u>Upon approval, the proposal shall then take effect and dividends shall be distributed to all shareholders:</u></p> <ol style="list-style-type: none"> 1. Not less than 50% thereof shall be distributed as dividend and bonus to shareholders. However, if the distributable balance from the current year's pre-tax profit after making the deductions in accordance with the aforesaid computation method is not sufficient, the Company may apply the accumulative retained earnings-unappropriated to cover the shortfall. 2. When the Company does not suffer any loss, it may, with due consideration to financial and/or commercial and/or operational factor(s), appropriate all or a part of the reserve to issue new shares or distribute cash to shareholders in accordance with the laws and decrees, or the regulations of the competent authority. 3. Distribution of the aforesaid dividend and bonus may be made in the form of shares or cash; provided, however, 	<p>dividends and bonuses by a special resolution and report to the Shareholders' Meeting after the distribution of cash dividends without requiring a resolution of the Shareholders' Meeting.</p>

Revised Provisions	Current Provisions	Revision Notes
<p>less than 30% of the total dividends.</p> <p><u>According to the Company Act, where dividends are distributed as new shares, the proposal shall be submitted to the shareholders' meeting for approval before distribution; Where dividends are distributed in cash, the Board of Directors shall be authorized to determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two thirds of the Directors and report to the shareholders' meeting.</u></p>	<p>that the cash dividend shall not be less than 30% of the total dividends.</p>	
<p>Article 26:</p> <p>The present Articles of Incorporation were announced on August 15, 1959, and the <u>seventy second (72th)</u> amendment was made on <u>June 25, 2019</u>. Matters not prescribed under this Articles of Incorporation shall be governed by and construed in accordance with the provisions of the relevant laws and decrees. second</p>	<p>Article 26:</p> <p>The present Articles of Incorporation were announced on August 15, 1959, and the <u>seventy first (71th)</u> amendment was made on <u>June 24, 2016</u>. Matters not prescribed under this Articles of Incorporation shall be governed by and construed in accordance with the provisions of the relevant laws and decrees.</p>	<p>Amended revision date.</p>

Agenda Item #2 (Proposed by the Board of Directors)

Description: Amendment to the "Procedures Governing the Election of Directors", to be determined by all parties.

Details:

1. The "Procedures Governing the Election of Directors" are amended in accordance with the amendment of the "Company Act" based on the President's Hua-Zong-I-Jing No. 10700083291 Order on August 1, 2018 and the "Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare" promulgated by the Ministry of Transportation and Communications in the Jiao-Hang No. 10750153771 Order on November 19, 2018.
2. For the amended and original Articles of Incorporation, please refer to pages 45-47 of this handbook.
3. This item was approved during the 5th session of the 21th Meeting of the Board.

Resolution:

China Airlines Ltd.

Comparison Table: Procedures Governing the Election of Directors

Revised Provisions	Current Provisions	Revision Notes
<p>Article 3:</p> <p>Elections of the Company directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.</p> <p>The qualifications and elections for the independent directors of the Company shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. <u>The qualifications and elections for the independent directors undertaking public welfare shall comply with the "Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare".</u></p> <p>When the number of directors falls below five due to the dismissal of a director or more for any reason, the Company shall hold a by-election to fill the vacancy at its next Shareholders' Meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a Special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p> <p>When the number of independent directors falls below that required under the proviso of Article 14-2,</p>	<p>Article 3:</p> <p>Elections of the Company directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. <u>The Company shall review the qualifications, educational background, and work experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors, and may not arbitrarily add requirements of other credentials. It shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected.</u></p> <p>The qualifications and elections for the independent directors of the Company shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>When the number of directors falls below five due to the dismissal of a director or more for any reason, the Company shall hold a by-election to fill the vacancy at its next Shareholders' Meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a Special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p>	<ol style="list-style-type: none"> 1. The Company simplified the operating procedures for shareholders' nomination of candidates for Directors in accordance with the amendment to Article 192-1 of the Company Act. The review procedures are thus deleted. 2. The qualifications, criteria, roles, and other related matters pertaining to independent directors undertaking public welfare shall be governed by the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare.

Revised Provisions	Current Provisions	Revision Notes
<p>Paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, a by-election shall be held at the next Shareholders' Meeting to fill the vacancy. When the independent directors are dismissed en masse, a Special Shareholders' Meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies. <u>When the number of independent directors undertaking public welfare is less than one, the Company shall call a Special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancy.</u></p>	<p>When the number of independent directors falls below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, a by-election shall be held at the next Shareholders' Meeting to fill the vacancy. When the independent directors are dismissed en masse, a Special Shareholders' Meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p>	<p>3. The Company added provisions requiring the by-elections of independent directors undertaking public welfare in the event of vacancies in accordance with Article 9 of the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare.</p>
<p>Article 4: For election of Company directors, each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the Shareholders' Meeting. Elections for independent directors, <u>independent directors</u></p>	<p>Article 4: For election of Company directors, each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the Shareholders' Meeting. Elections for directors and independent directors shall be held</p>	<p>The Company adds provisions to appoint at least one independent director undertaking public welfare in accordance with Article 49-1 of the Civil Aviation Act. To clarify the number of elected directors, the independent</p>

Revised Provisions	Current Provisions	Revision Notes
<p><u>undertaking public welfare</u>, and <u>non-independent directors</u> shall be held concurrently but the respective voting rights shall be separately calculated to determine the elected independent directors, <u>independent directors undertaking public welfare</u>, and <u>non-independent directors</u>.</p>	<p>concurrently but the respective voting rights shall be separately calculated to determine the elected directors and independent directors.</p>	<p>directors undertaking public welfare are specified in this article.</p>
<p>Article 5:</p> <p>The number of directors will be as specified in the Company’s Articles of Incorporation. The candidates to whom the ballots cast represent a prevailing number of voting rights shall be elected as independent directors, <u>independent directors undertaking public welfare</u>, and <u>non-independent directors</u>, respectively, based on the results of the election, in descending order. When two or more candidates receive the same number of voting rights, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any candidate not present.</p> <p>If, following review, there are confirmed discrepancies in the personal information provided by any director elected as per the above paragraph or he/she is not fit to serve according to relevant laws or regulations, the resulting vacancy will be filled by the candidate receiving the next largest number of voting rights in the same election.</p>	<p>Article 5:</p> <p>The number of directors will be as specified in the Company’s Articles of Incorporation. The candidates to whom the ballots cast represent a prevailing number of voting rights shall be elected as independent directors or non-independent directors, respectively, based on the results of the election, in descending order. When two or more candidates receive the same number of voting rights, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any candidate not present.</p> <p>If, following review, there are confirmed discrepancies in the personal information provided by any director elected as per the above paragraph or he/she is not fit to serve according to relevant laws or regulations, the resulting vacancy will be filled by the candidate receiving the next largest number of voting rights in the same election.</p>	<p>Same as the preceding article.</p>

Agenda Item #3 (Proposed by the Board of Directors)

Description: Amendment to the “Procedures Governing the Acquisition and Disposal of Assets”, to be determined by all parties.

Details:

1. Response to Company organizational restructuring and prescribed practices to bring into line with revisions to the Company’s “Operational Procedures for Endorsements/Guarantees”.
2. For the amended and original Articles of Incorporation, please refer to pages 49-66 of this handbook.
3. This item was approved during the 5th session of the 21th Meeting of the Board.

Resolution:

China Airlines

Comparison Table: Procedures Governing the Acquisition and Disposal of Assets

Revised Provisions	Current Provisions	Revision Notes
<p>Article 2 Scope: For the purpose of these Procedures, assets refer to the following:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Real Property (including land, houses and buildings, investment property, rights to use land) and equipment. 3-4 omitted. 5. <u>Right-of-use assets.</u> 6. <u>Derivatives.</u> 7. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 8. <u>Other major assets.</u> 	<p>Article 2 Scope: For the purpose of these Procedures, assets refer to the following:</p> <ol style="list-style-type: none"> 1. Omitted. 2. Real Property (including land, houses and buildings, investment property, rights to use land) and equipment. 3-4. Omitted. 5. <u>Derivatives.</u> 6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law. 7. <u>Other major assets.</u> 	<ol style="list-style-type: none"> 1. Subparagraph 5 is added in accordance with the amendments to IFRS 16 "Leases" based on the amendment to Article 3 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" established in the Financial Supervisory Commission's letter to expand the scope of the right-of-use assets. The land usage right in Subparagraph 2 is incorporated into Subparagraph 5. 2. The original Subparagraphs 5 to 7 are transferred to Subparagraph 6 to 8.
<p>Article 3 Terms used in these Procedures are defined as follows:</p> <ol style="list-style-type: none"> 1-3. Omitted. 	<p>Article 3 Terms used in these Procedures are defined as follows:</p> <ol style="list-style-type: none"> 1-3. Omitted. 	<p>The amendment is based on Article 4 of the "Regulations</p>

Revised Provisions	Current Provisions	Revision Notes
<p>4. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a <u>specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, , credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) <u>contracts</u>.</p> <p>5. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3 of the Company Act.</p> <p>6-7. Omitted.</p> <p>8. <u>Securities exchanges: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market</u></p>	<p>4. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and <u>compound contracts combining the above products</u>, whose value is derived from <u>assets, interest rates, foreign exchange rates, indexes or other interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>5. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, <u>Paragraph 8</u> of the Company Act.</p> <p>6-7. Omitted.</p>	<p>Governing the Acquisition and Disposal of Assets by Public Companies" which was amended in accordance with the order of the FSC. The details are as follows:</p> <ol style="list-style-type: none"> 1. The scope of derivatives is revised in accordance with definitions provided in IFRS 9 "Financial instruments". Wording is also revised. 2. "Article 156, Paragraph 8" specified in Subparagraph 5 is amended to "Article 156-3" based on the amended article number in the Company Act. 3. To clearly define domestic and international securities exchange and the business locations of securities firms

Revised Provisions	Current Provisions	Revision Notes
<p><u>that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></p> <p>9. <u>Over-the-counter markets ("OTC"):</u></p> <p><u>Domestic OTC markets refers to a market for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC markets refers to a market at a financial institution that is regulated by the foreign competent securities authority and that is permitted to conduct securities business.</u></p>		<p>for compliance by the Company, the Company specifies the scope of the overseas securities exchange and the securities exchange businesses.</p>
<p>Article 8 Commissioning expert appraisal reports or opinions:</p> <p>1. Appraisal report for acquisition or disposal of real property, <u>equipment, or right-of-use assets thereof</u>: In acquiring or disposing of real property, <u>equipment, or right-of-use assets thereof</u> where the transaction amount reaches 20% of the Company's paid-in capital or NT\$300 million or more, the Company, unless transacting with a <u>domestic</u> government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment <u>or right-of-use assets thereof</u> held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(1) Where due to special</p>	<p>Article 8 Commissioning expert appraisal reports or opinions:</p> <p>1. Appraisal report for acquisition or disposal of real property or equipment: In acquiring or disposing of real property or equipment 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 government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment 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 following provisions:</p> <p>(1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction</p>	<p>The amendment is based on Article 5, Article 9, and Article 11 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" which was amended in accordance with the order of the FSC. The details are as follows:</p> <p>1. Right-of-use assets are included into the scope of this Article in accordance with the adoption of IFRS 16 "Leases".</p> <p>2. The government</p>

Revised Provisions	Current Provisions	Revision Notes
<p>circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; the <u>same</u> procedure shall also be followed <u>whenever</u> there is any <u>subsequent</u> change to the terms and conditions of the transaction.</p> <p>(2)-(4) (Omitted).</p> <p>2. (Omitted).</p> <p>3. Acquisition or disposal of intangible assets, <u>right-of-use assets, or memberships</u>: Where the Company acquires or disposes of <u>intangible assets or right-of-use assets thereof or memberships</u> and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, except in transactions with a <u>domestic</u> 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; the certified public account shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF.</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,</p>	<p>shall be submitted for approval in advance by the Board of Directors, <u>and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.</u></p> <p>(2)-(4) (Omitted).</p> <p>2. (Omitted).</p> <p>3. Acquisition or disposal of <u>memberships or intangible assets</u>: Where the company acquires or disposes of <u>memberships or intangible assets</u> and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, 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; the certified public account shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF.</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 <u>shall not be a related party of any party to the transaction.</u></p> <p>6. (Omitted).</p>	<p>authorities specified this article refer to central and local government authorities of the Republic of China. As transactions with such entities require tenders and price competition in accordance with related regulations and the possibilities of price manipulation is less likely, expert opinions may be waived in such cases. As for transactions with foreign government entities, as related regulations and price negotiation mechanisms are less clear, they are not included in the exemption in this article. This article is therefore amended to</p>

Revised Provisions	Current Provisions	Revision Notes
<p>certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions <u>shall meet the following requirements:</u></p> <p><u>(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 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.</u></p> <p><u>(2) May not be a related party or de facto related party of any party to the transaction.</u></p> <p><u>(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.</u></p> <p><u>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall</u></p>		<p>include only domestic government authorities.</p> <p>3. Discretionary text correction.</p> <p>4. The Company referenced Article 53, Subparagraph 4 of the Securities and Exchange Act regarding the negative qualifications of directors, supervisors, and managerial officers and Article 8, Paragraph 1, Subparagraph 15 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers regarding the ethical principles of issuers or their persons in charge and clarified the negative qualifications of related experts.</p> <p>5. To clarify the</p>

Revised Provisions	Current Provisions	Revision Notes
<p><u>comply with the following:</u></p> <p><u>(1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p><u>(2) When examining a case, they shall appropriately plan and execute adequate working 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.</u></p> <p><u>(3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, 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.</u></p> <p><u>(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 reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p> <p>6. (Omitted).</p>		<p>responsibilities of external experts, the Company clarified the evaluations, audits, and statements for appraisal reports or opinions provided by related experts in accordance with Article 9 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers regarding related evaluations, audits, and statements for CPAs' appraisal reports for investment property.</p>
<p>Article 9 Related party transactions: 1. (Omitted).</p>	<p>Article 9 Related party transactions: 1. (Omitted).</p>	<p>The following explains in</p>

Revised Provisions	Current Provisions	Revision Notes
<p>2. When the Company intends to acquire or dispose of real property or <u>right-of-use assets thereof</u> from or to a related party, or when it intends to acquire or dispose of assets other than real property or <u>right-of-use assets thereof</u> 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 <u>domestic</u> 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 and recognized by the Audit Committee:</p> <p>(1)-(2) (Omitted).</p> <p>(3) With respect to the acquisition of real property or <u>right-of-use assets</u> thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with <u>Paragraph 1</u>, Subparagraph 3 and 4 of this Article.</p> <p>(4)-(7) (Omitted).</p> <p>3. When the Company acquires real property or <u>right-of-use assets</u> thereof from a related party, it shall</p>	<p>2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property 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 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 and recognized by the Audit Committee:</p> <p>(1)-(2)(Omitted).</p> <p>(3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 and 4 of this Article.</p> <p>(4)-(7)(Omitted).</p> <p>3. When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately</p>	<p>accordance with the Financial Supervisory Commission's amendment of Articles 15 to 18 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>1. In response to the applicable International Financial Reporting Standards Lease Bulletin No. 16, right-to-use assets are specified and included in this article.</p> <p>2. The public debt specified in this article refers to domestic public debt. The main consideration is that the central and local government debts of our country are clear and easy to inquire, hence the procedures</p>

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<p>evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased or <u>leased</u> in one transaction, the transaction costs for the land and the structures may be separately appraised following any one of the below methods):</p> <p>(1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>(2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of</p>	<p>appraised following any one of the below methods):</p> <p>(1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>(2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.</p> <p>4. When the Company acquires real property from a related party and appraises the cost of the real property in accordance with the previous Paragraph, it shall also engage a certified public accountant to check the appraisal and render a specific opinion.</p>	<p>for submission to the board of directors and the approval of the supervisors are exempt. However, foreign government debts vary and is thus beyond the scope of this article. This article is strictly formulated for domestic public debt.</p> <p>3. Considering overall business planning between of the parent and subsidiary companies, or its directly or indirectly 100%-owned subsidiaries, there is the possibility sub-lease after making coordinated collective leasing of real estate. Moreover, the aforementioned transactions involves lower</p>

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<p>one of the trading counterparties.</p> <p>4. When the Company acquires real property or <u>right-of-use assets</u> thereof from a related party and appraises the cost of the real property or <u>right-of-use assets</u> thereof in accordance with the previous Paragraph, it shall also engage a certified public accountant to check the appraisal and render a specific opinion.</p> <p>5. When the Company acquires real property or <u>right-of-use assets</u> thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Subparagraph 2 of this Article, but <u>Paragraph 1, Subparagraphs 3 and 4</u> do not apply:</p> <p>(1) The related party has acquired the real estate <u>or its right-of-use assets</u> through inheritance or as a gift.</p> <p>(2) More than five years have elapsed since the acquisition of the real estate <u>or its right-of-use assets</u> by the related party since the date the contract for the transaction was signed.</p> <p>(3) The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.</p>	<p>5. When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 2 of this Article, but Paragraphs 3 and 4 do not apply:</p> <p>(1) The related party acquired the real property through inheritance or as a gift.</p> <p>(2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.</p> <p>(3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>6. When the Company acquires real property from a related party and the results of the appraisal conducted in accordance with Paragraph 3 of this Article and the preceding Paragraph are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant, this restriction shall not apply:</p>	<p>unconventional risks, the exclusion of the transactions shall be based on the provisions of Subparagraphs 3 and 4 of Paragraph 1 of this Article to assess the reasonableness of the transaction costs (the price at which the acquirer obtains the price of the real estate transaction or the price paid for the lease of the real estate).</p> <p>There is also no need to provide evidence on the reasonableness of the transaction price in accordance with Subparagraph 6 of Paragraph 1 of this Article and proceed according to Subparagraph 7, Paragraph 1 of</p>

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<p><u>(4) The real estate right-of-use assets for business use are acquired by the Company and its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or total capital.</u></p> <p>6. For real estate <u>or its right-of-use assets acquired from a related party and the results of appraisals conducted in accordance with Subparagraph 3, Paragraph 1</u> of this article are uniformly lower than the transaction price, the provisions specified in Subparagraph 7 shall be followed. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and a accountant, this restriction shall not apply:</p> <p>(1) Where the related party has acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. Where undeveloped land is appraised in accordance with the means in the Subparagraph 3, Paragraph 1 of this article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the</p>	<p>(1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>1. When undeveloped land is appraised in accordance with the means in Paragraph 3 of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the past three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or a neighboring property in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in</p>	<p>this article related to special surplus reserve.</p> <p>4. Considering the practical operation of real estate leasing such as factory buildings, the provision eases on the acquisition of real estate right-to-use assets from related parties, and adopts non-relevant lease transactions in neighboring regions as a reference case for calculating and estimating the reasonableness of transaction prices within one year. Additionally, the provision integrated the contents of the first item of the six subparagraph, first paragraph of this article and added the rental</p>

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<p>actual transaction price. The "reasonable construction profit" shall be defined as the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>2. <u>Completed</u> transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale <u>or leasing</u> practices.</p> <p>(2) For evidence provided on acquired real estate, <u>or obtained real estate right-of-use assets through leasing, from a related party and the terms of the transaction are similar to the terms of completed</u> transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3) "<u>Completed</u> transactions</p>	<p>accordance with standard property market practices.</p> <p>3. <u>There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></p> <p>(2) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>(3) "Neighboring parcels of land" in (1) and (2) of this paragraph in principle refers to parcels on the same, or an adjacent block, and within a radius of no more than 500 meters, or parcels close in publicly announced current value. "Similarly sized parcels" in principle refers to <u>transactions</u> completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "Within the preceding year" refers to the year preceding the date of occurrence of the</p>	<p>case as a transaction case.</p> <p>5. Considering overall business planning between the parent and subsidiary companies, or its directly or indirectly 100% owned subsidiaries, there is a need to co-ordinate the purchase or lease of equipment for business use and subsequent transfer (including trading or subletting) and the possibility of subletting after real estate leases, the risk of such transactions is relatively low. Hence, the easing of equipment for business use acquired or disposed of among these companies, right-of-use assets, or</p>

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<p>involving neighboring or closely valued parcels of land” as used in (1) and (2) of this article in principle refer to parcels on the same or adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; "Transactions for similarly-sized parcels", in principle refer to transactions by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. “within the preceding year” as used herein refers to the year preceding the date of occurrence of the acquisition of the real estate <u>or obtainment of the right-of-use assets thereof.</u></p> <p>7. For real estate <u>or its right-of-use assets acquired from a related party and the results of appraisals conducted in accordance with Subparagraph 3, Paragraph 1</u> of this article are uniformly lower than the transaction price, the following provisions shall be followed:</p> <p>(1) A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost for the real estate <u>or its right-of-use assets.</u> These funds may not be distributed or used for capital increase or</p>	<p>acquisition of the real property.</p> <p>7. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Paragraph 3 of this article are uniformly lower than the transaction price, the following steps shall be taken:</p> <p>(1) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. When the Company has set aside a special reserve under the preceding sentences, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other</p>	<p>real estate right-of-use assets for business use may be prioritized via authorization of the Chairman.</p> <p>6. Discretionary text correction.</p>

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<p>issuance of bonus shares. For the Company adopting the equity method to account for its investment in another company, the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall also be appropriated on a pro-rata basis according to the percentage of shares held by the investor. For special reserve set aside according to the aforementioned, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased <u>or leased</u> at a premium, <u>or the leasing contract has been terminated</u>, or disposed through adequate compensation or restored status quo ante, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities authority has given its consent.</p> <p>(2)-(3) (Omitted).</p> <p>8. The rules specified in aforementioned (1) and (2) shall also be followed if there is other evidence showing nonconformity with general business practices when the Company acquires or disposes assets <u>or its right-of-use assets</u> from a related party.</p> <p>9-10. (Omitted).</p> <p>11. If the Company and its subsidiaries, or subsidiaries that</p>	<p>evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>(2)-(3)(Omitted).</p> <p>8. When the Company acquires real property from a related party and any evidence indicates that the acquisition was not performed in accordance with operational conventions, then it shall comply with Subparagraphs 1 and 2 of the previous Paragraph.</p> <p>9-10.(Omitted).</p> <p>11. With respect to <u>the acquisition or disposal of business-use equipment</u> between the Company and its parent or subsidiaries, the Company's Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and the decisions are subsequently submitted to and ratified at the next Board of Directors meeting.</p>	

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<p>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:</p> <p><u>(1) Where equipment or its right-of-use assets for business use are acquired or disposed of.</u></p> <p><u>(2) Where real estate right-of-use assets for business use are acquired or disposed of.</u></p>		
<p>Article 10 Scope and amount of investment:</p> <p>Except when acquiring property and right-of-use assets for business use, the Company and its subsidiaries shall follow the below limits for investment in securities and purchases of real property and its right-of-use assets not for business use:</p> <p>1-2. Omitted.</p> <p>3. The Company and its subsidiaries' total purchases of real property and its right-of-use assets not for business use shall not exceed 50% of their net value.</p>	<p>Article 10 Scope and amount of investment:</p> <p>Except when acquiring property for business use, the Company and its subcontractors shall follow the below limits for investment in securities and purchases of real property not for business use:</p> <p>1-2.Omitted.</p> <p>3. The Company and its subsidiaries' total purchases of real property not for business use shall not exceed 50% of their net value.</p>	<p>According to Financial Supervisory Commission's letter on the revision of Article 7 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"and in accordance with the International Financial Reporting Standard No. 16 Lease Bulletin, the use of real estate usage rights not for business use is included within the scope of this procedure.</p>

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<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) Acquisition or disposal of real estate <u>or its right-of-use assets</u> from or to a related party, or acquisition or disposal of assets other than real estate <u>or its right-of-use assets</u> from or to a related party where 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. <u>However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</u></p> <p>(2) Merger, split, acquisition, or assignment of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate</p>	<p>Article 11 Announcements, reporting, and disclosure of material information:</p> <p>1. When the Company acquires or disposes of assets and the following circumstances apply, the Company shall publicly announce and report the relevant information on the competent authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where 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; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) The loss in derivatives reaches the upper loss limit, including in total or of an individual contract as regulated in the Company's Operational Procedures for Derivatives Trading.</p>	<p>The following explains in accordance with the Financial Supervisory Commission's amendment of Articles 31 and 34 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p> <p>1. In response to the applicable International Financial Reporting Standards Lease Bulletin No. 16, right-to-use assets are specified and included in this article.</p> <p>2. The public debt specified in this article refers to domestic public debt. The main consideration is that the central and local government debts of our country are clear and easy to</p>

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<p>losses or losses on individual contracts set out in the “Engagement in derivative financial commodity transaction processing procedures” adopted by the Company.</p> <p>(4) Where equipment <u>or its right-of-use assets</u> for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount exceeds NT\$1 billion:</p> <p>(5) Where real estate is acquired under an arrangement engaging in the development of self-owned land, development of leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, <u>and furthermore the transaction counterparty is not a related party</u>, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</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>(4) Acquisition or disposal of assets that are equipment for business operation from or to a non-related party where the transaction amount reaches NT\$1 billion or more.</p> <p>(5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is NT\$500 million or more.</p> <p>(6) In addition to the provisions of the preceding (1) - (5), any transactions of assets, disposal of debts by financial institutions or investment in mainland China which have reach a transaction amount up to 20% of the Company's paid-in capital or more than NT\$ 300 million. The following situations are not subject to this limit:</p> <ol style="list-style-type: none"> 1. Trading of government bonds. 2. Trading bonds attached with repurchase and resell conditions or purchasing or repurchase domestic securities investment trust enterprise money market funds. <p>2. The amount of transactions in the</p>	<p>inquire, hence the procedures for public announcement are exempt. However, foreign government debts vary and is thus beyond the scope of this article. This article is strictly formulated for domestic public debt.</p> <p>3. In consideration of consistency between parent and subsidiary companies' announcement reporting standards, the reporting standards applicable to the subsidiary shall be amended.</p> <p>4. Discretionary text correction.</p>

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<p>1. <u>Trading of</u> 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>2. The amount of transactions above shall be calculated as follows:</p> <p>(1) The amount of any individual transaction.</p> <p>(2) The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same transaction counterparty within one year.</p> <p>(3) The cumulative transaction amount of real estate <u>or its right-of-use assets</u> acquired or disposed of (to be accumulated separately for acquisition and disposals) for the same development project within one year.</p> <p>(4) The cumulative transaction amount of the same securities acquired or disposed of (to be accumulated separately for acquisition and disposals) within one year.</p> <p>(5) "within the preceding year" as used herein refers to the year preceding the date of occurrence of the acquisition or disposal of</p>	<p>preceding Paragraph shall be calculated as follows:</p> <p>(1) The amount of every transaction</p> <p>(2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.</p> <p>(3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.</p> <p>(4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>(5) "Within the preceding year" as used in this section refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.</p> <p>3. If the subsidiary is not a public company in Taiwan, it shall follow the rule here for announcing and reporting when totals reach <u>20%</u> of the paid-in capital or <u>10%</u> of total assets, both in regards to the parent company. The Company shall compile monthly reports on the status of derivatives trading</p>	

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<p>assets. The declared part of the announcement is exempt from credit.</p> <p>3. If the subsidiary is not a domestic public issuance company, the application of the applicable reporting standard for the amount of paid-in capital or total assets shall be subject to the paid-in capital or total assets of the Company. The company shall compile monthly reports on the status of derivatives trading conducted up to the end of the preceding month for its own transactions and those of its subsidiaries (that are not domestic public companies) and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission before the 10th of each month.</p> <p>4-6. (Omitted).</p>	<p>engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format and publically announce and report by the 10th day of each month on the competent authority's designated website.</p> <p>4-6.(Omitted).</p>	
<p>Article 14 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>Article 14 These Procedures were adopted on May 18, 1991 and the <u>9th</u> revision was made on <u>June 22, 2017</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>

Agenda Item #4 (Proposed by the Board of Directors)

Description: Amendment to the “Operational Procedures for Derivatives Trading”, to be determined by all parties.

Details:

1. In accordance with the Financial Supervisory Commission and the definition of financial instrument No. 9 in the International Financial Reporting Standards, the provision clarified the scope of derivative products, amended the rules of the “Public Issuance or Disposal of Assets Handling Guidelines”, and amended the Company's “Engagement in Derivative Commodity Transaction Processes” in response to operational practice.
2. For the amended and original Articles of Incorporation, please refer to pages 68-69 of this handbook.
3. This item was approved during the 5th session of the 21th Meeting of the Board.

Resolution:

China Airlines

Comparison Table: Operational Procedures for Derivatives Trading

Revised Provisions	Current Provisions	Revision Notes
<p>Article 2 Transaction Principles and Guidelines</p> <p>1. Transaction Type The derivative commodities specified in this procedure refers to <u>forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, oil or other variable</u>; contract combining the above; compound contracts or structured products containing embedded derivatives. "Forward contracts" as used herein does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts and long-term purchase (sales) contracts.</p> <p>2-5. (Omitted).</p>	<p>Article 2 Transaction Principles and Guidelines</p> <p>1. Types of Transactions For the purpose of these Procedures, derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and <u>compound contracts combining the above products</u>, whose value is derived from <u>assets</u>, interest rates, foreign exchange rates, indexes, oil prices, or <u>other interests</u>. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.</p> <p>2-5. (Omitted).</p>	<p>In accordance with the definition of financial instrument No. 9 in the International Financial Reporting Standards, the Financial Supervisory Commission clarified the scope of derivative products. The Company has made revisions accordingly.</p>
<p>Article 3 Operational Procedures</p> <p>1-4. (Omitted)</p> <p>5. The Company shall establish a logbook for its derivative transactions for audit purposes, which shall contain details about the type and amount of the derivative transaction and the date it was resolved by the Board of Directors. The logbook shall also include the "other items to be evaluated" prescribed in the fourth subparagraph, first paragraph, Article 2 and Article 8.</p>	<p>Article 3 Operational Procedures</p> <p>1-4. (Omitted).</p> <p>5. The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, the date of passage by the Board of Directors and the matters requiring careful assessment as outlined in Article 2, Paragraph 1, Subparagraph 4 and Article 8, <u>Paragraph 1, Subparagraphs 1 and 2.</u></p>	<p>In accordance with the operational practices required, the provision has been modified to conform to the scope of Article 22 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies".</p>

Revised Provisions	Current Provisions	Revision Notes
<p>Article 6 Internal Control System</p> <p>1.Risk Management</p> <p>(1)-(5) (Omitted)</p> <p>(6) Legal Risk: Any documents signed with the bank must be reviewed by the Legal Protection Department before they can be formally signed to avoid legal risks.</p> <p>(7)-(8) (Omitted)</p> <p>2. (Omitted)</p>	<p>Article 6 Internal Control System</p> <p>1.Risk Management</p> <p>(1)-(5) (Omitted).</p> <p>(6) Legal risk: Any documents signed with the banks must be reviewed by the legal Insurance Division first before formal execution to avoid any legal risks.</p> <p>(7)-(8) (Omitted)</p> <p>2. (Omitted)</p>	<p>Amended in accordance with the names of the Company's office organizations.</p>
<p>Article 11</p> <p>These Procedures were adopted on September 13, 1996 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>Article 11</p> <p>These Procedures were adopted on September 13, 1996 and the <u>9th</u> revision was made on <u>June 26, 2015</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>

Agenda Item #5 (Proposed by the Board of Directors)

Description: Amendment to the “Operational Procedures for Lending Funds to Others”, to be determined by all parties.

Details:

1. In conjunction with the Financial Supervisory Commission, the Securities and Futures Bureau issued a revised section on the “Guidelines for the Treatment of Loan and Endorsement of Public Offering Companies” (FSC Certificate No. 1080304826) on March 7, 2019, and revised the Company's “Procedure for Lending Funds to Others”.
2. For the amended and original Articles of Incorporation, please refer to pages 71-72 of this handbook.
3. This item was approved during the 3rd and 6th session of the 21th Meeting of the Board.

Resolution:

China Airlines
Comparison Table: Operational Procedures for Lending Funds to Others

Revised Provisions	Current Provisions	Revision Notes
<p>Article 5: Procedures for Fund Lending</p> <p>1. (Omitted)</p> <p>2. Credit check and review</p> <p style="padding-left: 20px;">(1) (Omitted)</p> <p style="padding-left: 20px;">(2) When making loans to others, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</p> <p>3. (Omitted)</p>	<p>Article 5: Procedures for Fund Lending</p> <p>1. (Omitted)</p> <p>2. Credit Assessment and Review</p> <p style="padding-left: 20px;">(1) (Omitted)</p> <p style="padding-left: 20px;">(2) <u>If the Company has independent directors</u>, when making loans to others, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</p> <p>3. (Omitted)</p>	<p>Discretionary text correction.</p>
<p>Article 8: Control Measures for Outstanding Loans and Overdue Debt Handling Procedures</p> <p>1-2. (Omitted)</p> <p>3. At maturity, the borrower shall repay the principal and interest. <u>In the event of violation, the Company shall dispose of the collateral or recover from the guarantor as prescribed by law.</u></p>	<p>Article 8: Control Measures for Outstanding Loans and Overdue Debt Handling Procedures</p> <p>1-2. (Omitted)</p> <p>3. At maturity, the borrower shall repay the principal and interest. <u>In the event the borrower is unable to repay and requires extension, such borrower shall submit its request in advance and the same shall be submitted to the Board of Directors for approval. In the event of violation, the Company shall dispose of or recover the collateral as prescribed by law.</u></p>	<p>Amended in response to the Securities Exchange's internal control check recommendations and operational practices in 2018.</p>
<p>Article 11: Public Announcement and Reporting</p> <p>1. (Omitted)</p> <p>2. If the balance of funds lent by the Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the</p>	<p>Article 11: Public Announcement and Reporting</p> <p>1. (Omitted)</p> <p>2. If the balance of funds lent by the Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the</p>	<p>Consideration of the loan or endorsement of funds is not a transactional nature, and it is subject to Article 7 of the "Guidelines</p>

Revised Provisions	Current Provisions	Revision Notes
<p>date of occurrence of the fact (<u>date of contract signing</u>, date of payment, dates of boards of directors resolutions, or other date that can <u>confirm the counterparty and monetary amount</u> of the transaction, whichever date is earlier):</p> <p>(1)-(3) (Omitted)</p> <p>3. (Omitted)</p>	<p>date of occurrence of the fact (“Date of occurrence” means the <u>date of contract signing</u>, date of payment, dates of boards of directors resolutions, <u>or other date that can confirm the counterparty and monetary amount of the transaction</u>, whichever date is earlier):</p> <p>(1)-(3) (Omitted)</p> <p>3. (Omitted)</p>	<p>for the Handling of Corporate Loan and Endorsement Guarantees”.</p>
<p>Article 14: Implementation and Revision</p> <p>1. <u>The establishment or revision of this operating procedure shall be approved by more than one-half of all members of the Audit Committee, and shall be submitted to the Board of Directors for resolution</u>, and shall be submitted to the shareholders' meeting for approval after the approval of the Board of Directors. If a director expresses objection and has a record or written statement the Company shall report its objection to the shareholders meeting for discussion. <u>If it is not approved by more than one-half of the Audit Committee members, then it must be approved by more than two-thirds of the entire Board of Directors. The decision shall be recorded in meeting minutes.</u></p> <p>2. <u>The entire members of the Audit Committee or the Board of Directors referred to in the aforementioned shall be calculated based on the number of actual serving Directors.</u></p>	<p>Article 14: Implementation and Revision</p> <p>1. <u>After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of Directors and come into effect following approval of the Shareholders’ Meeting.</u> If any director expresses dissent and such opinion is recorded in the in the minutes or a written statement, the Company shall submit the dissenting opinions for discussion by the Shareholders' Meeting. <u>The same procedures also apply for revisions.</u></p> <p>2. <u>If the Company has independent directors, when these Procedures are up for discussion with the Board of Directors as prescribed by the previous Paragraph, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</u></p>	<p>Pursuant to Item 5, Article 14 of the Securities Exchange Act, the audit committee's powers include the procedures for determining or amending the financial operations of the financial loan to others, and Article 8 of the “Corporate Loan and Endorsement Guarantee Guidelines for Public Offering Company”.</p>
<p>Article 15</p> <p>These Procedures were adopted on May 25, 1990 and the <u>9th</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>Article 15</p> <p>These Procedures were adopted on May 25, 1990 and the <u>8th</u> revision was made on <u>June 25, 2013</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>

Agenda Item #6 (Proposed by the Board of Directors)

Description: Amendment to the “Operational Procedures for Endorsements/Guarantees”, to be determined by all parties.

Details:

1. In conjunction with the Financial Supervisory Commission, the Securities and Futures Bureau issued a revised section on the “Guidelines for the Treatment of Loan and Endorsement of Public Offering Companies” (FSC Certificate No. 1080304826) on March 7, 2019, and revised the Company's “Procedure for Endorsement Guarantee Operations”.
2. For the amended and original Articles of Incorporation, please refer to pages 74-75 of this handbook.
3. This item was approved during the 6th session of the 21th Meeting of the Board.

Resolution:

China Airlines
Comparison Table: Operational Procedures for
Endorsements/Guarantees

Revised Provisions	Current Provisions	Revision Notes
<p>Article 6 Information Reporting Standards and Procedures</p> <p>1. (Omitted)</p> <p>2. If the balance of funds lent by the Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the date of occurrence of the fact (<u>date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the endorsement guarantee, whichever date is earlier</u>):</p> <p>(1)-(2) (Omitted)</p> <p>(3) Where the Company and its subsidiaries endorsed a single enterprise reaching a balance of NT\$10 million or more, and guaranteed the endorsement, <u>adopted the equity method for the investment book value</u>, and the balance of the fund loan and total balance exceeds 30% of the net value of the company's most recent financial statements.</p> <p>3. (Omitted)</p>	<p>Article 6 Information Reporting Standards and Procedures</p> <p>1.(Omitted).</p> <p>2. Should the amount of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:</p> <p>(1)-(2) (Omitted).</p> <p>(3) The balance of endorsements/guarantees to any single enterprise by the Company and its subsidiaries reaches NT\$10 million or more and the balance of endorsements/guarantees, <u>long-term investment</u>, and funds lent to the enterprise reaches or exceeds 30% of the net worth of the Company specified in its latest financial statement.</p> <p>3.(Omitted).</p>	<p>Consideration of the loan or endorsement of funds is not a transactional nature, and it is subject to Article 7 of the “Guidelines for the Handling of Corporate Loan and Endorsement Guarantees”.</p> <p>To clarify the definition of long-term investment, and consider the provisions of the “Guidelines for the Preparation of Securities Issuers' Financial Reports” and Article 25 of the “Guidelines for the Handling of Corporate Loan and Endorsement Guarantees for Public Offering Company”.</p>
<p>Article 11 Implementation and Revision</p> <p>1. <u>The establishment or revision of this operating procedure shall be approved by more than one-half of all members of the Audit Committee,</u></p>	<p>Article 11 Implementation and Revision</p> <p>1. <u>After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of Directors and come into effect following approval of the Shareholders’ Meeting. If any director</u></p>	<p>Pursuant to Item 5, Article 14 of the Securities Exchange Act, the audit committee's</p>

Revised Provisions	Current Provisions	Revision Notes
<p><u>and shall be submitted to the Board of Directors for resolution, and shall be submitted to the shareholders' meeting for approval after the approval of the Board of Directors. If a director expresses objection and has a record or written statement the Company shall report its objection to the shareholders meeting for discussion. If it is not approved by more than one-half of the Audit Committee members, then it must be approved by more than two-thirds of the entire Board of Directors. The decision shall be recorded in meeting minutes.</u></p> <p>2. <u>The entire members of the Audit Committee or the Board of Directors referred to in the aforementioned shall be calculated based on the number of actual serving Directors.</u></p>	<p><u>expresses dissent and such opinion is recorded in the in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and for discussion by the Shareholders' Meeting. The same procedures also apply for revisions.</u></p> <p>2. <u>When these Procedures are up for discussion with the Board of Directors as prescribed by the previous Paragraph, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.</u></p>	<p>powers include the procedures for determining or amending the financial operations of the the endorsement or guarantee, and Article 11 of the "Corporate Loan and Endorsement Guarantee Guidelines for Public Offering Company".</p>
<p>Article 12 These Procedures were adopted on May 25, 1990 and the <u>11th</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>Article 12 These Procedures were adopted on May 25, 1990 and the <u>10th</u> revision was made on <u>June 22, 2017</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>

Agenda Item #7 (Proposed by the Board of Directors)

Description: The Release of Tigerair Taiwan Stock, to be determined by all parties.

Details:

1. Since its establishment in 2014, Tigerair Taiwan has developed into a low-cost airline with stable business model and sound financial structure. Listing plan for Tigerair shall be conducted with consideration of the benefits of future fundraising, self-financing, and equity value enhancement of Tigerair.
2. To comply with the provisions of Subparagraph 3, Paragraph 1, Article 19, of the "Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings", the shareholding of the Company and all its subsidiaries and related parties shall be reduced to <70% before listing. The initial seasoned equity offerings and reduced shareholding ratio shall be processed in 2020 according to schedule. Additionally, no more than 45 million shares (accounting for 22.5% of Tigerair's current shareholding) shall be released. Ownership shall be dispersed according to holding ratios of the Company (90%) and Mandarin Airlines (10%) to comply with regulations.
3. Based on the results of the operation of the subsidiaries shared with the shareholders of the company, with the approval of the board of directors, a request was raised at the shareholders' meeting to resolve the aforementioned share release plan to prioritize share purchases of the Company's shareholders according to the holding ratios (Considering that Mandarin Airlines is a subsidiary of the Company with a 94% equity right, the number of prioritized share purchases of the Company's original shareholders shall not exceed 44,730 shares). The base date of the subscription shall be based on the shareholder recorded in the last list of shareholders who have most recently ceased transfer after the current shareholders' meeting. In consideration of the professional agency's agency fee and the original shareholder's willingness to invest in the company, it is proposed that for the current release, the Company's original shareholders who subscribed over (and including) 1000 shares have the right to participate in the subscription. Also, in consideration of the rights of the Company's original shareholders, shareholders of less than 1000 shares may piece together to integral number of shares on their own. Waived portions or insufficient shares in the subscription of the Company's original shareholders shall be purchased by specific persons authorized by the Chairman.
4. After resolving the aforementioned release plan at the shareholder's meeting, the Board of Directors shall be authorized to reschedule the subscription base date and actual release share price, among other related matters. However, the price of the release shares shall not be lower than the net value per share of Tigerair's latest self-financing balance sheet at the time of release, and an independent expert shall be invited to issue a price reasonableness opinion.
5. This item was approved during the 6th session of the 21th Meeting of the Board.

Resolution:

Agenda Item #8 (Proposed by the Board of Directors)

Description: Proposal to release non-compete restrictions on Chairman Su-Chien Hsieh, to be determined by all parties.

Details:

1. According to business needs, Chairman Hsieh, Shih-Chen is also the chairman of the reinvestment businesses. According to Article 209 of the Company Act, a board director acting on behalf of himself (herself) or another in matters within the business scope of the company shall explain the importance of its actions and obtain approval at the shareholders meeting. Without damaging the Company's interests, it is proposed to lift the non-competition restrictions of Chairman Hsieh Shih-Chen's various titles at the following list of companies:

Name and title	Title at each company
Chairman Hsieh Shih-Chen	Chairman, Franklin Templeton SinoAm Chairman, China Airlines (Asia) Company Limited Chairman, Novotel Taipei Taoyuan International Airport Chairman, CAL Park

2. This item was approved during the 6th session of the 21th Meeting of the Board.

Resolution:

Questions and Motions

Appendices

Appendix 1

China Airlines Ltd. Rules of Procedure for Shareholders' Meetings

Formulated and implemented after approval by the 3rd Extraordinary Shareholders' Meeting on December 12, 1991

Amended and approved by the Shareholders' Meeting on June 29, 2010

Amended and approved by the Shareholders' Meeting on June 15, 2012

Amended and approved by the Shareholders' Meeting on June 26, 2015

Article 1

These Rules of Procedure for Shareholders' Meetings have been drawn up in accordance with the Company Act and all other relevant laws and regulations. Any matters not stipulated in these Rules shall be conducted in accordance with the aforementioned laws.

Article 2

The rules for procedures for the Company's Shareholders' Meetings, except as otherwise provided by law, regulations, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3

As stipulated in these Rules, "shareholder" refers to the shareholder himself/herself or a designated representative delegated to attend in his/her stead.

Article 4

A shareholder may appoint a proxy to attend a shareholder meeting by providing the proxy form issued by the Company in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, promulgated by the competent authorities, which clearly states the scope of the proxy's authorization. The shareholder shall deliver the proxy form to the Company at least 5 days before the date of the Shareholders' Meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment. If a shareholder appoints a proxy, should the proxy not provide the proxy form, the total number of shares and voting rights represented shall be disregarded.

When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.

After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company no later than 2 business days prior to the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5

Attendance and voting at Shareholders' Meetings shall be calculated based on numbers of shares. The number of shares in attendance and voting rights shall be calculated according to the shares indicated by the sign-in cards handed in and proxy forms plus the number of shares whose voting rights are exercised by correspondence or electronically.

Article 6

The chair of the Shareholders' Meeting shall be selected in accordance with Article 208, Paragraph 3 of the Company Act and Article 14 of the Company's Articles of Incorporation.

The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a Shareholders' Meeting in a non-voting capacity.

Article 7

If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors.

After the Shareholders' Meeting agenda is set by the Board of Directors or other party with the power to convene, the agenda shall be distributed to shareholders in attendance or their proxies. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda (including extraordinary motions), except by a resolution of the Shareholders' Meeting.

After the meeting is adjourned, the shareholders may not designate another person as chair and continue the meeting in the original location or at a different location.

Article 8

The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements for a combined total of no more than 1 hour is made. If a quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, the situation is to be handled in accordance with Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolutions made previously for a vote by the Shareholders' Meeting.

Article 9

In addition to discussions and votes on issues as outlined in the agenda handbook, shareholders in attendance may also raise extraordinary motions as stipulated in the Company Act. After the chair receives approval from other shareholders, the chair shall put the issue up for discussion and a vote.

Election or dismissal of directors, amendments to the Articles of Incorporation, the dissolution, merger, or demerger, or any matter under Article 185, Paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out in the notice of the reasons for convening the Shareholders' Meeting. None of the above matters may be raised by an extraordinary motion.

Article 10

When an attending shareholder wishes to speak regarding a proposal up for discussion, he or she must specify on a speaker's slip the subject of the speech, his/her shareholder account number and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. This also applies in the case of extraordinary motions.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 11

When a juristic person shareholder appoints two or more representatives to attend a Shareholders' Meeting, only one of the representatives so appointed may speak on the same proposal. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

Article 12

If the speech of any shareholder violates the above Article or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor. The chair shall stop any violations. The chair shall direct the proctors (or security personnel) to help maintain order at the meeting place.

Proctors (or security personnel) assigned to help maintain order at the meeting place shall wear an identification card or armband bearing the word "Proctor."

Any shareholders who use public address equipment different from that supplied at the premises may be prevented from speaking by the chair.

In the event that a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct proctors or security personnel to escort the shareholder from the meeting.

Article 13

The chair shall announce the end of discussion on a proposed resolution and proceed with voting when he/she feels that the discussion time will affect the smooth proceeding of the meeting or that there has been sufficient discussion and that there is no need for further speeches.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected and no further voting shall be required.

Article 14

The number of voting rights required to pass a resolution shall be determined as outlined in the Company Act based on the characteristics of said proposal, but if the Company's Articles of Incorporation specify a higher standard, then the Articles of Incorporation shall be followed

Article 15

Except as otherwise provided in the Company Act, the passage of a proposal shall require an affirmative vote of a

majority of the voting rights represented by the attending shareholders (if the Articles of Incorporation require a higher standard, then the higher standard shall apply). In the resolution, if the chair of the meeting inquires and receives no objection, the motion is deemed passed, with equivalent force as a resolution by vote. When a shareholder is an interested party in relation to an agenda item and there is the likelihood that such a relationship would prejudice the interests of the Company that shareholder's voting rights may not count towards the total but this does not apply in the selection of directors. When one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation. When a shareholder is an interested party in relation to an agenda item and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder, but selection of a director is not thusly restricted.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, should the voting rights represented by that proxy exceed 3% of the voting rights represented by the total number of issued shares the voting rights in excess of that percentage shall not be included in the calculation.

Article 16

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. When the chair appoints shareholders from the shareholder meeting to perform a certain task and the appointee is unable to perform said task, the chair shall appoint a different shareholder.

Article 17

When a meeting is in progress, the chair may announce a break at his or her discretion. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. When the chair adjourns the meeting, the meeting is considered concluded.

Article 18

Matters relating to the resolutions of a Shareholders' Meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or affixed with a seal by the chair of the meeting and shall be retained for the duration of the existence of the Company.

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio or video recording of the registration procedure, the proceedings of the Shareholders' Meeting, and the voting and vote counting procedures. The recorded audio and/or video materials, sign-in cards, attendance book, and proxy forms shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the aforementioned materials shall be retained until the conclusion of the litigation.

Article 19

These Rules and any amendments hereto, shall be implemented after adoption by Shareholders' Meetings.

Appendix 2

CHINA AIRLINES LTD. ARTICLES OF INCORPORATION

This Article was created on August 15, 1959

Amended and approved by the Shareholders' Meeting undergone 69 amendments on June 18, 2014

Amended and approved by the Shareholders' Meeting undergone 70 amendments on June 26, 2015

Amended and approved by the Shareholders' Meeting undergone 71 amendments on June 24, 2016

Chapter I General Provisions

Article 1

The Company shall be organized in accordance with the provisions of the Company Act relating to companies limited by shares, and shall be named “中華航空股份有限公司”. Its English name shall be “CHINA AIRLINES LTD.”.

Article 2

The Company shall conduct the following businesses:

1. G501011 Civil Aviation Transport
2. G501020 Civil Aviation Agency
3. G502011 Aviation
4. G602011 Airport Ground Services
5. G605011 Sky Catering
6. G801010 Warehousing & Storage
7. F114070 Aircraft & Parts Wholesaling
8. F214070 Aircraft & Parts Retailing
9. I301010 Software Design Services
10. I301020 Data Processing Services
11. I301030 Digital Information Supply Services
12. J201051 Civilian Aviation Personnel Training
13. JA01010 Automotive Repair & Maintenance
14. JA02990 Other Repair Shops
15. ZZ99999 All businesses that are not prohibited or restricted by law, except those subject to special approval.

Article 2-1

The Company may, in accordance with its business requirements, act externally as a guarantor and make re-investments. Where the Company is a limited liability shareholder of another company, the total amount of its re-investment is not subject to the restriction on the re-investment amount as prescribed by Article 13 of the Company Act.

Article 2-2 (Deleted)

Article 3

The Company's head office is located in Taoyuan City (Taiwan, R.O.C.), and branch offices or sales offices may be set up inside and outside of the country when necessary upon a resolution of the Board of Directors.

Article 4 (Deleted)

Chapter II Shares

Article 5

The aggregate capital of the Company shall be Seventy Billion New Taiwan Dollars (NT\$70,000,000,000), divided into Seven Billion (7,000,000,000) common shares at Ten New Taiwan Dollars (NT\$10) per share. The un-issued shares may be issued at several times by the Board of Directors in accordance with the Company's business requirements.

Article 6

The share certificates of the Company shall be registered, signed by or affixed with the seals of at least three directors, and issued upon being certified by the competent authority or a certification organization approved by it.

When there is a new issue of shares, the Company may print a consolidated share certificate representing the total number of new shares or be exempted from printing share certificates for the said issue.

With respect to the new shares issued in accordance with the provision of the preceding paragraph, the consolidated printed share certificate shall be placed under the custody of, and the recordation of the issue for shares exempted from printing share certificate shall be made by the centralized securities custody institution, or the new-issued shares may be consolidated with other already-issued shares into larger-denomination share certificates in accordance with the request of the centralized securities custody institution.

Article 7 (Deleted)

Article 8

The Company's stock matters shall be governed by the relevant regulations of the competent authority.

Article 9

Registration of a share assignment shall not be made within sixty (60) days prior to a convening date of a regular shareholders' meeting, or within thirty (30) days prior to a convening date of a special shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for distribution of dividends, bonuses, or other benefits.

Chapter III Shareholders' Meetings

Article 10

The Company's shareholders' meetings are of two kinds: regular shareholders' meetings and special shareholders' meetings. A regular shareholders' meeting shall be convened once a year within six (6) months after the close of the fiscal year. A special shareholders' meeting shall be convened when necessary in accordance with the relevant laws and decrees.

Article 11

Unless otherwise provided by the Company Act, a resolution of a shareholders' meeting shall be adopted by majority vote of the shareholders present at a meeting, representing a majority of the total number of voting shares.

Article 12

A shareholder of the Company shall be entitled to one share one vote, unless otherwise restricted by laws.

Article 13

If a shareholder is unable to attend a shareholders' meeting for causes, he shall appoint a proxy to attend on his behalf by executing a power of attorney printed by the Company specifying the scope of the power authorized to the proxy.

Other than a trust enterprise or a stock agency approved by the competent authority, the voting right represented by a proxy appointed concurrently by two or more shareholders shall not exceed three percent (3%) of the total number of voting shares of all outstanding shares; any voting right in excess thereof shall not be counted.

Unless otherwise provided by the Company Act, the rules for appointing proxies to attend a shareholders' meeting shall be prescribed in accordance with the "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority.

Article 14

Where a shareholders' meeting is convened by the Board of Directors, the meeting shall be presided by the Chairman of the Board of Directors. When the Chairman is on leave or absent, or is unable to exercise his power and authority for causes, he shall designate a director to represent him; where he has not designated a representative, directors shall elect a representative from among themselves to act as the chairman of the meeting. Where a shareholders' meeting is convened by any person with convening power other than the Board of Directors, such person shall be the chairman of the meeting. Where there are two or more persons having convening powers, one shall be elected from among themselves to act as the chairman of the meeting.

Article 15

Resolutions adopted at a shareholders' meeting shall be recorded in meeting minutes signed by or affixed with the seal of the chairman of the meeting, and the meeting minutes shall be kept perpetually throughout the existence of the Company.

The attendance register of shareholders attending the meeting and the proxies shall be safe kept for at least one year. However, in the event a shareholder has initiated litigation in accordance with Article 189 of the Company Act, they shall be safe kept until the conclusion of the litigation.

Chapter IV Directors and Managers

Article 16

The Company shall have eleven to thirteen directors, all of whom shall be elected at a shareholders' meeting from among persons having legal capacity.

Travel expenses and remuneration for the directors shall be prescribed by the Board of Directors in reference to the standards adopted by enterprises in the relevant industry and listed companies.

Article 16-1

The directors of the Company provided in the preceding article shall include three independent directors as from the 19th term of office of the directors.

The election of the directors of the Company shall be held in accordance with the candidate nomination system. The election of directors shall be held in accordance with the Company Act and other applicable laws and regulations. Independent directors and other directors shall be elected at the same time but in separately calculated numbers elect, and candidates to whom the ballots cast represent a prevailing number of votes shall be elected as independent directors and other directors.

The professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination and election, exercise of power, and other matters for compliance with respect to independent directors shall be governed by and construed in accordance with the Securities and Exchange Act and the provisions of relevant laws and decrees.

Article 16-2

The audit committee of the Company is organized by all independent directors in accordance with Article 14-4 of the Securities and Exchange Act. Governing powers exercised by the audit committee and its members, and related businesses thereof, shall be governed by and construed in accordance with the Securities and Exchange Act and the provisions of the relevant laws and decrees.

Article 17

The term of office of the directors is three years, and the directors may be eligible for re-election. The total number of shares held by all the directors shall be governed by the provisions of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

Article 18

The directors shall organize a Board of Directors to exercise the power and authority of the directors, and the Chairman of the Board of Directors shall be elected from among the directors by a majority vote at a meeting attended by at least two-thirds of the directors, and the Chairman shall represent the Company externally.

The Board of Directors shall be authorized to prescribe the remuneration for the Chairman according to the extent of the Chairman's participation in the operation of the Company, in reference to the regulations relating to remuneration for managers of the Company.

Article 19

A board meeting shall be convened by the Chairman; provided, however, that the first board meeting for each term shall be convened by the director who obtains and represents the most votes.

A board meeting shall be presided over by the Chairman of the Board of Directors. When the Chairman is on leave or absent, or is unable to exercise his power and authority for causes, he shall designate a director to represent him; where he has not designated a representative, the directors shall elect a representative from among themselves to represent him.

Article 19-1

If a board meeting is held in the form of a video conference, the directors who participate in the video conference shall be deemed to have attended the meeting in person.

If a director is unable to attend a board meeting for causes, he may issue a proxy specifying therein the purpose for convening the meeting and the scope of authorization to appoint another director to represent him at the meeting; provided, however, that a representative shall accept only one person's appointment.

Article 20

Unless otherwise provided for by the Company Act, a resolution of the Board of Directors shall be adopted by a majority vote of the directors present at a board meeting attended by a majority of the directors.

Article 21 (Deleted)

Article 22

The Company shall have one president and several senior vice presidents whose appointment, dismissal and remuneration shall be governed in accordance with Article 29 of the Company Act.

Article 23

The Company may, in accordance with its business requirements, invite several consultants, senior consultants and special consultants, who shall be appointed by the Chairman.

Chapter V Accounting

Article 24

After the close of each fiscal year, the Board of Directors shall prepare the following statements and reports, and submit them to the regular shareholders' meeting for recognition:

1. Operation/Business report
2. Financial statements
3. Proposal for distribution of profit or appropriation to cover loss

Article 25

In the case of a profitable fiscal year, the Company shall set aside no less than 3% to employee compensation. However, in the event of accumulated deficits, the profits shall be reserved in advance to offset the deficits.

The above compensation shall be distributed as stock or cash following a Board of Directors majority approval in which at least two-thirds of board members are present. If passed, the resolution shall be reported during a Shareholders' Meeting.

In the case of a profitable fiscal year, the Company shall pay taxes in accordance with the law, make up accumulated deficits, and then allot 10% to the statutory surplus reserve. In accordance with regulations, the remaining balance shall then be appropriated for provisions and rotating special reserves. If there is still surplus and/or accumulated undistributed earnings, the Board of Directors shall submit an allocation proposal at a Shareholders' Meeting. Upon approval, the proposal shall then take effect and dividends shall be distributed to all shareholders:

1. Not less than 50% thereof shall be distributed as dividend and bonus to shareholders. However, if the distributable balance from the current year's pre-tax profit after making the deductions in accordance with the aforesaid computation method is not sufficient, the Company may apply the accumulative retained earnings-unappropriated to cover the shortfall.
2. When the Company does not suffer any loss, it may, with due consideration to financial and/or commercial and/or operational factor(s), appropriate all or a part of the reserve to issue new shares or distribute cash to shareholders in accordance with the laws and decrees, or the regulations of the competent authority.
3. Distribution of the aforesaid dividend and bonus may be made in the form of shares or cash; provided, however, that the cash dividend shall not be less than 30% of the total dividends.

Chapter VI Supplemental Provisions

Article 26

The present Articles of Incorporation were announced on August 15, 1959, and the seventy first (71st) amendment was made on June 24, 2016. Matters not prescribed under these Articles of Incorporation shall be governed by and construed in accordance with the provisions of the relevant laws and decrees.

Appendix 3

China Airlines Ltd. Procedures Governing the Election of Directors

Amended and implemented after approval by the Shareholders' Meeting on June 26, 2015

Article 1: Except as otherwise provided by law and regulation or by the Company's Articles of Incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 2: Directors shall be elected in the Shareholders' Meeting.

Article 3: Elections of the Company directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. The Company shall review the qualifications, educational background, and work experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors, and may not arbitrarily add requirements of other credentials. It shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected.

The qualifications and elections for the independent directors of the Company shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

When the number of directors falls below five due to the dismissal of a director or more for any reason, the Company shall hold a by-election to fill the vacancy at its next Shareholders' Meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a Special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, a by-election shall be held at the next Shareholders' Meeting to fill the vacancy. When the independent directors are dismissed en masse, a Special Shareholders' Meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 4: For election of Company directors, each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the Shareholders' Meeting. Elections for directors and independent directors shall be held concurrently but the respective voting rights shall be separately calculated to determine the elected directors and independent directors.

Article 5: The number of directors will be as specified in the Company's Articles of Incorporation. The candidates to whom the ballots cast represent a prevailing number of voting rights shall be elected as independent directors or

non-independent directors, respectively, based on the results of the election, in descending order. When two or more candidates receive the same number of voting rights, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any candidate not present.

If, following review, there are confirmed discrepancies in the personal information provided by any director elected as per the above paragraph or he/she is not fit to serve according to relevant laws or regulations, the resulting vacancy will be filled by the candidate receiving the next largest number of voting rights in the same election.

Article 6: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; while the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name on the ballot paper. If the candidate is the representative of a governmental organization or juristic-person shareholder, both the name of the governmental organization or juristic-person shareholder and the candidate's name shall be entered in the column for the candidate's account name. When there are multiple representatives, the names of each respective representative shall be entered. For a non-shareholder candidate, the voter shall enter the candidate's full name and identity card number.

Article 7: Before the election begins, the chair shall appoint a number of persons to perform the respective duties of vote monitoring and voting rights counting.

Article 8: The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote monitoring personnel before the voting commences.

Article 9: Each ballot may only specify the name of one candidate.

Article 10: A ballot is invalid under any of the following circumstances:

- (1) The ballot is not prepared in accordance with these Procedures.
- (2) A blank ballot is placed in the ballot box.
- (3) The writing is unclear and indecipherable.
- (4) There are any alterations to the writing of the candidate's account name (or name) or shareholder account number (or identity card number) or the number of voting rights allotted.
- (5) The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.
- (6) The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number is provided in the ballot to identify such individual.
- (7) Other words or marks are entered in addition to the candidate's account name (or name) or shareholder account number (or identity card number) and the number of voting rights allotted.
- (8) The number of voting rights cast total more than the voting rights allotted to the voter.

Article 11: If the number of voting rights cast is fewer than the total number of voting rights allotted to a voter, the

remaining will be considered abstentions.

Article 12: After the casting of ballots is completed, the voting rights shall be publicly counted and the results of the calculation, including the list of persons elected as directors and the numbers of voting rights with which they were elected, shall be announced by the chair on the spot.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 13: The Company shall issue the notification to the persons elected as directors.

Article 14: Other matters not stipulated in these Procedures shall be conducted in accordance with the Company Act, the Company's Articles of Incorporation and all relevant laws and regulations.

Article 15: These Procedures, and any amendments hereto, shall be implemented after adoption by Shareholders' Meetings.

Appendix 4

China Airlines Ltd.

Procedures Governing the Acquisition and Disposal of Assets

Amended and approved by the Shareholders' Meeting on June 22, 2017

Article 1 Purpose and legal basis:

These Procedures have been formulated to provide guidelines for the Company when acquiring or disposing of assets and are based on the content of Article 36-1 of the Securities and Exchange Act and other related laws and regulations.

Article 2 Scope: For the purpose of these Procedures, assets refer to the following:

1. Investments such as stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call(put) warrants, beneficial interest securities, and asset-backed securities, etc.
2. Real Property (including land, houses and buildings, investment property, rights to use land) and equipment.
3. Memberships.
4. Patents, copyrights, trademarks, franchise rights, and other intangible assets.
5. Derivatives.
6. Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
7. Other major assets.

Article 3 Terms used in these Procedures are defined as follows:

1. Date of occurrence: In principle, this refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction (whichever date is earlier); provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
2. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
4. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.
5. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers,

demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156, Paragraph 8 of the Company Act.

6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Total assets: For the calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company-only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.

Article 4 Appraisal and operating procedures:

1. Regarding the appraisal of assets to be acquired or disposed of, if said assets are flight equipment, real property, or other assets, the department utilizing or responsible for the assets shall formulate an appraisal plan. The Finance Division shall implement and oversee this plan. For marketable securities, the units responsible for implementation shall implement after completion of a feasibility assessment.
2. When the Company engages in derivatives transactions, it shall follow the Company's Operational Procedures for Derivatives Trading. For the acquisition and disposal of other assets, the Company shall follow the operational procedures formulated by the responsible department mentioned in the above paragraph, which will be executed after approval by the responsible personnel, to properly implement the Company's internal control system.

Article 5 Procedures for determining transaction terms and conditions:

1. Any acquisition or disposal of assets by the Company shall follow all related procedures and regulations, and shall only be executed after approval by the responsible personnel.
2. Any procedure for the acquisition or disposal of assets that falls under the circumstances outlined in Article 185 of the Company Act shall first be approved by the Shareholders' Meeting.
3. Means of price determination and supporting reference materials for assets should follow the below:
 - (1) The price for marketable securities acquired or disposed of on a centralized securities exchange market or over-the-counter securities exchange shall be determined by the current stock or bond price.
 - (2) For the price of marketable securities not acquired or disposed of on a centralized securities exchange market or over-the-counter securities exchange, the net asset value, profitability, future development potential, market interest rates, bond coupon rate, and credit worthiness of the debtor shall be taken into account along with the most recent transaction price.
 - (3) For the acquisition or disposal of real property or other assets, the price shall be set based on the publicly announced current value, current assessed value, actual transaction price of neighboring real property, or the supplier's quoted price.
4. With respect to the Company's acquisition or disposal of assets that are subject to the approval of the Board of Directors as required by these Procedures or other laws or regulations, if a director expresses dissent, which is recorded or is contained in the minutes or a written statement, the company shall submit the director's dissenting opinion to the Audit Committee.

If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding sentence is not obtained, the Procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

Article 6 Units responsible for implementation:

1. The Corporate Development Office 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.
2. When the Company and any subsidiaries that are not domestic public companies acquire or dispose of assets that require public reporting, the unit responsible for the implementation shall review and include all relevant information on the actual date of occurrence and deliver to the Finance Division for public announcement, reporting, and disclosure of material information.

Article 7 Merger, demerger, acquisition, or transfer of shares:

1. When planning to conduct a merger, demerger, acquisition, or transfer of shares, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.
However, when the Company merges with a subsidiary company which it directly or indirectly owns 100% of distributed stocks or total capital, or when the Company merges subsidiary companies which it directly or indirectly owns 100% of distributed stocks or total capital, the Company may forgo the opinion of the reasonableness by the experts stated above.
2. The Company shall prepare a public report for shareholders detailing the important content of the agreement and related matters of the merger, demerger, or acquisition before the Shareholders' Meeting, and then deliver it to shareholders together with expert opinions as required in the preceding paragraph for reference by shareholders for the approval of the merger, demerger or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a Shareholders' Meeting to approve the merger, demerger or acquisition. Moreover, where the Shareholders' Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.
3. When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall follow the below regulations for voting, information preservation, and public announcement:
 - (1) Unless another law provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent, the companies participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and Shareholders' Meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition. When participating in a transfer of shares, the companies shall call a Board of Directors meeting on the same day.
 - (2) When participating in a merger, demerger, acquisition, or transfer of shares, the Company

shall prepare a full written record of the following information and retain it for 5 years for reference. Within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, the Company shall report the information set out in Subparagraphs 1 and 2 of the following paragraph to the competent authorities for recordation in the prescribed format via the Internet-based information system.

1. Basic identification data for personnel: includes occupational titles, names, and national ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of any merger, demerger, acquisition, or transfer shares prior to disclosure of the information.
 2. Dates of material events: includes the dates of the signing of any letter of intent or memorandum of understanding, the hiring of a financial or legal advisor, the execution of a contract, and the convening of a Board of Directors meeting.
 3. Important documents and minutes: includes merger, demerger, acquisition, and share transfer plans, any letter of intent or memorandum of understanding, material contracts, and minutes of Board of Directors meetings.
- (3) Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company whereby the latter is required to abide by the provisions of (2) above.
4. Every person participating in, or privy to the plan for merger, demerger, acquisition, or transfer of shares shall issue a written undertaking of confidentiality and may not disclose the content of the plan prior to public disclosure of the information and may not trade, in their own name or under the name of another person, in any stock or other equity security of any company related to the plan for merger, demerger, acquisition, or transfer of shares.
 5. The Company may not arbitrarily alter the share exchange ratio or acquisition price unless under the below-listed circumstances, and shall stipulate the circumstances permitting alteration in the contract for the merger, demerger, acquisition, or transfer of shares:
 - (1) Cash capital increase, issuance of convertible corporate bonds, or the issuance of bonus shares, issuance of corporate bonds with warrants, preferred shares with warrants, stock warrants, or other equity-based securities.
 - (2) An action, such as a disposal of major assets, that affects the company's financial operations.
 - (3) An event, such as a major disaster or major change in technology, that affects shareholder equity or share price.
 - (4) An adjustment where any of the companies participating in the merger, demerger, acquisition, or transfer of shares, legally buys back treasury stock.
 - (5) A change in the entities or number of entities participating in the merger, demerger, acquisition, or transfer of shares.
 - (6) Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.
 6. The following matters, in addition to the related rights and obligations, shall be noted in the contract for participation in a merger, demerger, acquisition or transfer of shares:
 - (1) Handling breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (3) The amount of treasury stock that participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.

- (4) The manner of handling changes in the entities or number of entities.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.
7. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.
8. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by Paragraphs 3, 4, and 7 of this Article.

Article 8 Commissioning expert appraisal reports or opinions:

1. Appraisal report for acquisition or disposal of real property or equipment: In acquiring or disposing of real property or equipment 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 government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment 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 following provisions:
 - (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction.
 - (2) Where the transaction amount is in excess of NT\$1 billion, appraisals from two or more professional appraisers shall be obtained.
 - (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 in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) 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) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is applied and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
2. Certified public accountant opinion regarding acquisition or disposal of securities: The Company, when acquiring or disposing of securities shall, prior to the date of occurrence,

obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the dollar amount of the transaction is 20% or more of the company's paid-in capital or in excess of NT\$300 million, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.

3. Acquisition or disposal of memberships or intangible assets: Where the company acquires or disposes of memberships or intangible assets and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, 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; the certified public account shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF.
4. Should the Company acquire or dispose of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or opinion of a certified public accountant.
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 not be a related party of any party to the transaction.
6. Calculation of the transaction price shall be performed in accordance with Article 11, Paragraph 1, Subparagraph 2, but does not need to be added in for situations where a professional appraisal or certified public accountant opinion is obtained in accordance with these Procedures.

Article 9 Related party transactions:

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that these Procedures are followed and necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a certified public auditor's opinion in compliance with the provisions of the preceding Article. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.
2. When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property 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 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 and recognized by the Audit Committee:
 - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - (2) The reason for choosing the related party as a trading counterparty.
 - (3) With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 3 and 4 of this Article.
 - (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.
 - (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.

- (6) Restrictive covenants and other important stipulations associated with the transaction.
 - (7) An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding Paragraph.
3. When the Company acquires real property from a related party, it shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased in one transaction, the transaction costs for the land and the structures may be separately appraised following any one of the below methods):
- (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the trading counterparties.
4. When the Company acquires real property from a related party and appraises the cost of the real property in accordance with the previous Paragraph, it shall also engage a certified public accountant to check the appraisal and render a specific opinion.
5. When the Company acquires real property from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Paragraph 2 of this Article, but Paragraphs 3 and 4 do not apply:
- (1) The related party acquired the real property through inheritance or as a gift.
 - (2) More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property to the signing date for the current transaction.
 - (3) The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
6. When the Company acquires real property from a related party and the results of the appraisal conducted in accordance with Paragraph 3 of this Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Paragraph 7. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a certified public accountant, this restriction shall not apply:
- (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 1. When undeveloped land is appraised in accordance with the means in Paragraph 3 of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the past three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

2. There are cases of completed transactions by unrelated parties within the preceding year involving other floors of the same property or a neighboring property in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market practices.
 3. There are cases of leasing transactions completed by unrelated parties for other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.
- (2) Where the Company acquiring real property from a related party provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring parcels of land of a similar size by unrelated parties within the preceding year.
 - (3) "Neighboring parcels of land" in (1) and (2) of this paragraph in principle refers to parcels on the same, or an adjacent block, and within a radius of no more than 500 meters, or parcels close in publicly announced current value. "Similarly sized parcels" in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "Within the preceding year" refers to the year preceding the date of occurrence of the acquisition of the real property.
7. Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with Paragraph 3 of this article and the preceding Paragraph are uniformly lower than the transaction price, the following steps shall be taken:
 - (1) A special reserve shall be set aside in accordance with Article 41, Paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in another company, then the special reserve called for under Article 41, Paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of public company's equity stake in the other company. When the Company has set aside a special reserve under the preceding sentences, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or they have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.
 - (2) The Audit Committee shall follow the provisions set out under Article 218 of the Company Act.
 - (3) Actions taken pursuant to Subparagraph 1 and Subparagraph 2 above shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
 8. When the Company acquires real property from a related party and any evidence indicates that the acquisition was not performed in accordance with operational conventions, then it shall comply with Subparagraphs 1 and 2 of the previous Paragraph.
 9. When a matter is submitted for discussion by the Board of Directors pursuant to this Article, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Adoption pursuant to this Article, which shall be subject to the consent of one-half or more of all Audit Committee members and be submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee

members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

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.
11. With respect to the acquisition or disposal of business-use equipment between the Company and its parent or subsidiaries, the Company's Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and the decisions are subsequently submitted to and ratified at the next Board of Directors meeting.

Article 10 Scope and amount of investment:

Except when acquiring property for business use, the Company and its subcontractors shall follow the below limits for investment in securities and purchases of real property not for business use:

1. The total investment in securities shall not exceed 100% of the Company's net value. Subsidiaries may not exceed 80% of their net value, but subsidiaries that are professional investment companies may not exceed 100% of their net value.
2. The total value of investments in individual securities shall not exceed 30% of the Company's net value. Subsidiaries may not exceed 20% of their net value, but subsidiaries that are professional investment companies may not exceed 100% of their net value.
3. The Company and its subsidiaries' total purchases of real property not for business use shall not exceed 50% of their net value.

Article 11 Announcements, reporting, and disclosure of material information:

1. When the Company acquires or disposes of assets and the following circumstances apply, the Company shall publicly announce and report the relevant information on the competent authority's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where 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; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds.
 - (2) Merger, demerger, acquisition, or transfer of shares.
 - (3) The loss in derivatives reaches the upper loss limit, including in total or of an individual contract as regulated in the Company's Operational Procedures for Derivatives Trading.
 - (4) Acquisition or disposal of assets that are equipment for business operation from or to a non-related party where the transaction amount reaches NT\$1 billion or more.
 - (5) Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the company expects to invest in the transaction is NT\$500 million or more.
 - (6) In addition to the provisions of the preceding (1) - (5), any transactions of assets, disposal of debts by financial institutions or investment in mainland China which have reach a transaction amount up to 20% of the Company's paid-in capital or more than NT\$ 300 million. The following situations are not subject to this limit:

1. Trading of government bonds.
2. Trading bonds attached with repurchase and resell conditions or purchasing or repurchase domestic securities investment trust enterprise money market funds.
2. The amount of transactions in the preceding Paragraph shall be calculated as follows:
 - (1) The amount of every transaction
 - (2) The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within the preceding year.
 - (3) The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within the preceding year.
 - (4) The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
 - (5) "Within the preceding year" as used in this section refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Procedures need not be counted toward the transaction amount.
3. If the subsidiary is not a public company in Taiwan, it shall follow the rule here for announcing and reporting when totals reach 20% of the paid-in capital or 10% of total assets, both in regards to the parent company. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format and publically announce and report by the 10th day of each month on the competent authority's designated website.
4. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days commencing immediately from the date that the Company becomes aware of the error or omission..
5. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported as required, a public report of relevant information shall be made on the competent authority's designated website within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.
6. Disclosure of Material Information: Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities promulgated by the Taiwan Stock Exchange Corporation.

Article 12 Other issues:

1. After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of Directors and come into effect following approval of the Shareholders' Meeting, which also applies for revisions. If any director expresses dissent and such opinion is recorded in the in the minutes or a written statement, the Company shall submit the director's dissenting opinions to the Audit Committee. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding sentence is not obtained, the

procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

2. Unless otherwise required by law, the Company shall keep on file all contracts, minutes, memorandum books, appraisal reports, and opinions issued by certified public accountants, attorneys, or securities underwriters for any acquisition or disposal of assets for a period of no less than 5 years.
3. When a Company subsidiary intends to acquire or dispose of assets, the subsidiary shall formulate and implement procedures in accordance with the Procedures Governing the Acquisition and Disposal of Assets.

Article 13 Penalties:

If any Company managers or relevant personnel are in breach of these Procedures and/or any related laws and regulations, penalties shall be incurred in accordance with Company rewards and punishments regulations proportional to the gravity of the breach.

Article 14

These Procedures were adopted on May 18, 1991 and the 9th revision was made on June 22, 2017. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.

Appendix 5

China Airlines Ltd.

Operational Procedures for Derivatives Trading

Amended and approved by the Shareholders' Meeting on June 26, 2015

Article 1 Purpose

In order to effectively manage the Company's assets, debts, and income and expenses, reduce risks associated with fluctuations in exchange rates, interest rates, and oil prices, and increase industry competitiveness, these Procedures have been formulated in accordance with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies promulgated by the Financial Supervisory Commission.

Article 2 Transaction Principles and Guidelines

1. Types of Transactions

For the purpose of these Procedures, derivatives refer to forward contracts, options contracts, futures contracts, leverage contracts, and swap contracts, and compound contracts combining the above products, whose value is derived from assets, interest rates, foreign exchange rates, indexes, oil prices, or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements.

2. Operational and Hedging Strategies

The primary purpose of the Company's derivatives transactions shall be to avoid market risks (hedging). Transactions shall, as much as possible, be used to hedge against interest, exchange rate, and oil price risks resulting from Company operations. In principle, counterparties shall be banks or oil companies that have business dealings with the Company or that can provide expert information.

3. Division of Responsibilities

(1) Risk Management Committee

Drafting a hedging strategy, response measures, and resolutions regarding derivative trading limits.

(2) President

Approval of the type of trade and execution of trades.

(3) Financial Managers (all levels)

1. Execution of forward exchange, FX options, and oil derivatives transactions within the authorized limits after approval.

2. Control and management of company-wide transaction totals and

product types.

3. Decisions regarding appointment and dismissal of traders.
4. Formulation of the risk report format.
5. Establishment of the risk assessment and performance assessment models.

(4) Trading Personnel

1. Formulation of trading strategies within their authorized scope and directly executing trades with the counterparty.
2. Collation and recordation of transaction receipts, certificates, and other transaction-related information.

4. Performance Assessment

The Company shall perform performance assessments for derivatives transactions at least twice per month and report the findings to a Company executive at the level of Senior Vice President or higher.

5. Total Transaction and Loss Limits

Company trading of derivative products includes exchange rate, interest rate, and oil and other related products, stock index forward contracts, options, and futures with the aim of meeting the Company's actual operational needs. With active risk avoidance and the goal of economic hedging, the derivatives transaction limits and total loss limits for the entire Company are as follows:

- (1) Interest Rate Derivatives: Losses are limited to 50% of the net increase of long-term liabilities, lease liabilities, and sale-leaseback transactions positions currently and over the next five years.
- (2) Exchange Rate Derivatives: Ceiling of 50% of the total of foreign currency liabilities and actual net demand for foreign currency over the next five years.
- (3) Oil Derivatives: Ceiling of 50% of actual annual demand.
- (4) Loss Amount Restrictions: Losses for an individual contract assessed to be greater than 3% of the Company's shareholder equity for two months in a row. Aggregate contract losses assessed greater than 10% of the Company's shareholder equity for two months in a row. Response measures shall be formulated and submitted to the Board of Directors should either situation occur.

Article 3 Operational Procedures

1. Authorized amount: Any individual derivative transaction may only be conducted after approval and execution by the President. However, forward exchange, FX options, cross currency swaps, interest rate swaps, and fuel hedging transactions are performed to hedge against operational risk. Because circumstances can change rapidly and to ensure proper flexibility, the President may authorize the Vice President of Finance to conduct transactions of the derivative products listed in the previous sentence within the amount limits set by the Risk Management Committee and shall sign and report as required by

the Procedures.

2. Units responsible for implementation: Because of the special properties of derivatives transactions, which include rapid changes, relatively large monetary amounts, frequent trading, and computational complexity, those responsible for derivatives trading and the management thereof must have a high level of expertise. Therefore, the Finance Division shall appoint specialists to perform trades.
3. Appraisal procedures: In accordance with Company needs and the nature of the products, price inquiries shall be made with at least two financial institutions with outstanding reputations to serve as a price reference.
4. When the Company engages in derivatives trading, relevant personnel authorized as laid out in these Procedures shall handle the transactions then submit reports to the next Board of Directors meeting.
5. The Company shall prepare a memorandum book for transactions of derivative financial products recording the type, amount, the date of passage by the Board of Directors and the matters requiring careful assessment as outlined in Article 2, Paragraph 1, Subparagraph 4 and Article 8, Paragraph 1, Subparagraphs 1 and 2.

Article 4 Public Announcement and Reporting Procedures

1. When the Company and any subsidiaries that are not domestic public companies engage in derivatives trading reach levels requiring public reporting, the unit responsible for the implementation shall review and include all relevant information on the actual date of occurrence and deliver to the Finance Division for public announcement and reporting.
2. Engagement in derivatives transactions that result in unrealized losses amounting to 3% or more of shareholder equity or reach the amount ceilings stipulated in these Procedures for contracts in the aggregate or a single contract shall publically announce and report the situation within two days of the actual date of occurrence.
3. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies in the prescribed format and publically announce and report by the 10th day of each month.
4. When the Company or a subsidiary, at the time of public announcement, makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.

Article 5 Accounting Principles

The accounting of derivatives transactions executed by the Company shall be governed by International Financial Reporting Standards and relevant laws. To create a complete set of financial books and accounting records, a fair

presentation of the transaction process and result shall be recorded based on the nature of each derivative transaction. When the Company prepares periodic financial reports, these shall be handled in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers promulgated by the Financial Supervisory Commission and relevant accounting reporting requirements.

Article 6 Internal Control System

1. Risk Management

- (1) Credit risk: In principle, counterparties shall be banks or oil companies that have business dealings with the Company or that can provide expert information in order to reduce the possibility of loss due to counterparty non-compliance.
- (2) Market risk: Prior to making derivatives transactions, an assessment of the potential variation in market factors shall be made and market risk shall be managed by following explicit operating procedures and frequent review of the profits and loss of existing positions.
- (3) Liquidity risk: To ensure liquidity, the transacting bank must have adequate facilities, information, and trading capabilities and be able to trade in any market.
- (4) Cash flow risk: To ensure the stability of the Company's operational cash flow, the source of funding for derivatives transactions should be limited to the Company's own capital and the operational amount should take into consideration of the funding need in the cash income forecast for the next year.
- (5) Operational risk: To avoid operational risk, execution of transactions must comply with authorized amounts and operational procedures.
- (6) Legal risk: Any documents signed with the banks must be reviewed by the legal Insurance Division first before formal execution to avoid any legal risks.
- (7) Product risk: Internal trading personnel and the counterparty bank should possess complete and accurate professional knowledge of financial products and request the banks to sufficiently disclose risk to avoid financial loss due to financial product misapplication.
- (8) Cash settlement risk: In addition to being required to abide by the authorized amount, authorized trading personnel shall also keep aware of Company cash flow to ensure there is ample cash on hand for any required payments.

2. Internal Controls

- (1) The personnel conducting the derivatives transactions shall not also serve as the personnel in charge of confirmation and settlement of derivatives
- (2) The personnel assessing, supervising and controlling risk shall be in separate department from the personnel in (1) of this Subparagraph, and should report regularly to the Chairman and President.

Article 7 Internal Audit System

1. The Company's internal audit personnel shall review the appropriateness of the internal control procedure for transactions of derivative financial product on a regular basis, and shall prepare audit reports on a monthly basis with regard to the compliance situations by the Transaction Division with these Procedures. If any material breach is discovered, the Audit Committee shall be informed in writing.
2. If any Company subsidiary also engages in derivatives trading, that subsidiary shall also follow the procedure outlined in the previous paragraph.

Article 8 When performing derivatives transactions, the Board of Directors shall appoint top executives to pay attention to the supervision and control of derivatives transaction risk by following the below management principles:

1. Periodically evaluate whether the risk management actions presently in use are proper and strictly comply with the Regulations Governing the Acquisition and Disposal of Assets by Public Companies and these Procedures.
2. Supervise the transactions and any income or loss thereof, and if finding any unusual circumstances, take response action and report them to the Board of Directors immediately. Independent directors, if any, should be present at the meeting and express their opinions.
3. Periodically evaluate whether the performance of transactions of derivative financial products corresponds to the existing business strategies and whether the risk borne is tolerable by the Company.

Article 9 Other Issues

These Procedures shall be agreed to by half or more of all members of the Audit Committee and after approval by the Board of Directors shall be brought before the Shareholders' Meeting for approval. This also applies for any revisions thereof. Those not approved by half or more of all members of the Audit Committee, but approved by approved by two thirds of Directors are not subject to the restrictions in the previous two sentences and the Audit Committee's resolution shall be recorded in the minutes of the Board of Directors Meeting.

Article 10 Penalties

If any Company managers or relevant personnel are in breach of these Procedures and/or of any related laws and regulations, penalties shall be incurred in accordance with Company Rewards and Punishments Regulations proportional to the gravity of the breach.

Article 11 These Procedures were adopted on September 13, 1996 and the 9th revision was made on June 26, 2015. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.

Appendix 6

China Airlines Ltd.

Operational Procedures for Lending Funds to Others

Article 1: Purpose

The Company has formulated these Procedures to follow for lending funds to other parties in order to ensure its rights as creditor.

Article 2: Lending Counterparties

1. Companies that have a business relationship with the Company.
2. Companies in which the Company holds 50% or more of outstanding shares and requires funds for a short-term period. "Short-term period" for the purpose of these Procedures means one year or shorter.

Article 3: Reasons for and Necessity of Loaning Funds to Others

Should a company that has a business relationship with the Company or in which the Company holds 50% or more of outstanding shares make a request based on a need for funds, the Company may offer financing.

Article 4: Total Lending Amount and Financing Limit for Individual Entities

1. The total amount of financing shall not exceed 20% of the net value of the Company.
2. The total amount for lending to an individual company having business relationship with the Company shall not exceed the total transaction amount between the parties. The "total transaction amount" refers to the accumulated amount during the period of one year prior to the time of lending.
3. The total lending amount for a company in which the Company holds 50% or more of outstanding shares shall not exceed 10% of the net value of the Company or the amount of the Company's investment in said company.

Article 5: Procedures for Fund Lending

1. Application Procedure

The borrower shall collate necessary basic and financial information and provide such information to the Company in a written application also including the proposed use for the funds, loan term, and amount.

2. Credit Assessment and Review

(1) After receipt of an application, the Company's the relevant unit shall investigate and evaluate the counterparty's business, financial condition, debt-repayment ability and credit, earning power, and purpose of loan. Together these factors shall be used to evaluate the

operational risk of the loan to the Company, and impact on its financial condition and shareholder interests and the results shall be drafted into a report to be reviewed by the Finance Division. After approval by the Chairman the application will be brought before the Board of Directors for approval.

- (2) If the Company has independent directors, when making loans to others, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

3. Approval and Notification

- (1) For loan applications not approved by the Board of Directors following evaluation, the relevant unit shall promptly inform the loan applicant the reasons why their application was declined.
- (2) For loan applications approved by the Board of Directors following evaluation, the relevant unit shall promptly inform the borrower and provide a detailed description of the Company's loan conditions including amount, term, interest rate, and whether collateral or a collateral margin and guarantor are required. The borrower will be asked to complete the signing formalities within the prescribed time limit.

4. Document Signing

- (1) Both parties shall formulate the terms of the agreement, which will be reviewed by the Finance Division then confirmed by the Legal Insurance Division after which signing formalities can be completed.
- (2) The agreement content must conform to the approved loan conditions. After the borrower and guarantor sign/seal on the agreement, Finance Division shall complete the loan processing procedures.

5. Collateral Appraisal and Conditions

In cases where collateral is required, the borrower shall provide such collateral and be pledged as security for the loan. The Company must also assess the value of the collateral in order to protect the rights of the Company as creditor.

6. Disbursement

After the loan conditions have been approved and the borrower has signed the contract, registration of collateral shall be performed. Once the procedures have been checked and verified, the funds shall be disbursed.

Article 6: Authorization of Loans

Loaning of funds shall be reported to the Chairman for approval and conducted following resolution by the Board of Directors. The Board shall authorize the Chairman to disburse loan funds or offer revolving credit for one year for amounts below the authorized limit.

Article 7: Interest Calculation and Lending Term

1. The loan interest shall be set at the agreed upon rate. The interest rate may not be below the Company's cost of capital at the time.
2. The term of funds lent by the Company shall not exceed one year.

Article 8: Control Measures for Outstanding Loans and Overdue Debt Handling Procedures

1. Following the disbursement of loan funds, the Company shall pay attention to the borrower's financial, business, and credit situation etc. In cases involving collateral, the Company shall pay attention to its guarantee value and any change thereto. If there is a significant change, this should be reported to the Chairman and the situation should be handled in accordance with the Chairman's instructions.
2. When the loan is paid back on or before the maturity date, the borrower shall calculate the interest in advance and reimburse together with the principal. Then the collateral shall be returned to the borrower.
3. At maturity, the borrower shall repay the principal and interest. In the event the borrower is unable to repay and requires extension, such borrower shall submit its request in advance and the same shall be submitted to the Board of Directors for approval. In the event of violation, the Company shall dispose of or recover the collateral as prescribed by law.

Article 9: Internal Controls

1. The Company shall prepare a memorandum book for its fund-lending activities and record each the following information: borrower, amount, date of approval by the Board of Directors, lending date, and matters to be carefully evaluated under provision.
2. After funds have been transferred pursuant to a loan, the person handling the loan shall collate the loan file, contract, and all correspondence into a book for safekeeping. Promissory notes or collateral and other paperwork shall be recorded and kept by a specified staff member.
3. The Company's internal auditors shall audit the Operational Procedures for Lending Funds to Others and the implementation thereof no less frequently than quarterly, and prepare written records accordingly. If any material breach is discovered, the Audit Committee shall be informed in writing.
4. If, as a result of a change in circumstances, the loan counterparty is inconsistent with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies or the loan balance exceeds specified limits, a rectification plans shall be formulated and submitted to the Audit Committee. Said plan shall be implemented to rectify the situation within the timeframe set out in the plan in order to strengthen Company internal controls.

Article 10: Control Procedures for Company Subsidiaries Providing Loans to Others

1. When a Company subsidiary intends to loan funds to others, the subsidiary shall formulate loan procedures in accordance with the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.
2. Subsidiaries must provide the Company with a detailed list of all loans to other companies for the previous month prior to (not including) the 10th day of each month
3. Subsidiary internal auditors shall also audit the Operational Procedures for Lending Funds to Others and the implementation thereof no less frequently than quarterly, and prepare written records accordingly. If any material breach is discovered, the relevant unit at the Company and the Company's Audit Committee shall be informed in writing, which in turn shall provide the written information to the Audit Committee.
4. When the relevant unit at the Company and the Company's internal auditors perform audits at subsidiaries as outlined in the annual audit plan, they shall investigate implementation of the subsidiary's Operational Procedures for Lending Funds to Others. If any material breach is discovered, the auditors shall continue to track the progress of improvements and provide a follow up report to the Chairman.

Article 11: Public Announcement and Reporting

1. The Company shall announce the amount of funds lent to other parties by the Company and its subsidiaries in the preceding month on the Market Observation Post System before the 10th day of the month.
2. If the balance of funds lent by the Company meets any of the following circumstances, it shall be announced and reported within two days commencing immediately from the date of occurrence of the fact ("Date of occurrence" means the date of contract signing, date of payment, dates of boards of directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier):
 - (1) The balance of funds lent to other parties by the Company and its subsidiaries reaches 20% or more of the net worth of the Company specified in its latest financial statement.
 - (2) The balance of funds lent to any single enterprise by the Company and its subsidiaries reaches 10% or more of the net worth of the Company specified in its latest financial statement.
 - (3) The increase of funds lent by the Company or its subsidiaries reaches NT\$10 million or more, and reaches 2% or more of the net worth of the Company specified in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to Subparagraph 3 of the above Paragraph.

Article 12: The Company shall evaluate the status of loans of funds, and shall set aside sufficient allowance for bad debts. It shall also adequately disclose relevant information in its financial reports and provide the certifying certified public accountants with relevant materials for the performance of necessary audit procedures.

Article 13: Penalties

If any Company managers or relevant personnel are in breach of these Procedures and/or of any related laws and regulations, penalties shall be incurred in accordance with Company Rewards and Punishments Regulations proportional to the gravity of the breach.

Article 14: Implementation and Revision

1. After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of Directors and come into effect following approval of the Shareholders' Meeting. If any director expresses dissent and such opinion is recorded in the in the minutes or a written statement, the Company shall submit the dissenting opinions for discussion by the Shareholders' Meeting. The same procedures also apply for revisions.
2. If the Company has independent directors, when these Procedures are up for discussion with the Board of Directors as prescribed by the previous Paragraph, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

Article 15: These Procedures were adopted on May 25, 1990 and the 8th revision was made on June 25, 2013. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.

Appendix 7

China Airlines Ltd.

Operational Procedures for Endorsements/Guarantees

Amended and approved by the Shareholders' Meeting on June 22, 2017

- Article 1 Purpose:
These Procedures governing endorsements and guarantees were formulated to meet business needs.
- Article 2 Scope of Application
1. Any company which has a business relationship with the Company.
 2. Any company in which the Company directly or indirectly holds more than 50% of the voting shares.
 3. Any company that directly and indirectly holds more than 50% of the voting shares in the Company.
 4. Companies in which the Company holds, directly and indirectly, 90% or more of the voting shares can provide endorsements or guarantees for each other.
 5. In cases where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraphs. However, the Company shall not take on any liability related to the endorsements/guarantees of other shareholders.
- Article 3 Types of Endorsements/Guarantees
The term "endorsements/guarantees" as used in the Procedures refers to the following:
1. Financing endorsements/guarantees, including bill discount financing, endorsements or guarantees made to meet the financing needs of another company, and issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the Company itself.
 2. Customs duty endorsement/guarantee, meaning an endorsement or guarantee for the Company itself or another company with respect to customs duty matters.
 3. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the preceding two Paragraphs.
 4. Any creation by the Company of a pledge or mortgage on its chattel or real estate as security for the loans of another company shall be subject to these Procedures.
- Article 4 Ceilings on the Amount of Endorsements or Guarantees
1. The total amount of endorsements or guarantees that the Company provides shall not exceed 50% of the net value of the Company based on its latest financial statements. The total value of endorsements/guarantees made by the Company and its subsidiaries shall not exceed 50% of the net value of the Company based on its latest financial statements.

2. The amount of endorsements or guarantees that the Company provides for any individual enterprise shall not exceed 20% of the net value of the Company based on its latest financial statements. The amount of endorsements or guarantees made by the Company and its subsidiaries to an individual enterprise shall not exceed 20% of the net value of the Company based on its latest financial statements. However, when providing endorsements/guarantees to a company due to a business relationship, the amount of endorsements or guarantees that the Company provides for any individual enterprise shall not exceed the total amount of the business transactions between that enterprise and the Company over the previous year.
3. Should the Company provide endorsements/guarantees to a subsidiary to meet the financing needs of the Company and the Company has already reported this liability, it shall not be calculated towards the Company's total amount of endorsements or guarantees.
4. For companies in which the Company holds, directly or indirectly, 90% or more of the voting shares the amount of endorsements/guarantees shall not exceed 10% of the net value of the Company based on its latest financial statements and must be approved by resolution of the Board of Directors before implementation. This restriction shall not apply to endorsements/guarantees made between companies in which the Company holds, directly or indirectly, 100% of the voting shares.
5. For any company in which the Company directly or indirectly holds more than 50% of the voting shares, in addition to providing proper justification for the Board of Directors to approve, the endorsement/guarantee ratio shall not exceed the Company's shareholding ratio.

Article 5 Endorsement/Guarantee Procedure

1. When making an endorsement or guarantee, the unit handling the process shall first ensure that the endorsement/guarantee counterparty, type of endorsement/guarantee, and total amount meet the conditions set out in Articles 2, 3, and 4
2. After completing the below assessment procedures, and said assessments are reviewed and signed off by the Finance Division, the unit handling the endorsement/guarantee process shall report to the Board of Directors and implement after approval by the Board. However, due to their time-sensitive nature, unless otherwise stated within these Procedures, if the total amount of one endorsement/guarantee is less than 10% of the Company's total net value based on the most recent financial statement certified or examined by a certified public accountant (the calculation shall be based on the net value recorded in the latest financial statement that has been certified or approved by a certified public accountant), the Company's Chairman may first authorize the endorsement/guarantee, then report to the next Board of Directors Meeting for ratification.

- (1) The necessity of and reasonableness of endorsements/ guarantees.
- (2) Content of the credit status and risk assessment of the endorsement/guarantee counterparty shall include the counterparty's business, financial condition, debt-repayment ability and credit, earning power, and purpose of the endorsement/guarantee.
- (3) The impact on the Company's business operations, financial condition, and shareholder equity.

- (4) Whether collateral must be obtained and appraisal of the value thereof.
3. The unit handling the endorsement/guarantee shall record the endorsement/guarantee counterparty, the amount, the date of passage by the Board of Directors or of authorization by the Chairman, the date the endorsement/guarantee is made, the assessment made per the previous paragraph, description of collateral and its appraisal report, along with the terms and date for discharge of liability and provide to the Finance Division to establish a memorandum.
4. When the endorsement/guarantee counterparty returns the funds or for some other reason the liability is reduced or discharged, the unit handling the process shall provide the relevant information to the Finance Division so it can be recorded in the endorsement/guarantee memorandum.
5. The Company's internal auditors shall audit the Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. In the case of material violation, the Audit Committee shall be notified in writing.
6. Should circumstances change and the endorsement/guarantee counterparty no longer fulfill the requirements outlined in these Procedures or exceed the prescribed limit, the unit handling the endorsement/guarantee process shall formulate an improvement plan and provide the relevant plan to Audit Committee and follow said plan to make the necessary corrections.

Article 6 Information Reporting Standards and Procedures

1. The Company shall publically announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
2. Should the amount of endorsements/guarantees reach one of the following levels, the Company shall announce and report such event within two days commencing immediately from the date of occurrence:
 - (1) The balance of endorsements/guarantees made by the Company and its subsidiaries reaches or exceeds 50% of the net worth of the Company specified in its latest financial statement.
 - (2) The balance of endorsements/guarantees to any single enterprise by the Company and its subsidiaries reaches or exceeds 20% of the net worth of the Company specified in its latest financial statement.
 - (3) The balance of endorsements/guarantees to any single enterprise by the Company and its subsidiaries reaches NT\$10 million or more and the balance of endorsements/guarantees, long-term investment, and funds lent to the enterprise reaches or exceeds 30% of the net worth of the Company specified in its latest financial statement.
 - (4) The increase of endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million or more, and is 5% or more of the net worth of the Company specified in its latest financial statement.
3. The Company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the Subparagraph 4 of the above Paragraph.

Article 7 Control Procedures for Endorsements/Guarantees Provided by Subsidiaries

1. Where a subsidiary of the Company intends to make endorsements/guarantees for others, the Company shall instruct it to formulate its own Operational

Procedures for Endorsements/Guarantees in compliance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”.

2. Company subsidiaries shall compile a list of endorsements/guarantees provided to others over the previous month on or before the 3rd day of each month and send it to the to the Finance Division.
3. To ensure strict risk management, for subsidiaries whose net worth is lower than half of its paid in capital based on the previous year’s financial report, each year the Company must assess the necessity, reasonableness, and risk of its endorsements/guarantees. If the subsidiary has no par value or a par value other than NT\$10 per share, the paid-in capital calculation shall be the sum of the share capital plus paid-in capital in excess of par.
4. The internal auditors of the Company’s subsidiaries shall audit these Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly. In the case of material violation, the Company’s auditing division shall be notified in writing which will in turn provide the written materials to the Company’s Audit Committee.
5. The Company’s internal auditors, when performing annual reviews of subsidiaries, shall gain an understanding of the subsidiaries’ implementation of the Operational Procedures for Endorsements/Guarantees. If any material breach discovered, the auditors shall continue to track the progress of improvements and provide a follow up report to the Chairman.

Article 8 Procedures for Use and Custody of Corporate Chops

1. The Company shall use the chop registered with the Ministry of Economic Affairs for the exclusive use for endorsement and/or guarantee. The chop shall be under the safekeeping of special personnel whose appointment or change must be approved by the Board of Directors.
2. All use of chops in the processing of endorsements/guarantees or issuance of negotiable instruments shall follow the Operating Procedures Governing the Management of Official Seals promulgated by the Administration Division.

Article 9 Other Considerations

1. When making a guarantee for a foreign company, the Company shall have the Guarantee Agreement signed by a person authorized by the Board of Directors.
2. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in the financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.
3. When the Company makes endorsements/guarantees to others, the opinions of the independent directors should be taken into full consideration. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors meeting.
4. Where it is necessary for the Company to exceed the limit of endorsements/guarantees defined herein to meet operational needs in accordance with the Procedures, it shall be subject to approval of the Board of Directors and joint guarantees made by a majority of the directors towards the potential loss of the excess, and the Procedures shall be amended subject to ratification of the Shareholders’ Meeting. If the Shareholders’ Meeting

disapproves it, the excess shall be discharged within a given time limit. The Board of Directors meeting referred to previously in this paragraph shall take into full consideration each independent director's opinion and include independent directors' opinions specifically expressing assent or dissent and their reasons for dissent into the minutes of the Board of Directors meeting.

5. Should the counterparty fail to comply with the Regulations or the endorsement/guarantee amount exceeds set limits due to unexpected changes, the Company shall formulate a plan to correct the situation and provide this plan to the Audit Committee.

Article 10 Penalties

If any Company managers or relevant personnel are in breach of these Procedures and/or of any related laws and regulations, penalties shall be incurred in accordance with Company Rewards and Punishments regulations proportional to the gravity of the breach.

Article 11 Implementation and Revision

1. After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of Directors and come into effect following approval of the Shareholders' Meeting. If any director expresses dissent and such opinion is recorded in the in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and for discussion by the Shareholders' Meeting. The same procedures also apply for revisions.
2. When these Procedures are up for discussion with the Board of Directors as prescribed by the previous Paragraph, the Board of Directors shall take into full consideration each independent director's opinion. Independent directors' opinions specifically expressing assent or dissent and their reasons for dissent shall be included in the minutes of the Board of Directors.

Article 12 These Procedures were adopted on May 25, 1990 and the 10th revision was made on June 22, 2017. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.

Appendix 8

China Airlines, Ltd. Directors' Shareholdings

Base date: April 27, 2019

Title	Name	Date of Appointment	No. of Shares Held Upon Appointment			No. of Shares Currently Held			Remarks
			Type	No. of Shares	Percentage of shares issued	Type	No. of Shares	Percentage of shares issued	
Chairman	China Aviation Development Foundation Representative: HSIEH, SU-CHIEN	June 27, 2018	common stock	1,867,341,935	34.13%	common stock	1,867,341,935	34.45%	
Director	China Aviation Development Foundation Representative: CHEN, CHIH-YUAN								
Director	China Aviation Development Foundation Representative: TING, KWANG-HUNG								
Director	China Aviation Development Foundation Representative: KO, SON-TA								
Director	China Aviation Development Foundation Representative: WEI, YUNG-YEH								
Director	China Aviation Development Foundation Representative: CHEN, HAN-MING								

Title	Name	Date of Appointment	No. of Shares Held Upon Appointment			No. of Shares Currently Held			Remarks
			Type	No. of Shares	Percentage of shares issued	Type	No. of Shares	Percentage of shares issued	
Director	National Development Fund, Executive Yuan Representative: LIN, SU-MING	June 27, 2018	common stock	519,750,519	9.50%	common stock	519,750,519	9.59%	
Director	National Development Fund, Executive Yuan Representative: WANG, SHIH-SZU								
Independent Director	CHUNG, LO-MIN	June 27, 2018	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	CHANG, HSIEN GEN-SEN	June 27, 2018	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	SHEN, HUI-YA	June 27, 2018	common stock	0	0.00%	common stock	0	0.00%	
Total			common stock	2,387,092,454			2,387,092,454		

June 27, 2018 Total shares outstanding: 5,470,984,650 shares

April 27, 2019 Total shares outstanding: 5,420,984,650 shares

Note: All Directors shall hold statutory shares: 120,000,000 shares. As of April 27, 2019: 2,387,092,454 shares held.

The Company has founded an Audit Committee, hence no statutory shares shall be held by the supervisors. Shares held by Independent Directors are not included in the Directors' Shareholding total.