

Stock Code:2610



CHINA AIRLINES 2016 Annual Shareholders' Meeting

Agenda Handbook

Time : June 24, 2016 (Fri.), 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 prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

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Meeting Agenda

China Airlines 2016 Annual Shareholders' Meeting Agenda

Time : June 24, 2016 (Fri.), 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 for Discussion

- (1) Amendment to the "Articles of Incorporation"
- (2) Proposal to release non-compete restrictions on Director YU-HERN CHANG

4. Matters to Report

- (1) Business Report for the year 2015
- (2) Audit Committee's review report for the year 2015
- (3) Establishing "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct"
- (4) Proposal for distribution of 2015 employees' compensation

5. Matters for Acknowledgement

- (1) Acknowledgement of Business Report and Financial Statements for the year 2015
- (2) Acknowledgement of proposal for distribution of 2015 profits

6. Questions and Motions

7. Meeting Adjournment

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 Company’s business listings have been given detailed codes in accordance with the Ministry of Economic Affairs’ corporate certification practices.
2. In response to the amendment of Article 235-1, requested a fixed amount or ratio of profit of the current year distributable as employees’ compensation in the Company’s “Articles of Incorporation”.
3. This item was approved by the 20th Meeting of the Board during the third and fifth sessions.
4. For the amended and original Articles of Incorporation, please refer to the comparison table on page 3-4 of this handbook.

Resolution :

China Airlines

Comparison Table: Amendments to the Articles of Incorporation

Amended Articles	Current Articles	Amendment details
<p>Article 2: The Company operates the following businesses:</p> <ol style="list-style-type: none"> 1. G501011 Civil AviationTransport 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. 	<p>Article 2: The Company operates the following businesses:</p> <ol style="list-style-type: none"> 1. Passenger transport, cargo transport, mail transport, etc. 2. Agency businesses (including sales and ground service handling) and repair and maintenance agency business. 3. Water conservation survey, sea rescue, aerial photography, search for shoals of fish, dispersion of agricultural chemicals, etc. 4. Aircraft repair and maintenance, vehicle repair and maintenance, etc. 5. Contracting airline computerization work. 6. Airline catering services. 7. Agency and sale business relating to aircraft spare parts and components, and aviation machinery and materials. 8. Warehousing business. 9. Aircraft leasing and selling. 10. J201051 Approved Training Organizations. 11. ZZ99999 Other businesses which are not prohibited or restricted by laws and decrees, besides concessionary businesses. 	<p>In accordance with the List of Business Codes, all businesses have been re-categorized.</p>
<p>Article 25 <u>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.</u> <u>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.</u> 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. <u>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:</u></p>	<p>Article 25 With respect to the pre-tax profit recorded on final accounting at the end of each year, the Company shall, after making deduction for income tax and appropriation to cover losses in the previous years, set aside 10% as a legal reserve. Then, after setting aside or reversing a special reserve in accordance with the laws and decrees, <u>it shall first appropriate not less than 3% thereof as a bonus to employees.</u> Thereafter, the Board of Directors shall draft a profit distribution plan and distribute the profit according to the following principles after <u>the distribution plan is approved by a resolution of the shareholders' meeting:</u></p>	<p>In response to Article 235-1, amended Article 235, and the provision of Article 240 of the Articles of Association, Items 1-3 have been amended in accordance with the Ministry of Economic Affairs Letter No. 10402413890, dated June 11, 2015.</p>

<p>Article 26: The present Articles of Incorporation were announced on August 15, 1959, and the seventy first (71th) amendment was made on June 24, 2016. 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>Article 26: The present Articles of Incorporation were announced on August 15, 1959, and the seventieth (70th) amendment was made on June 26, 2015. 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>Amendment dates and number of revisions subject to change.</p>
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Agenda Item #2 (Proposed by the Board of Directors)

Description : Proposal to release non-compete restrictions on Director YU-HERN CHANG, to be determined by all parties.

Details :

1. Mr. Yu-Hern Chang, one of the Company's corporate shareholders, has been appointed legal representative of the China Aviation Development Foundation. He also serves on the 20th Board of Directors.
2. In accordance with Article 209 of the corporate charter, when a Director's actions for himself or others fall within the Company's business scope, he shall explain the importance of said actions to the Board of Shareholders and obtain its approval. In response to operating needs, Director Yu-Hern Chang also serves as Director of the company's investment ventures, and therein engages in business similar or equivalent to the Company's business scope. Because he does so without jeopardizing the Company and also acts in the interest of the Company, it is respectfully requested that the Board of Shareholders release non-compete restrictions on Director Yu-Hern Chang.
3. Intention to lift the restrictions on Director Yu-Hern Chang's non-compete agreement as follows:

Name & Title	Positions Held
Director Yu-Hern Chang	Chairman, Mandarin Airlines, Ltd. General Manager & Director, CAL Park Co., Ltd. Director, CAL Hotel Co., Ltd. Director, Taoyuan International Airport Services Co., Ltd. Director, CAL-Asia Investment Inc. Director, CAL-Dynasty International, Inc. Director, Dynasty Properties Co., Ltd. Director, Taiwan High Speed Rail Corporation Director, China Aviation Development Foundation

4. This item was approved by the 20th Meeting of the Board during the fifth session.

Resolution :

Matters to Report

Agenda Item #1

Description : Business Report for the year 2015, to be reviewed by all parties.

Details : Please refer to pages 7-9 of this handbook.

2015 Business Report

2015 was a profitable year for China Airlines as well as the entire airline industry. With the support of all shareholders and the efforts of the board of directors and our employees, China Airlines is able to release this outstanding report for its 56th year. At the forefront of Taiwan's airline industry, China Airlines feels a sense of purpose to help develop the industry. We have continuously improved aviation safety, the quality of service, and operation efficiency and have upheld our commitment to "Trustworthy, Customer First and Forever Pursuit of Excellence" in order to showcase Taiwan to the world and show that China Airlines is different from the rest.

The global business environment is constantly changing. The low price of oil in 2015 was a great benefit to the aviation industry and China Airlines, reducing performance pressure and increasing profits. Passenger airlines also benefited from the increased demand for regional flights within Mainland China and Northeastern Asia and the restored economic stability in Southeastern Asia. The injection of funds to recover the US and Europe economies increased the competition for long-haul flights despite the steady increase in the overall demand for commercial flights. While these economic improvements also increased the demand for cargo airlines, the steady market demand was still short of the excess supply of cargo airlines. Regardless of these favorable or adverse circumstances, the concerted efforts of the China Airlines team have created "blue oceans" of market space within this competitive market.

As a benchmark in Taiwanese airlines, China Airlines received recognition for its great strides in aviation safety, innovative services, and corporate governance in 2015.

China Airlines' aviation safety has been acknowledged by both domestic and international organizations. China Airlines was the first airline in Taiwan to pass its International Air Transport Association Operational Safety Audit (IOSA) renewal audit with a score of zero findings. China Airlines also received the maximum seven-star safety rating from Airline Ratings as well as the Golden Flyer Award, the highest honor awarded in Taiwan's civil aviation industry.

Having recruited outstanding designers from various fields in Taiwan, China Airlines took the sophisticated ambiance of a scholar's study 30,000 feet into the air to create a new generation of products and a new flying experience. China Airlines was bestowed with awards from around the world, including the Red Dot Award, the A'Design Award, the Good Design Award, the National Industrial Innovation Award, and the Golden Pin Design Award, showcasing Taiwan's innovative aesthetics on the international stage.

China Airlines led the industry by issuing the first corporate sustainability report and became a paradigm for the sustainable operation of airlines in Taiwan after winning the Taiwan Corporate Sustainability Awards, illustrating the company's outstanding corporate social responsibility and commitment to sustainable development.

1. Business plan outcome

Operating revenue was NT\$133.442 billion, down 4.50% from last year. Net profit after taxes was NT\$5.764 billion and the earnings per share after taxes was NT\$1.06.

(1) Fleet:

At the end of December 2015, the fleet comprised 69 passenger aircraft (including leases) and 21 cargo aircraft. Two Boeing 737-800 and five Boeing 777-300ER passenger aircrafts were leased in 2015 for periods of eight years and twelve years, respectively.

(2) Passenger flights:

Operating revenue from passenger flights was NT\$87.909 billion, down 3.38% from last year due to the decrease of fuel surcharge revenue. Passenger flights accounted for 65.88% of the total operating revenue. At the end of December 2015, China Airlines flew to 22 countries and 81 passenger destinations. Newly added destinations include Changzhou, China and Melbourne, Australia. Newly added routes include Kaohsiung to Fukuoka and Tainan to Osaka. The Kaohsiung to Kumamoto route was changed from a charter flight to a regular flight. And finally, the Taoyuan to Wuxi route no longer shares a flight number with China Eastern Airlines.

(3) Cargo flights:

Operating revenue from cargo flights was NT\$39.917 billion, down 7.55% from last year due to the declining global economy and the decrease of fuel surcharge revenue. Cargo flights accounted for 29.91% of the total operating revenue. At the end of December 2015, China Airlines flew to 25 countries and 91 cargo destinations, 32 of which provided all-cargo aircraft services. The destinations span Asia, Europe, and the Americas and 91 cargo flights were made each week.

(4) Other operating revenue:

Other operating revenue included NT\$5.616 billion in duty free sales, up 0.90% from last year and accounting for 4.21% of the total operating revenue.

(5) Investments and earnings:

At the end of December 2015, China Airlines reinvested in 37 companies that spanned the aviation industry, ground services, logistics, and air cargo terminals, for a total of NT\$615 million in annual investment earnings.

2. Budget implementation for operating revenues and expenditures and profitability analysis

(1) Revenues and expenditures:

Operating revenue: NT\$133.442 billion, down NT\$6.284 billion from last year.

Operating cost and fees: NT\$125.557 billion, down NT\$12.299 billion from last year.

Net income before taxes: NT\$6.838 billion, up NT\$6.789 billion from last year.

Net income after taxes: NT\$5.764 billion, up NT\$6.513 billion from last year

(NT\$749 million in net losses after taxes).

(2) Budget implementation:

The estimated operating revenue for 2015 was NT\$137.489 billion; the actual operating revenue was NT\$133.442 billion (97.06% of the estimate). The estimated operating costs and fees for 2015 was NT\$129.062 billion; the actual operating costs and fees was NT\$125.557 billion (97.28% of the estimate). The estimated nonoperating loss was NT\$1.632 billion; the actual nonoperating loss was NT\$1.047 billion. The pretax profit was NT\$6.838 billion and the budget achieving rate was 100.63%.

(3) Profitability:

Return on assets: 3.36%

Return on equity: 10.78%

Profit margin after taxes: 4.32%

Earnings per share after taxes: NT\$1.06

3. Current research developments

China Airlines is devoted to enhancing our overall quality of service. To begin new type of services, manage our brand, and strive for excellence and innovation, we introduced the Amadeus network distribution system. The simplified online ticket purchasing process, network community, and marketing provides travelers with new, thrilling experiences. Multiple measures aimed at improving services, such as paperless customs forms and electronic Air waybills; ensure China Airlines' sustainable development by reducing carbon emissions and saving energy.

While China Airlines has always been at the forefront of the aviation industry, our pride stems from our insistence on continual innovative thinking in order to develop an exclusive value and building a robust company in order to make our employees, customers, shareholders, partners, and society happier. We hope that we can continue to benefit from the low oil prices this year despite the numerous unforeseeable factors that may affect the global economy and strategic moves from competitors. We hope that every shareholder will continue to support and encourage our business team and staff to add value to China Airlines' services and improve our performance.

Chairman : SUN, HUANG-HSIANG

Manager : CHANG, YU-HERN

Accounting Supervisor : CHUNG, WAN-CHUN

Agenda Item #2

Description : Audit Committee's review report for the year 2015, to be reviewed by all parties.

Details : Please refer to page 11 of this handbook.

Audit Committee Report

Board of directors shall create and send (1) the 2015 consolidated financial statement and individual financial statement have been jointly audited by Deloitte CPAs Jui-Chan Huang and Li-Chi Chen and release the amended official unqualified opinion by March 25, 2016 and (2) the 2015 business report and earnings distribution table after being checked by this audit committee with no discrepancies and, thereupon, issue a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee : CHUNG, LO-MIN

25 March 2016

Agenda Item #3

Description : Establishing “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”, to be reviewed by all parties.

Details :

1. In accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” of Article 27 and the “Procedures for Ethical Management and Guidelines for Conduct” Article 24, the Company has Establishing its own “Ethical Corporate Management Best Practice Principles” and “Procedures for Ethical Management and Guidelines for Conduct”.
2. This item was approved by the 20th Meeting of the Board during the fifth session.
3. Please refer to pages 13-26 of this handbook.

China Airlines Ltd.

Ethical Corporate Management Best Practice Principles

Amended and approved by the Shareholders' Meeting on March 25, 2016

Article 1

These Principles are adopted to assist the Company to foster a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.

These Principles are applicable to our business groups and organizations of the Company, which comprise its subsidiaries, any foundation to which the Company's direct or indirect contribution of funds exceeds 50 percent of the total funds received, and other institutions or juridical persons which are substantially controlled by the Company ("business group").

Article 2

When engaging in commercial activities, directors, managers, employees, and mandataries of companies or persons having substantial control over such companies ("substantial controllers") shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts, including breach of ethics, illegal acts, or breach of fiduciary duty ("unethical conduct"), for the purpose of acquiring or maintaining benefits.

Parties referred to in the preceding paragraph include civil servants, political candidates, political parties or members of political parties, state-run or privately-owned businesses or institutions, and their directors, managers, employees or substantial controllers or other stakeholders.

Article 3

"Benefits" in these Principles means anything of value, including money, endowments, commissions, positions, services, preferential treatment or kickbacks of any type or under any name. Benefits received or given occasionally in accordance with accepted social customs and that do not adversely affect specific rights and obligations shall be excluded.

Article 4

The Company shall comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Statute, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, TWSE/GTSM listing rules, or other laws or regulations regarding commercial activities, as the underlying basic premise to facilitate ethical corporate management.

Article 5

The Company shall abide by the operational philosophies of honesty, transparency and responsibility, base policies on the principle of good faith and establish good

corporate governance and risk control and management mechanisms so as to create an operational environment conducive to sustainable development.

Article 6

The Company shall in their own ethical management policy clearly and thoroughly prescribe the specific ethical management practices and the programs to forestall unethical conduct ("prevention programs"), including operational procedures, guidelines, and training. The Company shall comply with relevant laws and regulations of the territory where the Company and business group operate.

Article 7

When establishing prevention programs, the Company shall analyze business activities within their business scope and determine which ones are at a higher risk of being involved in unethical conduct, and strengthen preventive measures for those determined to be at higher risk.

The prevention programs adopted by the Company shall, as a minimum, include preventive measures against the following:

1. Offering and acceptance of bribes.
2. Illegal political donations.
3. Improper charitable donations or sponsorship.
4. Offering or acceptance of unreasonable presents or hospitality, or other improper benefits.
5. Misappropriation of trade secrets and infringement of trademark rights, patent rights, copyrights, and other intellectual property rights.
6. Engaging in unfair competitive practices.
7. Adverse impact directly or indirectly caused to the rights or interests, health, or safety of consumers or other stakeholders in the course of research and development, procurement, manufacture, provision, or sale of products and services.

Article 8

The Company and respective business group shall clearly specify in their rules and external documents the ethical corporate management policies and the commitment by the board of directors and the management on rigorous and thorough implementation of such policies, and shall carry out the policies in their internal management and in their commercial activities.

Article 9

The Company shall engage in commercial activities in a fair and transparent manner based on the principle of ethical management.

Prior to any commercial transactions, the Company shall take into consideration the legality of their agents, suppliers, clients, or other trading counterparties and whether any of them are involved in unethical conduct, and shall avoid any dealings with persons so involved.

When entering into contracts with their agents, suppliers, clients, or other trading counterparties, the Company shall include in such contracts terms requiring compliance with ethical corporate management policy and that in the event trading counterparties are involved in unethical conduct, the Company can, at any time, terminate or rescind the contracts.

Article 10

When conducting business, the Company and their directors, managers, employees, mandataries, and substantial controllers, are not to directly or indirectly offer, promise to offer, request, or accept any improper benefits in whatever form to or from clients, agents, contractors, suppliers, public servants, or other stakeholders.

Article 11

When directly or indirectly offering a donation to political parties or organizations or individuals participating in political activities, the Company and their directors, managers, employees, mandataries, and substantial controllers, shall comply with the Political Donations Act and their own relevant internal operational procedures, and shall not make such donations in exchange for commercial gains or business advantages.

Article 12

When making or offering donations and sponsorship, the Company and their directors, managers, employees, mandataries, and substantial controllers shall comply with relevant laws and regulations and internal operational procedures, and shall not surreptitiously engage in bribery.

Article 13

The Company and their directors, managers, employees, mandataries, and substantial controllers shall not directly or indirectly offer or accept any unreasonable presents, hospitality or other improper benefits to establish business relationships or influence commercial transactions.

Article 14

The Company and their directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations, the Company's internal operational procedures, and contractual provisions concerning intellectual property, and is not to use, disclose, dispose, or violate intellectual property or otherwise infringe on intellectual property rights without the prior consent of the intellectual property rights holder.

Article 15

The Company shall engage in business activities in accordance with applicable competition laws and regulations, and is not to engage in any unfair competitive practices.

Article 16

In the course of research and development, procurement, manufacture, provision, or sale of products and services, the Company and their directors, managers, employees, mandataries, and substantial controllers shall observe applicable laws and regulations and international standards to ensure the transparency of information about, and safety of, their products and services. They shall also adopt and publish a policy on the protection of the rights and interests of consumers or other stakeholders, and carry out the policy in their operations, with a view to preventing their products and services from directly or indirectly adversely affecting the rights and interests, health, and safety of consumers or other stakeholders. Where there are sufficient facts indicating that the Company's products or services are likely to pose hazard to the safety and health of consumers or other stakeholders, the Company shall, in principle, recall those products or suspend the services immediately.

Article 17

The directors, managers, employees, mandataries, and substantial controllers of the Company shall exercise the due care of good administrators to urge the Company to prevent unethical conduct, always review the results of the preventive measures and continually make adjustments so as to ensure thorough implementation of its ethical corporate management policies.

To achieve sound ethical corporate management, the Company's Human Resources Division is responsible for establishing and supervising the implementation of the ethical corporate management policies and prevention programs. To aggregate the relevant units of the Company for the implementation of case integrity management, and shall report to the board of directors on a regular basis.

Article 18

The Company and their directors, managers, employees, mandataries, and substantial controllers shall comply with laws and regulations and prevention programs when conducting business.

Article 19

The Company shall adopt policies for preventing conflicts of interest to identify, monitor, and manage risks possibly resulting from unethical conduct, and shall also offer appropriate means for directors, supervisors, managers, and other stakeholders attending or present at board meetings to voluntarily explain whether their interests would potentially conflict with those of the Company.

When a proposal at a given board of directors meeting concerns the personal interest of, or the interest of the juristic person represented by, any of the directors, managers, and other stakeholders attending or present at board meetings of the Company, the concerned person shall state the important aspects of the relationship of interest at the board meeting. If his or her participation is likely to prejudice the interest of the Company, the concerned person is not to participate in discussion of or voting on the proposal and shall recuse him or herself from the discussion or the voting, and is not to exercise voting rights as proxy for another director. The directors shall practice self-discipline and are not to support one another in improper dealings.

The companies' directors, managers, employees, mandataries, and substantial controllers shall not take advantage of their positions or influence in the companies to

obtain improper benefits for themselves, their spouses, parents, children or any other person.

Article 20

The Company shall establish effective accounting systems and internal control systems for business activities possibly at a higher risk of being involved in unethical conduct, not have under-the-table accounts or keep secret accounts, and conduct reviews regularly so as to ensure that the design and enforcement of the systems are effective.

The internal audit unit of the Company shall periodically examine the Company's compliance with the foregoing systems and prepare audit reports and submit the same to the board of directors. The internal audit unit can engage a certified public accountant to carry out the audit, and can engage specialists to assist if necessary.

Article 21

The Company shall establish operational procedures and guidelines in accordance with Article 6 hereof to guide directors, managers, employees, and substantial controllers on how to conduct business. The procedures and guidelines should encompass, as a minimum, the following matters:

1. Standards for determining whether improper benefits have been offered or accepted.
2. Procedures for offering legitimate political donations.
3. Procedures and standard rates for offering charitable donations or sponsorship.
4. Rules for avoiding work-related conflicts of interests and how they should be reported and handled.
5. Rules for keeping confidential trade secrets and sensitive business information obtained in the ordinary course of business.
6. Regulations and procedures for dealing with suppliers, clients and business transaction counterparties suspected of unethical conduct.
7. Procedures for handling violations of these Principles.
8. Disciplinary measures for offenders.

Article 22

The Company shall periodically organize training and awareness programs for directors, supervisors, managers, employees, mandataries, and substantial controllers and invite the Company's commercial transaction counterparties so they understand the Company's resolve to implement ethical corporate management, related policies, prevention programs and the consequences of engaging in unethical conduct. The Company shall apply the policies of ethical corporate management when creating its employee performance appraisal system and human resource policies to establish a clear and effective reward and discipline system.

Article 23

The Company shall adopt a concrete whistle-blowing system and scrupulously operate the system. The whistle-blowing system shall include, as a minimum, the following:

1. An independent mailbox or hotline either internally established and publicly announced or provided by an independent external institution, to allow individuals inside and outside the Company to submit reports.
2. Dedicated personnel or unit appointed to manage the whistle-blowing system. Any tip involving a director or senior manager shall be reported to independent directors or supervisors. Categories of reported misconduct shall be delineated and standard operating procedures for investigations into each category shall be adopted.
3. Documentation of case acceptance, investigation details, investigation results, and relevant documents.
4. Confidentiality of the identity of whistle-blowers and the content of reported cases.
5. Measures for protecting whistle-blowers from inappropriate disciplinary actions due to their whistle-blowing.

Upon investigation, in the event material misconduct or likelihood of material impairment to the Company comes to their awareness, the dedicated personnel or unit handling the whistle-blowing system shall immediately prepare a report and notify the independent directors or supervisors in written form.

Article 24

The Company shall adopt and publish a well-defined disciplinary and appeal system for handling violations of the ethical corporate management rules.

In the event of serious breaches of fiduciary conduct by Company personnel, said personnel shall be dismissed in accordance with relevant laws and regulations or by corporate governance rules or dismissal.

Article 25

The Company shall disclose the measures taken for implementing ethical corporate management, the status of the implementation, and the effectiveness of its implementation on their company websites, annual reports, and prospectuses and shall disclose their ethical corporate management best practice principles on the Market Observation Post System.

Article 26

The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their directors, supervisors, managers, and employees to make suggestions, which will serve as a basis upon which the adopted ethical corporate management policies and measures taken will be reviewed and improved with a view to achieving better implementation of ethical management.

Article 27

The ethical corporate management best practice principles shall be implemented after they are approved by the board of directors and shall be sent to the supervisors and reported at a shareholders' meeting. The same procedure shall be followed when principles are amended.

When the ethical corporate management best practice principles are submitted for discussion by the board of directors pursuant to the preceding paragraph, the board of directors shall take into full consideration each independent director's opinions. 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. An independent director that cannot attend the board meeting in person to express objection or reservations shall provide a written opinion before the board meeting, unless there is some legitimate reason to do otherwise, and the opinion shall be specified in the minutes of the board of directors meeting.

China Airlines Ltd.

Procedures for Ethical Management and Guidelines for Conduct

Amended and approved at the Shareholders' Meeting on March 25, 2016

Article 1

The Company engages in commercial activities and adheres to the principles of fairness, honesty, faithfulness, and transparency. In order to fully implement a policy of ethical management and actively prevent unethical conduct, these Procedures have been adopted pursuant to the provisions of the Ethical Corporate Management Best Practice Principles for China Airlines Ltd., and the applicable laws and regulations of the places where the Company and its business groups and organizations operate with a view to providing all personnel of the Company with clear directions for the performance of their duties.

The scope of application of these Procedures and Guidelines includes the Company's subsidiaries, any incorporated foundation in which the Company's accumulated contributions, direct or indirect, exceed 50 percent of the total funds of the foundation, and other group enterprises and organizations, such as institutions or juristic persons, substantially controlled by the Company.

Article 2

For the purposes of these Procedures and Guidelines, the term "personnel of the Company" refers to any director, managerial officer, employee, mandatary, or person having substantial control in the Company or its group enterprises and organizations.

Any provision, promise, request, or acceptance of improper benefits by any personnel of the Company through a third party will be presumed to be an act by the personnel of the Company.

Article 3

For the purposes of these Procedures and Guidelines, "unethical conduct" mean any personnel of the Company, in the course of their duties, directly or indirectly providing, promising, requesting, or accepting improper benefits or committing a breach of ethics, unlawful act, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

The counterparties of the unethical conduct under the preceding paragraph include public officials, political candidates, political parties or their staffs, and government-owned or privately-owned enterprises or institutions and their directors, managerial officers, employees, persons having substantial control, or other interested parties.

Article 4

For the purposes of these Procedures and Guidelines, the term "benefits" means any money, gratuity, gift, commission, position, service, preferential treatment, kickback,

facilitating payment, or entertainment. However, this Article does not apply to occasional normal social engagements or etiquette that does not influence specific rights or obligations.

Article 5

The Company's Human Resources Division is responsible for establishing and amending the Procedures and Guidelines for Conduct and ensuring that the Company's various units adhere to them. It shall report to the board of directors on a regular basis.

Article 6

With the exception of the following circumstances, when providing, accepting, promising, or requesting, directly or indirectly, any benefits as specified in Article 4, the conduct of personnel of the Company shall comply with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and these Procedures and Guidelines. They must also undergo relevant procedures before being carried out:

1. Conduct that is undertaken to meet business needs and that is in accordance with local etiquette, conventions, or customs during domestic (or foreign) visits when receiving guests, promoting business, and communicating and coordinating activities.
2. Conduct that has its basis in ordinary social activities that are in line with accepted social customs, commercial purposes, or developing relationships.
3. Invitations to guests or invitations to attend commercial activities or visit factories for business purposes when the cost of the activity, number of participants, class of accommodations, and the time period for the activity or visit have been specified in advance.
4. Attendance at folk festivals that are open to the general public.
5. Rewards, emergency assistance, condolence payments, or honorariums from the management.
6. Activities that are in line with social practices or with company policy.

Article 7

In the event that personnel with the Company encounter a situation wherein they are given or promised, either directly or indirectly, benefits listed under Article 4, with the exception of items listed in the preceding Article or items that have been approved in advance, all benefits are to be refused or returned and their direct supervisor and the General Audit Office and Human Resources Division are to be notified. In the event that a benefit cannot be returned, units directly under the company personnel director are to consider the nature and value of the benefit in question and propose returning it, paying for it, making it a public possession, donating it to a charity, or making other appropriate recommendations and after receiving approval from the Chairman and implementing the proposal, report the situation to the General Audit Office and Human Resources Division.

Article 8

The Company shall neither provide nor promise any facilitating payments. In the event that any personnel of the Company provide or promise facilitating payments under threat or intimidation, they shall submit a report to their immediate supervisor stating the facts and notify responsible units so they can investigate and handle the situation. In the event an illegality is uncovered, the relevant judicial agency is to be notified immediately.

Article 9

The Company upholds a position of political neutrality, as such; it does not provide political contributions.

Article 10

Charitable donations or sponsorships by the Company shall be provided in accordance with relevant Company provisions and the following provisions:

1. It shall be ascertained that a donation or sponsorship is in compliance with the laws and regulations of the country where the Company is doing business.
2. A written record of the decision-making process shall be kept.
3. Charitable donations shall be given to valid charitable institutions and shall not be covert bribery.
4. Returns received as a result of any sponsorship shall be specific and reasonable, and the subject of the sponsorship is not to be a counterparty of the Company's commercial dealings or a party with which any personnel of the Company has a relationship of interest.
5. After a charitable donation or sponsorship has been given, it shall be ascertained that the destination to which the money flows is consistent with the purpose of the contribution.

Article 11

When a Company director, officer or other stakeholder attending or present at a board meeting, or the juristic person represented thereby, has a stake in a proposal at the meeting, that director, supervisor, officer or stakeholder shall state the important aspects of the stake in the meeting and where there is a likelihood that the interests of the Company would be prejudiced, is not to participate in the discussion or vote on that proposal, shall recuse himself or herself from any discussion and voting, and is not to exercise voting rights as proxy on behalf of another director. Directors shall exercise discipline among themselves and are not to support each other in an inappropriate manner.

If, in the course of conducting company business, any personnel of the Company discovers that a potential conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and their immediate supervisor shall provide the personnel with proper instructions.

No personnel of the Company is to use company resources on commercial activities other than those of the Company, nor shall job performance be affected by involvement in commercial activities other than those of the Company.

Article 12

All personnel of the Company shall faithfully follow the operational directions pertaining to intellectual properties as discussed earlier in this document and are not to disclose to any other party any trade secrets, trademarks, patents, works, or other intellectual properties of the Company, nor shall they inquire about or collect trade secrets, trademarks, patents, or other intellectual properties of the Company unrelated to their individual duties.

Article 13

The Company shall adhere to the Fair Trade Act and applicable competition laws and regulations when engaging in business activities. It is not to engage in unfair competitive behavior.

Article 14

The Company shall collect and understand applicable laws and regulations and international standards governing its products and services which it shall observe and gather. It is to publish all relevant information for personnel of the Company to ensure information transparency and safety of products and services in the course of their research and development, procurement, manufacture, provision, or sale of products and services.

The Company shall adopt and publish on its website a policy on the protection of the rights and interests of consumers and other stakeholders to prevent its products and services from directly or indirectly infringing on the rights and interests, health, and safety of consumers or other stakeholders.

In the event that evidence suggests that the Company's products or services could pose a hazard to the safety or health of consumers or other stakeholders, the Company shall immediately recall said products or suspend said services, ensure the evidence is correct, and present a review and improvement plan.

Article 15

All Company personnel shall adhere to the provisions of the Securities and Exchange Act, and may not take advantage of undisclosed information of which they have learned to engage in insider trading. Personnel are also prohibited from divulging undisclosed information to any other parties, to prevent other them from using the information to engage in insider trading.

Any organization or person outside of the Company that is involved in any merger, demerger, acquisition and share transfer, major memorandum of understanding, strategic alliance, other business partnership plan, or the signing of a major contract by the Company shall be required to sign a non-disclosure agreement in which they undertake not to disclose to any other party any trade secret or other material information of the Company acquired as a result, and that they shall not use such information without the prior consent of the Company.

Article 16

The Company shall disclose its policy of ethical management in its internal rules, annual reports, on the company's websites, and in other promotional materials, and shall make timely policy announcements in events held for outside parties, such as product launches and investor press conferences, in order to make its suppliers, customers, and other business-related institutions and personnel fully aware of its principles and rules with respect to ethical management.

Article 17

When engaging in commercial activities, any personnel of the Company shall make a statement to the trading counterparty about the Company's ethical management policy and related rules and shall make it clear that they refuse to provide, promise, request, or accept, directly or indirectly, any improper benefit in whatever form or name.

Article 18

All personnel of the Company shall avoid business transactions with agents, suppliers, customers, or other counterparties in commercial interactions that are involved in unethical conduct. To effectively implement the Company's ethical management policy, in the event that a counterparty or partner in cooperation is found to have engaged in unethical conduct, personnel shall immediately cease dealing with the counterparty and blacklist them for any further business interaction.

Article 19

Before entering into a contract with another party, the Company shall gain a thorough knowledge of the status of the other party's ethical management, and shall incorporate observance of the Company's ethical management policy into the terms and conditions of the contract, stipulating, as a minimum, the following matters:

1. When a party to the contract becomes aware that any personnel have violated the terms and conditions pertaining to the prohibition of acceptance of commissions, kickbacks, or other improper benefits, the party shall immediately notify the other party of the violator's identity, the manner in which the provision, promise, request, or acceptance was made, and the monetary amount or other improper benefit that was provided, promised, requested, or accepted. The party shall also provide the other party with pertinent evidence and cooperate fully with the investigation. Either party can claim from the other party any resulting damages and can deduct the full amount of the damages from the contract price payable.
2. Where a party is discovered to be engaged in unethical conduct in its commercial activities, the other party can terminate or rescind the contract unconditionally at any time.
3. Specific and reasonable payment terms, including the place and method of payment and requirements for compliance with related tax laws and regulations.

Article 20

To encourage individuals inside and outside of the Company to report unethical or unseemly conduct, Company personnel who make false reports or malicious accusations shall be subject to disciplinary action.

The Company shall make announcements on its website and intranet and provide an independent mailbox (auditor@china-airlines.com) for individuals inside and outside of the Company to submit reports. Whistleblowers are to furnish as a minimum the following information:

1. The whistleblower's name and I.D. number and an address, telephone number and e-mail address where they can be reached.
2. The suspected offender's name or other information sufficient to identify them.
3. Specific facts available to help the investigation.

Company personnel handling whistle-blowing matters shall put down in writing that they will keep the whistleblowers' identity and contents of information confidential. The Company also undertakes to protect the whistleblowers from improper treatment due to their whistle-blowing.

The General Audit Office shall observe the following procedures:

1. A report involving general employees shall be submitted to the department head. If it involves a director or a senior executive, it is to be submitted to an independent director.
2. The General Audit Office and the department head or personnel being reported to in the preceding subparagraph is to immediately verify the facts and, where necessary, legal assistance from other departments shall be obtained.
3. If a suspected offender is confirmed to have, indeed, violated the applicable laws and regulations or the Company's policy and regulations on ethical management, the Company shall immediately require the violator cease the behavior and make an appropriate disposition. When necessary, the Company will institute legal proceedings and seek damages to safeguard its reputation and its rights and interests.
4. Documents showing acceptance of the case, describing investigation details, and showing investigation results shall be retained for five years and are to be retained electronically. In the event of litigation stemming from the whistleblowing case before the retention period expires, relevant information shall continue to be retained until the conclusion of the litigation.
5. In the event that information is confirmed to be factual, the Company shall charge relevant units with the task of reviewing the internal control system and relevant procedures and proposing corrective measures to prevent recurrence.
6. The responsible unit of the Company shall submit to the board of directors a report on the whistleblowing case, actions taken, and subsequent reviews and corrective measures.

Article 21

If any individual with the Company discovers that another party has engaged in unethical conduct towards the Company, and said unethical conduct involves alleged illegality, the Company shall report the relevant facts to the judicial and prosecutorial authorities. Where a public service agency or public official is involved, the Company shall additionally notify a governmental anti-corruption agency.

Article 22

The Company is to offer training ethical management or encourage staff to take ethical operations classes held outside of the Company, in order to fully convey the importance of ethics.

The Company shall link ethical management to employee performance evaluations and human resources policy and establish clear and effective systems for rewards, penalties, and complaints.

If any personnel of the Company commit serious ethical violations, the Company shall dismiss the personnel from his or her position or terminate his or her employment in accordance with applicable laws and regulations or the personnel policy and procedures of the Company.

Article 23

These Procedures and Guidelines, and any amendments hereto, shall be implemented after adoption by resolution of the board of directors, and shall be delivered to Audit Committee and reported at the shareholders meeting.

When these Procedures and Guidelines are submitted to the board of directors for discussion, each independent director's opinion shall be taken into full consideration, and any objections and reservations expressed shall be recorded in the minutes of the board of directors meeting. An independent director that is unable to attend a board meeting in person to express objection or reservation shall provide a written opinion before the board meeting unless there is a legitimate reason to do otherwise, and the opinion shall be recorded in the minutes of the board of directors meeting.

Agenda Item #4

Description : Proposal for distribution of 2015 employees' compensation, to be reviewed by all parties.

Details :

1. In accordance with Article 25 of the Articles of Incorporation, In the case of a profitable fiscal year, the Company is to allocate no less than 3% to employee compensation. For 2015, the Company did not set aside pre-tax revenue of NT\$8.699 billion for employee compensation, but rather paid NT\$1.81 billion in cash compensation to its employees.
2. This item was approved by the 20th Meeting of the Board during the fourth session.

Matters for Acknowledgement

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

Description : Acknowledgement of Business Report and Financial Statements for the year 2015, approval respectfully requested.

Details :

1. The Company's 2015 annual financial statements (including Balance Sheet, Consolidated Income Statement, and Changes in Equity and Cash Flow Statement) have been jointly audited by Deloitte CPAs Jui-Chan Huang and Li-Chi Chen and have been approved and documented by the 20th Meeting of the Board.
2. For 2015 Annual Operations Report, please refer to pages 7-9 of this handbook; for the CPA Audit Report and the financial statements referred to above, please see pages 29-42 of this handbook.

Resolution :

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of China Airlines, Ltd. (the "Company") as of December 31, 2015 and 2014 and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations.

As Note 3 described, the Company retrospectively applied the amendments to the Regulations Governing the Preparation of Financial Report by Securities issuers starting January 1, 2015. Therefore, all items affected by the amendments in prior financial statements were adjusted.

March 25, 2016

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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014 (Audited after Adjusted)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 17 and 30)	\$ 18,507,429	9	\$ 15,828,488	7
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 30)	163,847	-	46,812	-
Derivative financial assets for hedging - current (Notes 4, 5, 8 and 30)	45,744	-	42,850	-
Receivables:				
Notes and accounts, net (Notes 4, 5, 10 and 30)	7,207,984	4	8,900,395	4
Notes and accounts - related parties (Notes 30 and 31)	546,141	-	496,872	1
Other receivables	762,988	-	551,185	-
Current tax assets (Notes 4 and 27)	7,124	-	4,171	-
Inventories, net (Notes 4 and 11)	8,203,921	4	7,096,376	3
Noncurrent assets held for sale (Notes 4, 5 and 12)	670,455	-	-	-
Other current assets (Notes 6 and 17)	1,788,406	1	1,510,384	1
Total current assets	37,904,039	18	34,477,533	16
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4, 5, 7 and 30)	1,710	-	-	-
Derivative financial assets for hedging - noncurrent (Notes 4, 5, 8 and 30)	11,216	-	727	-
Financial assets carried at cost - noncurrent (Notes 9 and 30)	126,125	-	371,367	-
Investments accounted for by the equity method (Notes 4 and 13)	11,007,620	5	11,069,312	5
Property, plant and equipment (Notes 4, 5, 14 and 32)	118,446,472	57	131,178,428	60
Investment properties (Notes 4 and 15)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 16)	990,307	1	649,614	-
Deferred tax assets (Notes 4, 5 and 27)	6,690,802	3	8,055,966	4
Other noncurrent assets (Notes 17, 20, 30, 32 and 33)	31,917,111	15	30,049,215	14
Total noncurrent assets	171,238,811	82	183,422,077	84
TOTAL	\$ 209,142,850	100	\$ 217,899,610	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 18)	\$ -	-	\$ 4,160,000	2
Short-term bills payable (Note 18)	-	-	1,998,138	1
Derivative financial liabilities for hedging - current (Notes 4, 5, 8 and 30)	301,912	-	2,460,000	1
Notes and accounts payable (Note 30)	1,000,050	-	120,773	-
Notes and accounts payable - related parties (Notes 30 and 31)	1,347,675	1	1,441,966	1
Other payables (Notes 21 and 26)	10,722,052	5	9,608,518	4
Current tax liabilities (Notes 4 and 27)	10,572	-	-	-
Deferred revenue - current (Notes 4, 5 and 22)	11,951,128	6	10,487,504	5
Bonds payable and put option of convertible Bonds- current (Notes 4, 19, 25, 30 and 31)	4,944,106	2	9,025,000	4
Loans and debts - current (Notes 18, 30 and 32)	29,683,086	14	13,858,278	6
Capital lease obligations - current (Notes 4, 20, 30 and 32)	1,428,467	1	2,727,933	1
Other current liabilities (Notes 26 and 30)	3,336,477	2	3,191,736	2
Total current liabilities	64,725,525	31	59,079,846	27
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4, 5, 8 and 30)	11,291	-	5,150	-
Bonds payable - noncurrent (Notes 4, 19, 25, 30 and 31)	10,900,000	5	18,323,836	8
Loans and debts - noncurrent (Notes 18, 30 and 32)	53,849,371	26	69,517,097	32
Provisions - noncurrent (Notes 4, 5 and 23)	5,033,257	2	3,416,601	2
Deferred tax liabilities (Notes 4 and 27)	172,451	-	239,590	-
Capital lease obligations - noncurrent (Notes 4, 20, 30 and 32)	5,079,133	3	6,945,200	3
Deferred revenue - noncurrent (Notes 4, 5 and 22)	1,863,929	1	1,805,315	1
Net defined benefit liabilities-noncurrent (Notes 4, 5 and 24)	8,965,529	4	8,670,569	4
Other noncurrent liabilities (Notes 26 and 30)	272,468	-	1,232,131	1
Total noncurrent liabilities	86,147,429	41	110,155,489	51
Total liabilities	150,872,954	72	169,235,335	78
EQUITY (Notes 19 and 25)				
Capital stock	54,708,901	26	52,491,666	24
Capital surplus	798,415	1	1,992,415	1
Retained earnings(Accumulated deficit)				
Unappropriated retained earnings(Accumulated deficit)	2,872,235	1	(3,870,736)	(2)
Other equity	(66,283)	-	(1,905,698)	(1)
Treasury shares	(43,372)	-	(43,372)	-
Total equity	58,269,896	28	48,664,275	22
TOTAL	\$ 209,142,850	100	\$ 217,899,610	100

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2015		2014 (Audited after Adjusted)	
	Amount	%	Amount	%
REVENUES (Notes 4, 26 and 31)	\$ 133,441,725	100	\$ 139,726,168	100
COSTS (Notes 4, 8, 11, 24, 26 and 31)	<u>115,817,924</u>	<u>87</u>	<u>128,808,994</u>	<u>92</u>
GROSS PROFIT	17,623,801	13	10,917,174	8
OPERATING EXPENSES (Notes 4, 24 and 26)	<u>9,738,704</u>	<u>7</u>	<u>9,046,983</u>	<u>7</u>
OPERATING PROFIT	<u>7,885,097</u>	<u>6</u>	<u>1,870,191</u>	<u>1</u>
NONOPERATING LOSS				
Other income (Notes 9 and 26)	2,949,765	2	918,621	1
Other gains and losses (Notes 8, 12, 14 and 26)	(2,900,099)	(2)	(1,713,999)	(1)
Finance cost (Notes 8, 26 and 32)	(1,711,983)	(1)	(1,965,294)	(2)
Share of the profit of associates and joint ventures (Note 13)	<u>615,042</u>	<u>-</u>	<u>939,906</u>	<u>1</u>
Total nonoperating loss	<u>(1,047,275)</u>	<u>(1)</u>	<u>(1,820,766)</u>	<u>(1)</u>
PRETAX PROFIT	6,837,822	5	49,425	-
INCOME TAX EXPENSE (Notes 4, 5 and 27)	<u>1,074,108</u>	<u>1</u>	<u>798,498</u>	<u>1</u>
NET INCOME(LOSS)	<u>5,763,714</u>	<u>4</u>	<u>(749,073)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 24)	(541,691)	-	99,640	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(81,484)	-	(34,805)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	92,088	-	(16,939)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 25)	67,886	-	109,512	-

(Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2015		2014 (Audited after Adjusted)	
	Amount	%	Amount	%
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 25)	-	-	16,523	-
Cash flow hedges (Notes 4 and 25)	2,153,292	1	(2,537,523)	(2)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (Notes 4 and 25)	(6,397)	-	10,358	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 27)	<u>(375,366)</u>	<u>-</u>	<u>408,496</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,308,328</u>	<u>1</u>	<u>(1,944,738)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE GAIN (LOSS) FOR THE YEAR	<u>\$ 7,072,042</u>	<u>5</u>	<u>\$ (2,693,811)</u>	<u>(2)</u>
EARNINGS (LOSS) PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
Basic	<u>\$ 1.06</u>		<u>\$ (0.14)</u>	
Diluted	<u>\$ 1.00</u>		<u>\$ (0.14)</u>	

CHINA AIRLINES, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Other Equity		Cash Flow Hedges	Treasury Shares Held by Subsidiaries	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)		Unrealized Gain (Loss) on Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2014	\$ 52,000,000	\$ 1,924,015	\$ 321,891	\$ 3,926,293	\$ (7,409,299)	\$ 1,843	\$ (11,486)	\$ 96,579	\$ (43,372)	\$ 50,806,464	
Effect of retrospective application and retrospective adjustment	-	-	-	-	(8,444)	-	-	-	-	(8,444)	
BALANCE AT JANUARY 1, 2014 AS RESTATED	52,000,000	1,924,015	321,891	3,926,293	(7,417,743)	1,843	(11,486)	96,579	(43,372)	50,798,020	
Compensation of 2013 the deficit											
Legal reserve	-	-	(321,891)	-	321,891	-	-	-	-	-	
Special reserve	-	-	-	(3,926,293)	3,926,293	-	-	-	-	-	
Convertible bonds converted to ordinary shares	491,666	68,400	-	-	-	-	-	-	-	560,066	
Net loss for the year ended December 31, 2014	-	-	-	-	(749,073)	-	-	-	-	(749,073)	
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	47,896	98,009	15,501	(2,106,144)	-	(1,944,738)	
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(701,177)	98,009	15,501	(2,106,144)	-	(2,693,811)	
BALANCE AT DECEMBER 31, 2014	52,491,666	1,992,415	-	-	(3,870,736)	99,852	4,015	(2,009,565)	(43,372)	48,664,275	
Compensation of deficit - capital surplus	-	(1,511,953)	-	-	1,511,953	-	-	-	-	-	
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	64	-	-	-	-	-	-	-	64	
Convertible bonds converted to ordinary shares	2,217,235	317,889	-	-	-	-	-	-	-	2,535,124	
Difference between cost of acquisition subsidiaries and net value	-	-	-	-	(1,609)	-	-	-	-	(1,609)	
Net income for the year ended December 31, 2015	-	-	-	-	5,763,714	-	-	-	-	5,763,714	
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(531,087)	58,107	(2,260)	1,783,568	-	1,308,328	
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	5,232,627	58,107	(2,260)	1,783,568	-	7,072,042	
BALANCE AT DECEMBER 31, 2015	\$ 54,708,901	\$ 798,415	\$ -	\$ -	\$ 2,872,235	\$ 157,959	\$ 1,755	\$ (225,997)	\$ (43,372)	\$ 58,269,896	

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Audited after Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Pretax profit	\$ 6,837,822	\$ 49,425
Adjustments to reconcile pretax profit to net cash generated from operating activities:		
Debt expenses	46,500	30,000
Depreciation expenses	16,266,952	16,588,695
Amortization expenses	60,044	47,013
Net gain on fair value change of financial assets and liabilities held for trading	(150,714)	(77,668)
Interest income	(367,360)	(353,002)
Dividend income	(1,883,826)	(24,847)
Share of profit of associates and joint ventures	(615,042)	(939,906)
Loss on disposal of investments accounted for by the equity method	-	30
Gain on disposal of property, plant and equipment	(13,137)	(52,277)
Loss on inventories and property, plant and equipment	388,738	519,566
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	2,468,372	-
Gain on disposal of available-for-sales financial assets	-	(4,007)
Net loss on foreign currency exchange	427,715	396,270
Finance costs	1,711,983	1,965,294
Recognition of provisions	1,620,216	1,217,163
Amortization of unrealized gain on sale-leaseback	(14,512)	(14,512)
Amortization of deferred credits	-	(2,862)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	31,969	51,311
Decrease (increase) in notes and accounts receivable	1,619,067	(1,458,009)
Increase in accounts receivable - related parties	(49,269)	(40,654)
Increase in other receivables	(232,794)	(54,773)
Increase in inventories	(1,281,193)	(410,481)
Increase in other current assets	(319,672)	(395,654)
Increase (decrease) in notes and accounts payable	864,228	(521,369)
(Decrease) increase in accounts payable - related parties	(94,291)	132,912
Increase (decrease) in other payables	436,951	(1,954,792)
Increase in deferred revenue	1,522,238	1,993,718
Decrease in provisions	(3,560)	(392,240)
Increase (decrease) in other current liabilities	360,431	(73,057)
Decrease in accrued pension liabilities	(246,731)	(109,146)
Cash generated from operations	29,391,125	16,112,141
Interest received	388,351	362,969
Dividend received	2,663,110	636,545
Interest paid	(1,725,744)	(2,007,095)
Income tax paid	(51,742)	(77,267)
Net cash generated from operating activities	<u>30,665,100</u>	<u>15,027,293</u> (Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Audited after Adjusted)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the sale of available-for-sale financial assets	-	92,969
Proceeds of share redemption of financial assets measured at cost	245,242	-
Acquisition of derivative financial assets for hedging	(13,096)	-
Acquisition of investments accounted for by the equity method	(124,091)	(1,600,000)
Payments for property, plant and equipment	(6,175,287)	(7,882,013)
Proceeds of the disposal of property, plant and equipment	18,700	75,665
Increase in refundable deposits	(423,231)	(312,254)
Decrease in refundable deposits	644,532	318,803
Increase in prepayments for equipment	(13,382,155)	(12,191,393)
Refund in prepayment for aircraft	10,186,049	-
Increase in computer software cost	(400,737)	(216,948)
Decrease in restricted assets	53,543	232,457
Proceeds of share redemption of subsidiaries	-	763,606
Net cash used in investing activities	<u>(9,370,531)</u>	<u>(20,719,108)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase short-term loans	(4,160,000)	4,160,000
(Decrease) increase in short-term bills payable	(1,998,138)	1,998,138
Repayments of bonds payable	(9,025,000)	(4,780,000)
Proceeds of long-term debts	16,020,000	38,950,000
Repayments of long-term debts and capital lease obligations	(19,181,883)	(33,904,669)
Proceeds of guarantee deposits received	71,540	101,888
Refund of guarantee deposits received	(68,653)	(102,502)
Net cash generated from (used in) financing activities	<u>(18,342,134)</u>	<u>6,422,855</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(273,494)</u>	<u>126,631</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,678,941	857,671
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>15,828,488</u>	<u>14,970,817</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 18,507,429</u>	<u>\$ 15,828,488</u>

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of China Airlines, Ltd. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Airlines, Ltd. and subsidiaries as of December 31, 2015 and 2014 the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, Interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with effective date.

As Note 3 described, the Company and subsidiaries retrospectively applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC starting January 1, 2015. Therefore, all items affected by the amendments in prior financial statements were adjusted.

We have audited the parent company only financial statements of China Airlines, Ltd. as of December 31, 2015 and 2014 and for the year ended December 31, 2015 and 2014 on which we have issued a modified unqualified opinion.

March 25, 2016

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, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014 (Audit after Adjusted)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 19 and 32)	\$ 23,491,085	11	\$ 20,468,151	9
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	542,326	-	235,814	-
Derivative financial assets for hedging - current (Notes 4, 5, 9 and 32)	52,582	-	42,850	-
Receivables:				
Notes and accounts, net (Notes 4, 5, 11 and 32)	7,610,677	3	9,460,468	4
Notes and accounts - related parties (Notes 32 and 33)	3,874	-	6,615	-
Other receivables	1,032,622	1	817,841	1
Current tax assets (Notes 4 and 29)	9,849	-	8,714	-
Inventories, net (Notes 4 and 12)	8,300,398	4	7,226,063	3
Noncurrent assets held for sale (Notes 4, 5 and 13)	670,455	-	-	-
Other assets - current (Notes 6 and 19)	3,928,747	2	2,643,974	1
Total current assets	45,642,615	21	40,910,490	18
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 32)	19,080	-	28,881	-
Financial assets at fair value through profit or loss - noncurrent (Notes 4, 5, 7 and 32)	1,710	-	-	-
Derivative financial assets for hedging - noncurrent (Notes 4, 5, 9 and 32)	11,216	-	727	-
Financial assets carried at cost - noncurrent, net of current portion (Notes 10 and 32)	223,911	-	469,317	-
Investments accounted for by the equity method (Notes 4 and 15)	2,877,777	1	2,806,823	1
Property, plant and equipment (Notes 4, 5, 16 and 34)	129,628,866	58	142,655,066	62
Investment properties (Notes 4 and 17)	2,076,182	1	2,076,461	1
Other intangible assets (Notes 4 and 18)	1,009,678	1	670,997	-
Deferred income tax asset (Notes 4, 5 and 29)	7,188,415	3	8,524,043	4
Other assets - noncurrent (Notes 19, 22, 32, 34 and 35)	33,246,859	15	30,931,222	14
Total noncurrent assets	176,283,694	79	188,163,537	82
TOTAL	\$ 221,926,309	100	\$ 229,074,027	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 20)	\$ 173,289	-	\$ 4,361,628	2
Short-term bills payable (Note 20)	9,995	-	2,088,113	1
Derivative financial liabilities for hedging - current (Notes 4, 5, 9 and 32)	313,689	-	2,460,000	1
Notes and accounts payable (Note 32)	1,229,575	1	411,804	-
Notes and accounts payable - related parties (Notes 32 and 33)	493,754	-	435,384	-
Other payable (Notes 23 and 28)	12,296,548	5	11,096,311	5
Current tax liabilities (Notes 4 and 29)	75,645	-	75,940	-
Provisions - current (Notes 4, 5 and 25)	20,186	-	6,744	-
Deferred revenue - current (Notes 4, 5 and 24)	13,112,086	6	11,163,756	5
Bonds payable and put option of convertible bonds - current portion (Notes 4, 21, 27 and 32)	4,944,106	2	8,585,000	4
Loans and debts - current portion (Notes 20, 32 and 34)	30,092,112	14	14,218,482	6
Capital lease obligations - current portion (Notes 4, 22, 32 and 34)	1,457,957	1	2,758,433	1
Other current liabilities (Notes 28 and 32)	4,001,510	2	3,696,400	2
Total current liabilities	68,220,452	31	61,357,995	27
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4, 5, 9 and 32)	11,291	-	5,150	-
Bonds payable - noncurrent (Notes 4, 21, 27 and 32)	10,900,000	5	18,323,836	8
Loans and debts - noncurrent (Notes 20, 32 and 34)	57,691,505	26	73,192,954	32
Provisions - noncurrent (Notes 4, 5 and 25)	6,167,295	3	4,297,036	2
Deferred tax liabilities (Notes 4 and 29)	340,681	-	423,589	-
Capital lease obligations - noncurrent (Notes 4, 22, 32 and 34)	5,197,147	2	7,100,289	3
Deferred revenue - noncurrent (Notes 4, 5 and 24)	1,863,929	1	1,805,315	1
Accrued pension costs (Notes 4, 5 and 26)	10,553,574	5	10,192,908	4
Other noncurrent liabilities (Notes 28 and 32)	423,892	-	1,388,943	1
Total noncurrent liabilities	93,149,314	42	116,730,020	51
Total liabilities	161,369,766	73	178,088,015	78
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 27)				
Capital stock	54,708,901	25	52,491,666	23
Capital surplus	798,415	-	1,992,415	1
Retained earnings(Accumulated deficit)				
Unappropriated retained earnings(Accumulated deficit)	2,872,235	1	(3,870,736)	(2)
Other equity	(66,283)	-	(1,905,698)	(1)
Treasury shares	(43,372)	-	(43,372)	-
Total equity attributable to owners of the Company	58,269,896	26	48,664,275	21
NONCONTROLLING INTERESTS (Note 27)	2,286,647	1	2,321,737	1
Total equity	60,556,543	27	50,986,012	22
TOTAL	\$ 221,926,309	100	\$ 229,074,027	100

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2015		2014 (Audit after Adjusted)	
	Amount	%	Amount	%
REVENUES (Notes 4, 28 and 33)	\$ 145,056,217	100	\$ 150,581,742	100
COSTS (Notes 4, 9, 12, 26, 28 and 33)	<u>124,787,843</u>	<u>86</u>	<u>136,950,372</u>	<u>91</u>
GROSS PROFIT	20,268,374	14	13,631,370	9
OPERATING EXPENSES (Notes 4, 26 and 28)	<u>12,139,177</u>	<u>8</u>	<u>11,112,623</u>	<u>7</u>
OPERATING PROFIT	<u>8,129,197</u>	<u>6</u>	<u>2,518,747</u>	<u>2</u>
NONOPERATING INCOME AND LOSS				
Other income (Notes 4, 10 and 28)	3,231,179	2	1,094,416	1
Other gains and losses (Notes 9, 13, 16 and 28)	(2,957,838)	(2)	(1,740,965)	(1)
Finance cost (Notes 9, 28 and 34)	(1,783,793)	(1)	(2,019,124)	(2)
Share of the profit of associates and joint ventures (Note 15)	<u>516,140</u>	<u>-</u>	<u>509,352</u>	<u>-</u>
Total nonoperating income and loss	<u>(994,312)</u>	<u>(1)</u>	<u>(2,156,321)</u>	<u>(2)</u>
PRETAX PROFIT	7,134,885	5	362,426	-
INCOME TAX EXPENSE (Notes 4, 5 and 29)	<u>1,208,675</u>	<u>1</u>	<u>959,914</u>	<u>1</u>
NET INCOME (LOSS)	<u>5,926,210</u>	<u>4</u>	<u>(597,488)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 26)	(676,833)	-	75,168	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(4,428)	-	(16,544)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 29)	<u>115,062</u>	<u>-</u>	<u>(21,027)</u>	<u>-</u>
	<u>(566,199)</u>	<u>-</u>	<u>37,597</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 27)	67,515	-	119,945	-

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	2015		2014 (Audit after Adjusted)	
	Amount	%	Amount	%
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 27)	(6,393)	-	17,467	-
Cash flow hedges (Notes 4 and 27)	2,148,353	1	(2,537,524)	(1)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method (Notes 4 and 27)	765	-	954	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 29)	(374,281)	-	414,483	-
	<u>1,835,959</u>	<u>1</u>	<u>(1,984,675)</u>	<u>(1)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,269,760</u>	<u>1</u>	<u>(1,947,078)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 7,195,970</u>	<u>5</u>	<u>\$ (2,544,566)</u>	<u>(2)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 5,763,714	4	\$ (749,073)	-
Non-controlling interests	<u>162,496</u>	-	<u>151,585</u>	-
	<u>\$ 5,926,210</u>	<u>4</u>	<u>\$ (597,488)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 7,072,042	5	\$ (2,693,811)	(2)
Non-controlling interests	<u>123,928</u>	-	<u>149,245</u>	-
	<u>\$ 7,195,970</u>	<u>5</u>	<u>\$ (2,544,566)</u>	<u>(2)</u>
EARNING (LOSS) PER SHARE (NEW TAIWAN DOLLARS; Note 30)				
Basic	<u>\$ 1.06</u>		<u>\$ (0.14)</u>	
Diluted	<u>\$ 1.06</u>		<u>\$ (0.14)</u>	

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the Company											
	Retained Earnings					Other Equity					Non-controlling Interests	Total 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	Cash Flow Hedges	Treasury Shares Held by Subsidiaries	Total		
BALANCE AT JANUARY 1, 2014	\$ 52,000,000	\$ 1,924,015	\$ 321,891	\$ 3,926,293	\$ (7,409,299)	\$ 1,843	\$ (11,486)	\$ 96,579	\$ (43,372)	\$ 50,806,464	\$ 2,083,896	\$ 52,890,360
Effect of retrospective application and retrospective restatement	-	-	-	-	(8,444)	-	-	-	-	(8,444)	(7,468)	(15,912)
BALANCE AT JANUARY 1, 2014 AS RESTATED	<u>52,000,000</u>	<u>1,924,015</u>	<u>321,891</u>	<u>3,926,293</u>	<u>(7,417,743)</u>	<u>1,843</u>	<u>(11,486)</u>	<u>96,579</u>	<u>(43,372)</u>	<u>50,798,020</u>	<u>2,076,428</u>	<u>52,874,448</u>
Compensation of 2013 deficit												
Legal reserve	-	-	(321,891)	-	321,891	-	-	-	-	-	-	-
Special reserve	-	-	-	(3,926,293)	3,926,293	-	-	-	-	-	-	-
Convertible bonds converted to ordinary shares	491,666	68,400	-	-	-	-	-	-	-	560,066	-	560,066
Net income (loss) for the year ended December 31, 2014	-	-	-	-	(749,073)	-	-	-	-	(749,073)	151,585	(597,488)
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	47,896	98,009	15,501	(2,106,144)	-	(1,944,738)	(2,340)	(1,947,078)
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(701,177)	98,009	15,501	(2,106,144)	-	(2,693,811)	149,245	(2,544,566)
Issue of common shares for cash	-	-	-	-	-	-	-	-	-	-	200,000	200,000
Cash dividend from subsidiaries paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(103,936)	(103,936)
BALANCE AT DECEMBER 31, 2014	<u>52,491,666</u>	<u>1,992,415</u>	<u>-</u>	<u>-</u>	<u>(3,870,736)</u>	<u>99,852</u>	<u>4,015</u>	<u>(2,009,565)</u>	<u>(43,372)</u>	<u>48,664,275</u>	<u>2,321,737</u>	<u>50,986,012</u>
Compensation of deficit												
Capital surplus	-	(1,511,953)	-	-	1,511,953	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	64	-	-	-	-	-	-	-	64	-	64
Convertible bonds converted to ordinary shares	2,217,235	317,889	-	-	-	-	-	-	-	2,535,124	-	2,535,124
Difference between cost of the acquisition of subsidiaries and net value	-	-	-	-	(1,609)	-	-	-	-	(1,609)	(1,965)	(3,574)
Net income for the year ended December 31, 2015	-	-	-	-	5,763,714	-	-	-	-	5,763,714	162,496	5,926,210
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(531,087)	58,107	(2,260)	1,783,568	-	1,308,328	(38,568)	1,269,760
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	5,232,627	58,107	(2,260)	1,783,568	-	7,072,042	123,928	7,195,970
Cash dividend from subsidiaries paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(157,053)	(157,053)
BALANCE AT DECEMBER 31, 2015	<u>\$ 54,708,901</u>	<u>\$ 798,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,872,235</u>	<u>\$ 157,959</u>	<u>\$ 1,755</u>	<u>\$ (225,997)</u>	<u>\$ (43,372)</u>	<u>\$ 58,269,896</u>	<u>\$ 2,286,647</u>	<u>\$ 60,556,543</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Audit after Adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 7,134,885	\$ 362,426
Adjustments to reconcile to net cash generated from (used in) operating activities:		
Depreciation expenses	17,261,774	17,460,725
Amortization expenses	70,040	55,422
Bad-debt expense	49,458	30,021
Net gain on fair value change of financial assets and liabilities held for trading	(150,871)	(78,742)
Interest income	(466,923)	(441,968)
Dividend income	(1,884,052)	(29,522)
Share of profit of associates and joint ventures	(516,140)	(509,352)
Gain on disposal of property, plant and equipment	(13,155)	(52,340)
Net gain on disposal of available-for-sale financial assets	-	(6,557)
Impairment loss recognized on available-for-sale financial assets	3,408	-
Impairment loss recognized on property, plant, equipment and noncurrent assets held for sale	2,468,372	-
Loss on inventories and property, plant and equipment	389,274	521,473
Net loss on foreign currency exchange	487,075	436,912
Finance costs	1,783,793	2,019,124
Recognition of provisions	2,079,169	1,530,536
Amortization of unrealized gain on sale-leaseback	(14,512)	(14,512)
Amortization of deferred credits	-	(2,862)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets held for trading	(157,350)	55,802
Decrease (increase) in notes and accounts receivable	1,634,673	(1,513,216)
Decrease (increase) in accounts receivable - related parties	136,073	(114,621)
Increase in other receivables	(205,127)	(200,822)
Increase in inventories	(1,248,012)	(412,261)
Increase in other current assets	(1,252,816)	(342,329)
Increase (decrease) in notes and accounts payable	840,863	(443,447)
(Decrease) increase in accounts payable - related parties	(12,707)	119,499
Increase (decrease) in other payables	569,765	(1,755,706)
Increase in deferred revenue	2,006,907	2,208,926
Decrease in provisions	(237,716)	(579,081)
Increase in other current liabilities	512,938	9,333
Decrease in accrued pension liabilities	(296,385)	(162,154)
(Decrease) increase in other liabilities	(14,555)	59,112
Cash generated from operations	30,958,146	18,209,819
Interest received	487,009	454,403
Dividend received	2,382,066	411,683
Interest paid	(1,797,212)	(2,061,008)
Income tax paid	(239,316)	(106,302)

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (Audit after Adjusted)
Net cash generated from operating activities	<u>31,790,693</u>	<u>16,908,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	96,862
Proceeds on share redemption of financial assets measured at cost	245,242	4,616
Payments to acquire financial assets for hedging	(13,096)	-
Acquisition of associates	(64,091)	-
Payment for property, plant and equipment	(6,711,363)	(9,920,198)
Proceeds from disposal of property, plant and equipment	20,914	82,451
Increase in refundable deposits	(915,853)	(498,599)
Decrease in refundable deposits	780,503	330,518
Increase in prepayment for equipment	(13,472,830)	(12,337,340)
Refund in prepayment for aircrafts	10,186,049	-
Increase in computer software cost	(408,721)	(230,392)
(Increase) decrease in restricted assets	<u>(88,332)</u>	<u>129,169</u>
Net cash used in investing activities	<u>(10,441,578)</u>	<u>(22,342,913)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term loans	(4,190,523)	4,213,633
(Decrease) increase in short-term bills payable	(2,078,113)	2,088,138
Repayments of bonds payable	(8,585,000)	(4,780,000)
Proceeds of long-term debts	16,626,343	39,440,000
Repayments of long-term debts and capital lease obligations	(19,601,536)	(34,284,523)
Proceeds of guarantee deposits received	124,621	146,335
Refund of guarantee deposits received	(121,159)	(183,913)
Issuance of ordinary shares to non-controlling interest	-	200,000
Cash dividend paid to non-controlling interest	(157,053)	(103,936)
Acquisition of subsidiaries shares	<u>(3,574)</u>	<u>-</u>
Net cash (used in) generated from financing activities	<u>(17,985,994)</u>	<u>6,735,734</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(340,187)</u>	<u>159,086</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,022,934	1,460,502
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>20,468,151</u>	<u>19,007,649</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 23,491,085</u>	<u>\$ 20,468,151</u>

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

Description : Acknowledgement of proposal for distribution of 2015 profits, to be reviewed and discussed.

Details :

1. Earnings for 2015 will be distributed in accordance with Article 228 of the corporate charter and Article 25 of the Articles of Incorporation.
2. Pretax profit for 2015 was NT\$5,763,714,512. It was used to first cover accumulated deficit of NT\$2,891,479,186. Then 10% of the balance, NT\$287,223,533 was allocated for legal reserve and a special reserve of NT\$76,486,208. The total earnings available for distribution is NT\$2,508,525,585 and it is proposed to distribute the total amount as cash dividends. Based on the total number of outstanding shares (5,470,890,149 shares) as of March 25, 2016, a NT\$0.458522382 per share cash dividend is proposed. If the amount of outstanding shares subsequently changes, thereby requiring the dividend amount to be adjusted, a Shareholder Meeting will be held to authorize the Board of Directors to complete the necessary adjustment. Cash dividends shall be rounded down to the nearest NT dollar amount. Amounts which fall under one NT dollar due to rounding will be categorized as the Company's Other Income.
3. For the 2015 Earnings Distribution Table, please refer to page 44 of this handbook.
4. Once this resolution is passed at the Shareholders' Meeting, the Board of Directors will then determine a base date and payment date for the cash dividend distribution.

Resolution :

China Airlines

2015 Earnings Distribution Table

Item	Amount (NT\$)
Accumulated deficit at beginning before adjustment	\$ (2,352,922,986)
Less : Adjustment for adopting 2013 IFRS(IAS19)	<u>(5,860,473)</u>
Accumulated deficit at beginning after adjustment	(2,358,783,459)
Less : Investments Accounted for Using Equity Method adjustments in Retained Earnings	(83,091,905)
Less : Actuarial losses arising from defined benefit plans for year 2015 in Retained Earnings	<u>(449,603,822)</u>
Accumulated deficit after adjustment	(2,891,479,186)
Add : After-tax net income of year 2015	5,763,714,512
Less : 10% Legal reserve	(287,223,533)
Less : Special reserve	<u>(76,486,208)</u>
Earnings available for distribution	2,508,525,585
Distribution items :	
Common stock cash dividend (NT\$0.458522382 per share)	<u>(2,508,525,585)</u>
Un-appropriated earnings balance	<u>\$ 0</u>

Chairman : SUN, HUANG-HSIANG

Manager : CHANG, YU-HERN

Accounting Supervisor : CHUNG, WAN-CHUN

Questions and Motions

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 are 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 of procedures for the Company's Shareholders' Meetings, except as otherwise provided by law, regulation, 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 before 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, may be made. If the 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 must 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 violation. The chair shall direct the proctors (or security personnel) to help maintain order at the meeting place.

When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

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

When 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 the 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 the discussion time will affect the smooth proceeding of the meeting or there has been sufficient discussion and 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 sealed 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

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. Passenger transport, cargo transport, mail transport, etc.
2. Agency businesses (including sales and ground service handling) and repair and maintenance agency business.
3. Water conservation survey, sea rescue, aerial photography, search for shoals of fish, dispersion of agricultural chemicals, etc.
4. Aircraft repair and maintenance, vehicle repair and maintenance, etc.
5. Contracting airline computerization work.
6. Airline catering services.
7. Agency and sale business relating to aircraft spare parts and components, and aviation machinery and materials.
8. Warehousing business.
9. Aircraft leasing and selling.
10. J201051 Approved Training Organizations.
11. ZZ99999 Other businesses which are not prohibited or restricted by laws and decrees, besides concessionary businesses.

Article 2-1

The Company may, in accordance with its business requirements, act externally as a guarantor and make re-investment. 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' meeting and special shareholders' meeting. 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 a shareholders' meeting on his behalf by executing a power of attorney printed by the Company specifying therein the scope of the power authorized to a 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; the 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 the relevant laws and decrees.

Article 16-2

The audit committee of the Company is organized by all independent directors in accordance with the 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 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 according to 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

With respect to the pre-tax profit recorded on final accounting at the end of each year, the Company shall, after making deduction for income tax and appropriation to cover losses in the previous years, set aside 10% as a legal reserve. Then, after setting aside or reversing a special reserve in accordance with the laws and decrees, it shall first appropriate not less than 3% thereof as a bonus to employees. Thereafter, the Board of Directors shall draft a profit distribution plan and distribute the profit according to the following principles after the distribution plan is approved by a resolution of the shareholders' meeting:

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 seventieth (70th) amendment was made on June 26, 2015. 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.

Appendix 3

China Airlines, Ltd. Directors' Shareholdings

Base date: April 26, 2016

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: SUN, HUANG-HSIANG	June 26, 2015	common stock	1,867,341,935	34.14%	common stock	1,867,341,935	34.13%	
Director	China Aviation Development Foundation Representative: CHANG, YU-HERN								
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, TSO-LIANG								
Director	China Aviation Development Foundation Representative: LEE, KUO-FU								
Director	China Aviation Development Foundation Representative: LEE, CHO-PING								
Director	China Aviation Development Foundation Representative: LAI, CHING-CHYI								

Director	Chunghwa Telecom Co., Ltd. Representative: HUANG, HSIU-GU	June 26, 2015	common stock	263,622,116	4.82%	common stock	263,622,116	4.82%	
Director	National Development Fund, Executive Yuan Representative: LIN, SU-MING	June 26, 2015	common stock	519,750,519	9.50%	common stock	519,750,519	9.50%	
Independent Director	CHUNG, LO-MIN	June 26, 2015	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	TING, TIN-YU	June 26, 2015	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	LUO, HSIAO-HSIEN	June 26, 2015	common stock	0	0.00%	common stock	0	0.00%	

June 26, 2015 Total shares outstanding: 5,470,073,156 shares

April 26, 2016 Total shares outstanding: 5,470,890,149 shares

Note: All Directors shall hold statutory shares: 120,000,000 shares. As of April 26, 2016: 2,650,714,570 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.