

Stock Code: 2610



CHINA AIRLINES

2022 Annual Shareholders' Meeting

Agenda Handbook

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

Location: Taipei Innovation City Convention Center (2F., No. 223, Sec. 3, Beixin Rd, Xindian Dist., New Taipei City, 231633, Taiwan)

Type of meeting held: In-person

(Summary Translation)

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

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China Airlines 2021 Annual Shareholders' Meeting Agenda

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

Location: Taipei Innovation City Convention Center (2F., No. 223, Sec. 3, Beixin Rd, Xindian Dist., New Taipei City, 231633, Taiwan)

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

2. Chairman's Address

3. Matters to Report

- (1) Business Report for the year 2021
- (2) Audit Committee's review report for the year 2020
- (3) Proposal for distribution of 2021 employee compensation
- (4) Proposal for distribution of 2021 cash dividends
- (5) 744F cargo&A333 passenger Aircraft Service Life Change Report
- (6) Status report on the domestic 7th Unsecured Convertible Bonds

4. Matters for Acknowledgement

- (1) Acknowledgement of 2021 business Report and 2021 Financial Statements
- (2) Acknowledgement of the proposal for 2021 profits

5. Matters for Discussion:

- (1) Amendment to the "Articles of Incorporation"
- (2) Amendment to the "Procedures Governing the Acquisition and Disposal of Assets"

6. Questions and Motions

7. Meeting Adjournment

Matters to Report

Agenda Item #1

Description: Business Report for the year 2021 To be reviewed by all parties.

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

Business Report for the year 2021

The pandemic has been impacting the global economy and industries since 2020. Despite declining demands for air travel and variants stalling business recovery, CAL stayed committed to improving safety and reliability, becoming one of the few profiting airlines.

Employees are our greatest competitive edge, and they have worked together to continuously support with improved efficiency in times of great challenges. Operations integrated passenger and cargo capacity by increasing cargo capacity and prioritizing deployment in niche routes with higher revenue. This allowed us to seize peak season opportunities, generating stellar performance during the pandemic.

Against the backdrop of special shipment in pandemic times, CAL is the first CEIV-certified Taiwanese airline. In addition to delivering Taiwan's purchase of COVID vaccines, we also secured entrepôt businesses and shipped over 75 million vaccines weighing over 350 tons to Southeast Asia and Oceania, epitomizing the fulfillment of social responsibility and the spirit of humanitarian relief.

Apart from COVID-related shipments, we also took up the responsibility to maintain economic momentum and deliver necessary goods from automotive components and semiconductor chips to vehicles and semiconductor equipment. We keep up with market trends and swiftly manage workers and their schedules, increasing freight profits.

Due to the trend of high-performance oil-saving aircraft, Airbus A321neo has been gradually replacing Boeing 738 since 2021. The delivery of 777F cargo jets at the end of 2020 coincided with the peak of global air cargo traffic, and the freighters became a major profit earner.

CAL is the first airline in Taiwan and the second globally to be double certified in the environmental management system (ISO 14001) and energy system management (ISO 50001). We exceeded our carbon reduction targets with flying colors and passed the highest greenhouse gas verification standards in 2021, fully conforming to the benchmarks of sustainable development and governance for international enterprises. Now, we have set the goal of “net-zero carbon emissions” for operations by 2050. We look forward to working with the government, air traffic control authorities, oil companies, ground operators, and other aviation industry stakeholders on a sustainable and internationally competitive environment.

CAL promotes the sustainable development of the environment, society, and corporate governance. We were ranked Silver Class in aviation in the S&P Global Sustainability Yearbook in 2021, included in the Dow Jones Sustainability Indices (DJSI) components for six consecutive years, selected as a component in the Dow Jones Sustainability Emerging Markets Index (DJSI) for six consecutive years, listed as an FTSE4Good Emerging Index component for six consecutive years, received the Taiwan Corporate Sustainability Award (TCSA) for eight consecutive years and

the Global Corporate Sustainability Award (GCSA) for three consecutive years.

Looking ahead to 2022, CAL will continue to respond to the ever-changing market trends with excellent management flexibility and flexible operation capabilities, and strive to develop all aspects of ESG to become a leading enterprise for sustainable development.

1. Operating Performance

Operating revenue in NT dollars (same hereafter) was NT\$132.140 billion, a 24.28% increase over the past year, and after-tax net profit was NT\$9.380 billion (which is an increase of 9.240 billion from last year), for a basic after-tax net profit of NT\$1.67 per share.

1.1 Fleet:

One 777F freighter was introduced in the 1Q 2021 and two A321neo passenger aircraft were introduced in 4Q to optimize the fleet structure. As of the end of December 2021, our fleet size was 92 aircraft, including 68 airliners (including leased aircraft) and 24 freighters.

1.2 Passenger Service:

Revenue from the passenger business was NT\$3.434 billion, an 83.26% decrease over the past year and accounting for 2.60% of total operating revenue. As of the end of 2021, the China Airlines Group flew to 23 countries and 72 passenger destinations, spanning Asia, Europe, the Americas, and Oceania. On average, there are 91 round-trip flights per week.

1.3 Cargo:

Revenue from the cargo business was NT\$124.249 billion, a 52.09% increase over the past year and accounting for 94.03% of total operating revenue. As of the end of 2021, the China Airlines Group flew 21 cargo planes in cargo operations to 17 countries and 39 destinations. The average number of flights per week is about 117 and the number of cargo flights using passenger planes per week is over 250.

1.4 Other operation revenue:

Other operating revenue included in-flight duty-free sales revenue, the total from which was NT\$4.457 billion, an 8.02% increase over the past year and accounting for 3.37% of total operating revenue.

1.5 Investments and earnings:

As of the end of 2021, the Company has invested in 32 companies in aviation, ground services, logistics, aircraft maintenance, tourism, etc., which amounted to NT\$3.585 billion in losses over the past year.

2. Business cash-flow budget and profitability analysis

2.1 Income and Expenditure:

Operating revenue was NT\$132.140 billion, a NT\$25.813 billion increase from last year.

Operating costs and expenses were NT\$112.820 billion, an NT\$11.378 billion increase from last year.

Net income pre-tax was NT\$11.974 billion, an NT\$11.803 billion increase from last year.

Net income after tax was NT\$9.38 billion, a NT\$9.24 billion increase from last year.

2.2 Budget Implementation:

Projected operating revenue was NT\$111.931 billion, and actual operating revenue was NT\$132.140 billion, for a 118.05% attainment; projected operating costs and fees were NT\$107.945 billion, and actual operating costs were NT\$112.820 billion, for a spending rate of 104.52%. Non-operating losses were projected to be NT\$3.639 billion, and the actual non-operating losses totaled NT\$7.346 billion. Annual net income pre-tax was projected to be NT\$347 million, and the actual net income pre-tax totaled NT\$11.974 billion.

2.3 Profitability:

Return on assets 4.18%

Return on equity 14.25%

Net profit margin after tax 7.10%

Basic earnings per share after tax NT\$1.67

3. Research and development

3.1 Cabin of the new A321neo fleet

The first A321neo was delivered in November 2021, featuring a 12-seat full flatbed business class and a spacious 168-seat economy class for a total of 180 seats. The A321neo is equipped with high-speed Internet access and the latest, industry-leading in-flight entertainment systems with 4K monitors and support for passengers' Bluetooth earphones. The oriental-themed cabin was designed jointly with a renowned design studio incorporating humanistic aesthetics. Cabin equipment highlights our competitive

advantage and strengthens brand differentiation to build a deeper emotional connection with passengers. Moreover, fleet renewal and network refinement foster operational advantages and profit opportunities.

3.2 738 in-flight entertainment system upgrade on regional routes

Starting in 2020, the Company has been working on optimizing the in-flight entertainment system of the 738 fleet with the Wireless Entertainment System, allowing in-flight entertainment on mobile devices. This will improve cabin service and reduce the difference in-cabin entertainment. We have therefore gained competitiveness with improved cabin services and narrowed differences in in-flight entertainment. Passengers can safely enjoy the flight in the post-pandemic world as opportunities to touch the equipment are lessened. The platform was completed at the end of 2021 and is expected to be officially launched in the first quarter of 2022.

3.3 Travel Information Optimization

Air travel was continuously affected by COVID-19 in 2021. The CAL website focused on pandemic information and maintaining customer relations to better serve passengers. Pandemic information and services were integrated on a single platform, providing passengers with immigration information, PCR testing hospitals, quarantine hotels, quarantine taxis, and other information. As to customer relations, notifications were optimized for pre-departure information and incomplete ticket purchases. Regarding online payment, the website now uses 3D Secure 2.0 from 1.0 in compliance with EU regulations to comprehensively secure the transaction between consumers and sellers.

3.4 Digitized and diversified customer service

Customer Relationship Management (CRM) project puts passengers' travel experience in mind and offers pleasurable digitized services. We reviewed each step from tickets, preparation, and checking-in, to landing and built comprehensive, digitized, and passenger-oriented services. The services include travel information on the mobile app, friendly airport and in-flight services, and swift support in the event of a flight change. To protect membership rights during the pandemic, CAL continued extending the validity of Dynasty mileage, cabin upgrades, international flight tickets, as well as domestic flight tickets. Additionally, to increase mileage value and applicability, our annual focus was to expand mileage redemption venues, including two-way redemption and collaboration with convenience stores and the hospitality industry, and

diversify the variety of low-mileage awards. The Company also improved user experience in terms of membership. Now customers can sign up for membership in 1 minute on our website and on A321neos. We integrated cross-platform marketing messaging in 2021 to interact with members, corporate members, and non-members effectively while complying with privacy regulations.

3.5 The theme of information development in 2021 was to “prioritize foundations and complement with innovation”

We fortified core systems and infrastructure, bolstered information security management and risk control, and developed innovative applications if appropriate, including “customer relationship management, business intelligence decision-making analysis, mobile/self-service, biometric, AI/immersive technology, robotic automation, and pandemic technology,” to increase revenue, reduce costs, and continuously improve operation and competitive advantages.

There remains much uncertainty about post-pandemic global economic recovery. Confronting the severe pandemic and the fast-changing market, CAL is dedicated to corporate sustainability, taking the initiative to assess risks and formulating response strategies. We garner proactive sustainable governance with “rolling-wave” management that follows the market and international norms to grow in adversities.

Chairman: Hsieh, Su-Chien

President: Kao, Shing-Hwang

Accounting Supervisor: Chen, I-Chieh

Agenda Item #2

Description: Audit Committee's review report for the year 20201. To be reviewed by all parties.

Details: Please refer to page 9 of this handbook.

Audit Committee Report

The Board of Directors shall create and send (1) the 2021 consolidated financial statement and individual financial statement that have been jointly audited by Deloitte CPAs Rui-Chan Huang and Hsu-Jan Cheng who released an official unqualified opinion by March 15, 2022 and (2) the 2021 business report and Deficit Compensation Statement, after having been found to have no discrepancies by this audit committee and, thereupon, issued a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee: HUANG, HSIEH HSING

March 15, 2022

Agenda Item #3

Description: Proposal for distribution of 2021 employees' compensation. To be reviewed by all parties.

Details:

1. In accordance with Article 25 of the Company's Articles of Incorporation, in the case of a profitable fiscal year, the Company is to allocate no less than 3% to employee compensation.
2. For 2021, the Company paid NT\$366 billion in cash compensation to its employees.
3. This item was approved during the 4th session of the 22nd Meeting of the Board.

Agenda Item #4

Description: Proposal for distribution of 2021 cash dividends

Details:

1. The Company distributed a cash dividend of \$5,000,000,000 (\$0.83,636,529 per share) to shareholders in 2021.
2. The cash dividend for individual shareholders is rounded down to the nearest NT Dollar, with the decimal places removed. The total rounded-off amounts are accounted for as other income in the Company's financial statements.
3. If the number of outstanding shares is subsequently affected by the repurchase of the Company's shares, the transfer or cancellation of treasury stock, or any other factors that may affect the dividend distribution ratio, it is proposed the Chairman be authorized to adjust the allocation at his discretion.
4. The Chairman is authorized to set the ex-dividend date.
5. This item was approved during the 4th session of the 22nd Meeting of the Board.

Agenda Item #5

Description: 744F cargo&A333 passenger Aircraft Service Life Change Report.

To be reviewed by all parties.

Details:

1. After considering the rationality of the actual use of fourteen B744F cargo planes and three A333 passenger aircraft and the future plans for its fleet, China Airlines is proposing to make adjustments to its estimates for the service life of the aircraft and major components thereof.
2. In accordance with Article 6 of “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, China Airlines asked its accountants to review its rationality analysis and offer suggestions. No major discrepancies were found.
3. From 1 January 2022, China Airlines changed the estimated service life of fourteen of its B744F cargo planes from 25 years to 24 years and A333 passenger aircraft from 20 years to 18 years.
4. This accounting adjustment in the estimation of service life will increase depreciation costs for 2022 by NT\$720 million.
5. This item was approved during the 4th session of the 22nd Meeting of the Board.

Agenda Item #6

Description: Status report on the domestic 7th Unsecured Convertible Bonds. To be reviewed by all parties.

Details:

1. In accordance with Article 246 of the Articles of the Company Act, a company may, by a resolution adopted by the Board of Directors, invite subscription for corporate bonds, provided that the reasons for the said action as well as other relevant matters shall be reported to the meeting of shareholders.
2. In order to support operations development, repay loans, and stabilize future mid- to long-term costs, China Airlines issued naked debentures in 2021 after it was decided in the 12th convention of the 21st Board of Directors meeting. The total value of the debentures did not exceed NT\$6 billion. The offering was completed on 26 April 2021 (aggregate principal amount NT\$4,500 million, issued at a par, total issue amount NT\$4,500 million). The debenture was listed with the Taipei Exchange on 28 April 2021 (code: 26107, name: China Airlines company domestic 7th Unsecured Convertible Bonds).
3. Key terms and conditions of issuance:
 - (1) Total issue amount: The face value is NT\$100,000 per debenture. A total of 45,000 debentures were issued. The aggregate principal amount was NT\$4,500 million. The issue price was at a par. The total issue amount is NT\$4,500 million.
 - (2) Issuing Period: 5 years from 28 April 2021 to 28 April 2026.
 - (3) Coupon rate: 0%
 - (4) Conversion price: The debenture's conversion price is calculated on the base day of 20 April 2021. The simple mean of the three-day closing prices of the company's common shares prior to the base date reaches NT\$18.50 per share. The conversion premium rate is 102.70%. The conversion price is NT\$19 per share.
 - (5) Conversion target: The company's common shares which will be fulfilled by issuing new shares.
 - (6) Conversion period: From 29 July 2021 (the next day of three months after the debenture's issue date) to 28 April 2026 (maturity day).
 - (7) Put option: From 28 April 2024 (three years after the debenture's issue date), the holders can sell debentures back to the company by requesting that the company to buy them back at the face value in cash.
4. The capital raised from the above issuance is planned to be used to repay bank loans in Q2 2021. Once the execution of the funding utilization plan is completed, an estimated amount of NT\$23.501 million of interest expenditure will be saved in the year of 2021, and, from 2022, NT\$47.002 million of interest expenditure can be cut annually, effectively reducing the company's overall interest burden.

Matters for Acknowledgement

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

Description: Acknowledgement of Business Report and Financial Statements for the year 2021

Details:

1. The Company's 2021 annual financial statements (including Balance Sheet, Consolidated Income Statement, and Changes in Equity and Cash Flow Statement) have been jointly audited by Deloitte CPAs Rui-Chan Huang and Hsu-Jan Cheng and were approved and documented during the 4th session of the 22nd Meeting of the Board.
2. For the 2021 Annual Business Report, please refer to pages 3-7 of this handbook; for the CPA Audit Report and the financial statements referred to above, please see pages 15-35 of this handbook.

Resolution:

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Recognition of Cargo Revenue

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

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

Our main audit procedures performed included the following:

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

Other Matter - Audited by Other Independent Auditors

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2022

Notice to Readers

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

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

CHINA AIRLINES, LTD.

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

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

CHINA AIRLINES, LTD.

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

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

(Continued)

CHINA AIRLINES, LTD.

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

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

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

(Concluded)

CHINA AIRLINES, LTD.

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

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

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

CHINA AIRLINES, LTD.

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

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

(Continued)

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

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

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Recognition of Cargo Revenue

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

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

Our main audit procedures performed included the following:

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

Other Matter

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 15, 2022

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

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

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

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

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

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

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

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

Description: Acknowledgement of the proposal for distribution of 2021 profits

Details:

1. In accordance with Article 228 of the Company Act and Article 25 of the Company's Articles of Incorporation.
2. Net income after tax for 2021 was NT\$9,379,905,181. After deducting the remeasurement of the defined benefit plan of NT\$28,409,950, and changes in the retained earnings of NT\$104,639,306 from affiliates being recognized not based on the portion of shares held, and adding NT\$ \$6,992,310 for the changes in affiliates recognized by the equity method, as well as after setting aside 10% of the legal reserve of NT\$925,384,824, the total distributable surplus earnings reached NT\$8,328,463,411. The company proposes to pay NT\$5,000,000,000 in cash dividends, representing NT\$0.83636529 per share. The payment of each shareholder's cash dividend is to be in full New Taiwan Dollars while the fractional amounts will be added to the company's other income.
3. Refer to the Distribution of 2021 surplus earnings table on page 37 of this handbook.
4. This plan was approved at the 4th convention of the 22st Board of Directors meeting. After the resolution is adopted during this Shareholders' Meeting, the Board of Directors will be authorized to set the base date and the ex-dividend date for cash dividend distribution.

Resolution:

China Airlines Ltd.
Distribution of 2021 earnings

Unit: NT\$

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

Chairman: HSIEH, SU-CHIEN

Manager: KAO, SHING-HWANG

Accounting Supervisor: CHEN, I-CHIEH

Matters of 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. In accordance with the amendment to Article 172-2 of the Companies Act, a public company may set forth in its Articles of Incorporation to amend the Articles of Incorporation of a public company in Shareholders' Meeting by videoconference or other means as announced by a central competent authority.
2. For the amended and original Articles of Incorporation, please refer to pages 39-40 of this handbook.
3. This item was approved during the 4th session of the 22nd Meeting of the Board.

Resolution:

China Airlines Ltd.

Comparison Table: Articles of Incorporation

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

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

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

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

Details:

1. Response to Company organizational restructuring and prescribed practices to bring into line with revisions to the Company’s “Operational Procedures for Endorsements/Guarantees”.
2. For the amended and original Articles of Incorporation, please refer to pages 42-51 of this handbook.
3. This item was approved during the 4th session of the 22th Meeting of the Board.

Resolution:

China Airlines
Comparison Table: Procedures Governing the Acquisition and Disposal of Assets

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

Revised Provisions	Current Provisions	Revision Notes
<p>further comply with the following provisions:</p> <p>(1)~ (2) : (Omitted.)</p> <p>(3): Where any one of the following circumstances applies with respect to the professional appraiser's results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1: The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>2: The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(4). (Omitted.)</p> <p>2.(Omitted.)</p> <p>3. Acquisition or disposal of intangible assets, right-of-use assets, or memberships: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render</p>	<p>further comply with the following provisions:</p> <p>(1)~ (2) : (Omitted.)</p> <p>(3): Where any one of the following circumstances applies with respect to the professional appraiser's results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal <u>in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>1: The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p> <p>2: The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(4). (Omitted.)</p> <p>2.(Omitted.)</p> <p>3. Acquisition or disposal of intangible assets, right-of-use assets, or memberships: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, except in</p>	<p>the provisions of the Bulletin of Auditing Standards No. 20 issued by the Accounting Research and Development Foundation of the Republic of China.</p> <p>2. As the trade associations to which external experts belong have relevant norms for their undertaking related businesses, in order to clarify the procedures and responsibilities that external experts should follow, it is amended to regulate the issuance of valuation reports or opinions by professional appraisers and their appraisers, accountants, lawyers or securities underwriters In</p>

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<p>an opinion on the reasonableness of the transaction price.</p> <p>4.(Omitted.)</p> <p>5. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions shall meet the following requirements:</p> <p>(1). May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(2). May not be a related party or de facto related party of any party to the transaction</p> <p>(3). If the Company is required to obtain appraisal reports from two</p>	<p>transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the certified public account shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF</u></p> <p>4.(Omitted.)</p> <p>5. Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions shall meet the following requirements:</p> <p>(1). May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.</p> <p>(2). May not be a related party or de facto related party of any party to the transaction</p> <p>(3). If the Company is required to obtain appraisal reports from two</p>	<p>addition to the items listed in the second subparagraph of point 5, the documents shall be handled in accordance with the self-discipline regulations of the respective trade associations to which they belong.</p> <p>3. Corrected some texts to be in line with reality.</p>

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<p>or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, <u>the self-discipline rules of the trade associations to which it belongs and</u> the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>(1).Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2).When <u>implement</u> a case, they shall appropriately plan and execute adequate working procedures, in order to form a conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3). They shall undertake an item-by-item evaluation of <u>the appropriateness, and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4). They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information</p>	<p>or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>(1).Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>(2).When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to form a conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</p> <p>(3). They shall undertake an item-by-item evaluation of <u>the comprehensiveness, accuracy, and reasonableness</u> of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>(4). They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information</p>	

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<p>used is <u>appropriate, and</u> that they have complied with applicable laws and regulations.</p> <p>6. (Omitted.)</p>	<p>used is <u>reasonable and accurate</u>, and that they have complied with applicable laws and regulations.</p> <p>6. (Omitted.)</p>	
<p>Article 9 Related party transactions:</p> <p>1. (Omitted).</p> <p>2. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors <u>and by the Audit Committee</u>:</p> <p>(1). The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of</p>	<p>Article 9 Related party transactions:</p> <p>1. (Omitted).</p> <p>2. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors <u>and recognized by the Audit Committee</u>:</p> <p>(1). The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a trading counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of</p>	<p>In accordance with the letter of the FSC, Article 15 of the "Criteria for the Treatment of Assets Acquired or Disposed by Public Companies" is amended, and the explanation is as follows:</p> <p>1. Tenth point added:</p> <p>(1) In order to strengthen the management of related party transactions and protect the rights of minority shareholders of public companies to express their opinions on the transactions between the company and related parties, it is necessary to refer to the provisions of</p>

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<p>the reasonableness of the preliminary transaction terms in accordance with Paragraph 1, Subparagraph 3 and 4 of this Article.</p> <p>(4). The date and price at which the related party originally acquired the property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(7). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>3~9. (Omitted).</p> <p><u>10. If the company or a subsidiary of a non-domestic public company has the second transaction, and the transaction amount is more than 10% of the company's total assets, the company shall submit the materials listed in the second paragraph to the shareholders' meeting for approval before proceeding. A transaction contract must be signed and payment made. However, transactions between the Company and its parent company, subsidiaries, or subsidiaries of the</u></p>	<p>the reasonableness of the preliminary transaction terms in accordance with Paragraph 1, Subparagraph 3 and 4 of this Article.</p> <p>(4). The date and price at which the related party originally acquired the property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>(5). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(7). Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>3~9. (Omitted).</p> <p><u>10. The calculation of the transaction amounts shall be made in accordance with Article 11 Paragraph 1 Subparagraph 2. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.</u></p>	<p>major international capital markets such as Singapore and Hong Kong that regulate transactions with major related parties in advance for the approval of the shareholders' meeting , In addition, in order to prevent the public offering company from conducting major related party transactions through the subsidiaries of the non-domestic public offering company, if evasion is required, the relevant information must be submitted to the shareholders' meeting for approval. The second point is that the company has a</p>

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<p><u>Company are not subject to this limitation.</u></p> <p><u>11.</u> The calculation of the transaction amount shall be handled in accordance with the provisions of Subparagraph 2 of Paragraph 1 of Article 11, but it has been <u>submitted to the Audit Committee and the Board of Directors for approval or submitted to the shareholders' meeting for approval</u> in accordance with the provisions of these procedures for partial exemption.</p> <p><u>12.</u> The company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or total capital, are engaged in the following transactions. The board of directors may authorize the chairman of the board to make decisions within a certain amount, and then report to the most recent board of directors for ratification:</p> <p>(1). Acquiring or disposing of equipment or right-of-use assets for business use.</p> <p>(2). Acquiring or disposing of real estate right-of-use assets for business use.</p>	<p><u>11.</u> If the Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or capital amount conduct the following transactions among each other, the Board may authorize the Chairman in advance within a fixed amount and report ratification of the most recent board of directors:</p> <p>(1). Where equipment or its right-of-use assets for business use are acquired or disposed of</p> <p>(2). Where real estate right-of-use assets for business use are acquired or disposed of.</p>	<p>transaction of acquiring or disposing of assets with a related party, and the transaction amount is more than 10% of the total assets of the public offering company. Subsidiaries that are non-public offerings shall submit matters to the shareholders' meeting for approval, which shall be handled by the parent company of the public offering at the next higher level.</p> <p>(2) Considering the overall business planning needs of the public offering company and its parent company, subsidiaries, or its subsidiaries, and taking into account the exemption</p>

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		<p>specifications of the major international capital markets in advance, the proviso to relax the waiver of shareholders' meeting resolutions for transactions between these companies.</p> <p>(3). Considering the overall business planning needs of the public offering company and its parent company, subsidiaries, or its subsidiaries, and taking into account the exemption specifications of the major international capital markets in advance, the proviso to relax the waiver of shareholders' meeting resolutions for transactions between these companies.</p> <p>2. Points 10 and 11</p>

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		of the current provisions have been moved to points 11 and 12 of the revised provisions. And amend the calculation of the transaction amount in point 11 to include the transaction submitted to the shareholders' meeting for approval.
<p>Article 11 Announcements, reporting, and disclosure of material information:</p> <p>1. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated information reporting website of the securities authority using the specified format based on the nature of the transaction:</p> <p>(1)~(5) (Omitted).</p> <p>(6). Where an asset transaction other than any of those referred to in (1) to (5) of this article, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided</p>	<p>Article 11 Announcements, reporting, and disclosure of material information:</p> <p>1. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated information reporting website of the securities authority using the specified format based on the nature of the transaction:</p> <p>(1)~(5) (Omitted).</p> <p>(6). Where an asset transaction other than any of those referred to in (1) to (5) of this article, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided</p>	<p>Cooperate with the letter of the Financial Supervisory Commission to amend Article 31 of the "Standards for the Treatment of Assets Acquired or Disposed by Public Companies".</p> <p>Considering that the current public issuance companies have been exempted from public announcement and declaration for their trading of domestic</p>

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<p>that this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of domestic government bonds <u>or foreign public bonds with a credit rating not lower than my country's sovereign rating.</u> 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. <p>2~6. (Omitted)</p>	<p>that this shall not apply to the following circumstances:</p> <ol style="list-style-type: none"> 1. Trading of domestic government bonds. 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. <p>2~6. (Omitted)</p>	<p>public bonds, the sixth paragraph of Paragraph 1 is amended to relax the issuance of foreign public bonds whose trading rating is not lower than my country's sovereign rating, and they are also exempted from public announcement and declaration.</p>
<p>Article 14 These Procedures were adopted on May 18, 1991 and the <u>11th</u> revision was made on <u>May 26, 2022</u>. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.</p>	<p>Article 14 These Procedures were adopted on May 18, 1991 and the <u>10th</u> revision was made on <u>June 25, 2019</u>. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations..</p>	<p>Discretionary amendment of date and frequency.</p>

Questions and Motions

Appendices

Appendix 1

CHINA AIRLINES LTD. ARTICLES OF INCORPORATION

This Article was created on August 15, 1959
Amended and approved by the Shareholders' Meeting, 70 amendments were made on June 26, 2015 Amended
and approved by the Shareholders' Meeting, 71 amendments were made on June 24, 2016
Amended and approved by the Shareholders' Meeting, 72 amendments were made on June 25, 2019
Amended and approved by the Shareholders' Meeting, 73 amendments were made on June 23, 2020

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's operations fall under the following categories of businesses:

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

Article 2-1

The Company may, in accordance with its business requirements, act externally as a guarantor and make re-investments. Where it 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 under Article 13 of the Company Act.

Article 2-2

(Deleted)

Article 3

The Company's head office is located at Taoyuan City (Taiwan, R.O.C.), and branch offices or sales offices may be set up inside and outside of the country when necessary by 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 several times by the Board of Directors as per the Company's business requirements.

Article 6

Share certificates issued by the Company are not required to be printed. The Company, however, shall register the issued shares with a centralized securities depository enterprise.

In respect of the new shares issued in accordance with 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 newly 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-related matters will 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 the 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 types: regular and special. A regular meeting is convened once a year within six (6) months from the closure of the fiscal year, and a special one is convened when necessary in accordance with the relevant laws and decrees.

Article 11

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

Article 12

A shareholder of the Company is entitled to one share one vote, unless otherwise restricted by law.

Article 13

If a shareholder is unable to attend a shareholders' meeting for some reason, he can appoint a proxy to attend the meeting on his behalf by executing a power of attorney provided 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 the outstanding shares; any voting right in excess thereof does not count.

Unless stated otherwise in the Company Act, the rules governing the appointment of proxies to attend a shareholders' meeting are 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

A shareholders' meeting convened by the Board of Directors will 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 any reason, 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 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 a person shall be the chairman of the meeting. When there are two or more persons having convening powers, one is elected from among them 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, which shall be kept perpetually throughout the existence of the Company.

The attendance register of shareholders attending the meeting and the proxies shall

be kept safely for at least one year. However, in case a shareholder has initiated litigation in accordance with Article 189 of the Company Act, it shall be kept safely until the conclusion of the litigation.

Chapter IV Directors and Managers

Article 16

The Company shall have eleven to thirteen directors, who are elected at a shareholders' meeting from among those present with legal authority.

Travel expenses and remuneration of the directors shall be as prescribed by the Board of Directors in reference to the standards followed by enterprises in related industry and listed companies.

Article 16-1

Of the directors of the Company mentioned in the preceding article, at least three of them should be independent directors, one of whom should be involved in public-welfare activities.

The election of the directors of the Company shall be held in accordance with the candidate nomination system and the Company Act and other applicable laws and regulations. The independent directors, independent directors involved in public-welfare activities, and non-independent directors shall be elected at the same time but in separately calculated numbers elect. Candidates with the highest number of ballots cast shall be elected as independent directors, independent directors with experience in public-welfare activities, and non-independent directors.

Professional qualifications, restrictions on shareholding 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; Independent directors involved in public-welfare activities shall be governed by the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors with experience in public-welfare activities.

Article 16-2

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

Article 17

The term of office of the directors is three years, and they may be eligible for re-election; independent directors with experience in public welfare are only eligible for two re-elections. 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 form a Board of Directors to exercise the power and authority of the directors, and the Chairman of the Board of Directors is elected from among the directors by a majority vote at a meeting attended by at least two-thirds of directors. The Chairman represents the Company outside the organization.

The Board of Directors is authorized to fix the remuneration for the Chairman depending upon the extent of his participation in the operations of the Company, as per the regulations relating to remuneration for managers of the Company.

Article 19

A board meeting shall be convened by the Chairman; however, the first board meeting for each term shall be convened by the director who obtains the highest number of votes and represents them.

A board meeting shall be presided over by the Chairman of the Board of Directors. When the Chairman is on leave or is absent, or is unable to exercise his power and authority for any reasons, 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, it is presumed that the directors participating in it are deemed to have attended the meeting in person.

If a director is unable to attend a board meeting for any reason, he may appoint 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 only one person's appointment is considered as representative.

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 and 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 by Article 29 of the Company Act.

Article 23

The Company may, in accordance with its business requirement, 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 at the regular shareholders' meeting for information:

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

Article 25

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

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

In a profitable fiscal year, the Company shall pay taxes in accordance with law, cover accumulated deficits, and then transfer the balance of earnings to statutory reserve and appropriate for provisions and apportion special reserves in accordance with regulations. If still there is surplus and/or accumulated undistributed earnings, the Board of Directors shall submit an allocation proposal in accordance with the following principles:

1. Not less than 50% thereof shall be distributed as dividends and bonuses to shareholders.
2. Distribution of the aforesaid dividend and bonus may be made in the form of shares or cash, subject to the cash dividend not being less than 30% of the total amount of dividends.

In relation to the distribution of earnings in the preceding paragraph, when dividends are distributed in the form of new shares, a proposal be submitted to the shareholders' meeting for approval before distribution; where dividends are distributed in cash, the Board of Directors can determine such a distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of Directors and report to the shareholders' meeting.

When the Company does not incur 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 law and decrees, or the regulations of the competent authority. Where dividends are distributed as new shares, the proposal shall be submitted to the shareholders' meeting for approval before distribution; where dividends are distributed in cash, the Board of Directors can determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting.

Chapter VI Supplemental Provisions

Article 26

The present Articles of Incorporation were announced on August 15, 1959, and the seventy-third (73rd) amendment was made on June 23, 2020. Matters not falling under the Articles of Incorporation shall be governed by and construed in accordance with the provisions of relevant laws and decrees.

Appendix 2

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
Amended and approved by the Shareholders' Meeting on June 23, 2020

- 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, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Article 185, Paragraph 1 hereof shall be itemized in the causes or subjects to be described and the essential contents shall be explained in the notice to convene a meeting of shareholders, and shall not be brought up as extemporary motions; the essential contents may be posted on the website designated by the competent authority in charge of securities affairs or the company, and such website shall be indicated in the above notice.

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. Shareholders in attendance who have inquiries regarding reports as stipulated in the meeting agenda may not raise such inquiries until after the chairman or the designated person finishes reading or finishes reporting. 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, after the Chairman or delegate thereof announces the total number of voting rights represented by shareholders in attendance for voting on each issue, shareholders will proceed with voting on a case-by-case basis. 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 3

China Airlines Ltd.

Procedures Governing the Acquisition and Disposal of Assets

Amended and implemented after approval by the Shareholders' Meeting on June 15, 2012

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

Amended and implemented after approval by the Shareholders' Meeting on June 25, 2019

Article 1 Purpose and legal basis:

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

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

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

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

1. Date of occurrence: In principle, this refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of Board of Directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction (whichever date is earlier); provided, for investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
2. Related party or subsidiary: As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
3. Professional appraiser: Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
4. Derivatives: Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts, whose value is derived from a specified interest rate,

financial instrument price, commodity price, foreign exchange rates, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

5. Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefore (hereinafter "transfer of shares") under Article 156-3, Paragraph 8 of the Company Act.
6. Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
7. Total assets: For the calculation of 10% of total assets under these Procedures, the total assets stated in the most recent parent company-only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be used.
8. Securities exchanges: Domestic securities exchange refers to the Taiwan Stock Exchange Corporation; foreign securities exchange refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
9. Over-the-counter markets ("OTC"): Domestic OTC markets refers to a market for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; foreign OTC markets refers to a market at a financial institution that is regulated by the foreign competent securities authority and that is permitted to conduct securities business.

Article 4 Appraisal and operating procedures:

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

which will be executed after approval by the responsible personnel, to properly implement the Company's internal control system.

Article 5 Procedures for determining transaction terms and conditions:

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

Article 6 Units responsible for implementation:

1. The Corporate Development Office oversees long-term securities. Short-term securities are overseen by the Finance Division. The Administration Division is responsible for real property. Assets other than securities investments and real property shall be overseen by the relevant department. As prescribed by the competent authorities, information disclosure is the responsibility of the Finance Division.

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

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

1. When planning to conduct a merger, demerger, acquisition, or transfer of shares, the Company shall engage a certified public accountant, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. However, when the Company merges with a subsidiary company which it directly or indirectly owns 100% of distributed stocks or total capital, or when the Company merges subsidiary companies which it directly or indirectly owns 100% of distributed stocks or total capital, the Company may forgo the opinion of the reasonableness by the experts stated above.
2. The Company shall prepare a public report for shareholders detailing the important content of the agreement and related matters of the merger, demerger, or acquisition before the Shareholders' Meeting, and then deliver it to shareholders together with expert opinions as required in the preceding paragraph for reference by shareholders for the approval of the merger, demerger or acquisition. This restriction shall not apply, however, where there are other provisions of law that exempt a company from convening a Shareholders' Meeting to approve the merger, demerger or acquisition. Moreover, where the Shareholders' Meeting of any one of the companies participating in a merger, demerger, or acquisition fails to convene or pass a resolution due to lack of a quorum, insufficient votes, or other legal restriction, or the proposal is rejected by the Shareholders' Meeting, the companies participating in the merger, demerger or acquisition shall immediately publicly explain the reason, the follow-up measures, and the preliminary date of the next Shareholders' Meeting.
3. When conducting a merger, demerger, acquisition, or transfer of shares, the Company shall follow the below regulations for voting, information preservation, and public announcement:
 - (1) Unless another law provides otherwise or the competent authority is notified in advance of extraordinary circumstances and grants consent, the companies participating in a merger, demerger, or acquisition shall convene a Board of Directors meeting and Shareholders' Meeting on the same day to resolve matters relevant to the merger, demerger, or acquisition. When participating in a transfer of shares, the companies shall call a Board of Directors meeting on the same day.
 - (2) When participating in a merger, demerger, acquisition, or transfer of shares, the Company shall prepare a full written record of the following information and retain it for 5 years for reference. Within 2 days commencing immediately from the date of passage of a resolution by the Board of Directors, the Company shall report the information set out in Subparagraphs 1 and 2 of the following

paragraph to the competent authorities for recordation in the prescribed format via the Internet-based information system.

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

- (1) Handling breach of contract.
 - (2) Principles for the handling of equity-type securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or that is demerged.
 - (3) The amount of treasury stock that participating companies are permitted under law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
 - (4) The manner of handling changes in the entities or number of entities.
 - (5) Preliminary progress schedule for plan execution, and anticipated completion date.
 - (6) Scheduled date for convening the legally mandated Shareholders' Meeting if the plan exceeds the deadline without completion, and relevant procedures.
7. After public disclosure of the information, if any company participating in the merger, demerger, acquisition, or share transfer intends further to carry out a merger, demerger, acquisition, or share transfer with another company, all of the participating companies shall carry out anew the procedures or legal actions that had originally been completed toward the merger, demerger, acquisition, or share transfer; except that where the number of participating companies is decreased and a participating company's Shareholders' Meeting has adopted a resolution authorizing the Board of Directors to alter the limits of authority, such participating company may be exempted from calling another Shareholders' Meeting to resolve on the matter anew.
8. Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the Company shall sign an agreement with the non-public company whereby the latter is required to abide by Paragraphs 3, 4, and 7 of this Article.

Article 8 Commissioning expert appraisal reports or opinions:

1. Appraisal report for acquisition or disposal of real property, or equipment, or right-of-use assets thereof: In acquiring or disposing of real property, or equipment, or right-of-use assets thereof where the transaction amount reaches 20% of the company's paid-in capital or in excess of NT\$300 million, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report from a professional appraiser prior to the date of occurrence of the event and shall further comply with the following provisions:
 - (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed whenever there is any subsequent changes to the terms and conditions of the transaction.
 - (2) Where the transaction amount is in excess of NT\$1 billion, appraisals from two or more professional appraisers shall be obtained.
 - (3) Where any one of the following circumstances applies with respect to the

professional appraiser's results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:

1. The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.
2. The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.
- (4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is applied and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.
2. Certified public accountant opinion regarding acquisition or disposal of securities: The Company, when acquiring or disposing of securities shall, prior to the date of occurrence, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price. If the dollar amount of the transaction is 20% or more of the company's paid-in capital or in excess of NT\$300 million, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the competent authority.
3. Acquisition or disposal of intangible assets, right-of-use assets, or memberships: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships and the transaction amount reaches 20% or more of paid-in capital or in excess of NT\$300 million, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; the certified public accountant shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF.
4. Should the Company acquire or dispose of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or opinion of a certified public accountant.
5. Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountants' opinions, attorneys' opinions, or securities underwriters' opinions shall meet the following requirements:
 - (1) May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of this Act, the Company Act,

the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.

- (2) May not be a related party or de facto related party of any party to the transaction.
- (3) If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:

- (1) Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- (2) When examining a case, they shall appropriately plan and execute adequate working procedures, in order to form a conclusion and use the conclusion as the basis for issuing the report or opinion. The related implementation procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.
- (3) They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- (4) They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.

6. Calculation of the transaction price shall be performed in accordance with Article 11, Paragraph 1, Subparagraph 2, but does not need to be added in for situations where a professional appraisal or certified public accountant opinion is obtained in accordance with these Procedures.

Article 9 Related party transactions:

1. When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that these Procedures are followed and necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10% or more of the Company's total assets, the company shall also obtain an appraisal report from a professional appraiser or a certified public auditor's opinion in compliance with the provisions of the preceding Article. When judging whether a trading counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

2. When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or repurchase of domestic securities investment trust enterprise money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors and recognized by the Audit Committee:
 - (1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
 - (2) The reason for choosing the related party as a trading counterparty.
 - (3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 1, Subparagraph 3 and 4 of this Article.
 - (4) The date and price at which the related party originally acquired the property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.
 - (5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
 - (6) Restrictive covenants and other important stipulations associated with the transaction.
 - (7) An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding Paragraph.
3. When the Company acquires real property or right-of-use assets thereof from a related party, it shall evaluate the reasonableness of the transaction costs by the following means (Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised following any one of the below methods):
 - (1) Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
 - (2) Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70% or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the

trading counterparties.

4. When the Company acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the previous Paragraph, it shall also engage a certified public accountant to check the appraisal and render a specific opinion.
5. When the Company acquires real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the acquisition shall be conducted in accordance with Subparagraph 2 of this Article, but Paragraph 1, Subparagraphs 3 and 4 do not apply:
 - (1) The related party has acquired the real estate or its right-of-use assets through inheritance or as a gift.
 - (2) More than five years have elapsed since the acquisition of the real estate or its right-of-use assets by the related party since the date the contract for the transaction was signed.
 - (3) The real estate is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real estate, either on the company's own land or on rented land.
 - (4) The real estate right-of-use assets for business use are acquired by the Company and its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or total capital.
6. For real estate or its right-of-use assets acquired from a related party and the results of appraisals conducted in accordance with Subparagraph 3, Paragraph 1 of this article are uniformly lower than the transaction price, the provisions specified in Subparagraph 7 shall be followed. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real estate appraiser and an accountant, this restriction shall not apply:
 - (1) Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 1. Where undeveloped land is appraised in accordance with the means in Paragraph 3 of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the past three years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.
 2. Completed transactions by unrelated parties within the preceding year involving other floors of the same property or a neighboring property in which the properties are similar in area and the terms of the transactions in those cases are found to be similar after assessment of reasonable discrepancies in the prices of different floors or districts in accordance with standard property market sale or leasing practices.
 3. There are cases of leasing transactions completed by unrelated parties for

other floors of the same property within the preceding year in which the transaction terms are estimated to be similar based on reasonable price discrepancies among floors in accordance with standard property leasing market practices.

- (2) For evidence provided on acquired real estate, or obtained real estate right-of-use assets through leasing, from a related party and the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.
 - (3) "Completed transactions involving neighboring or closely valued parcels of land" as used in (1) and (2) of this article in principle refer to parcels on the same or adjacent block and within a distance of no more than 500 meters, or parcels close in publicly announced current value; "Transactions for similarly-sized parcels", in principle refer to transactions by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction. "within the preceding year" as used herein refers to the year preceding the date of occurrence of the acquisition of the real estate or obtainment of the right-of-use assets thereof.
7. For real estate or its right-of-use assets acquired from a related party and the results of appraisals conducted in accordance with Subparagraph 3, Paragraph 1 of this article are uniformly lower than the transaction price, the following provisions shall be followed:
- (1) A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost for the real estate or its right-of-use assets. These funds may not be distributed or used for capital increase or issuance of bonus shares. For the Company adopting the equity method to account for its investment in another company, the special reserve called for under Paragraph 1, Article 41 of the Securities and Exchange Act shall also be appropriated on a pro-rata basis according to the percentage of shares held by the investor. For special reserve set aside according to the aforementioned, it shall not draw on the reserve unless it has recognized the loss on decline in market value of the assets it purchased or leased at a premium, or the leasing contract has been terminated, or disposed through adequate compensation or restored status quo ante, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the securities authority has given its consent.
 - (2) The Audit Committee shall follow the provisions set out under Article 218 of the Company Act.
 - (3) Actions taken pursuant to Subparagraph 1 and Subparagraph 2 above shall be reported to a Shareholders' Meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.
8. The rules specified in aforementioned (1) and (2) shall also be followed if there is other evidence showing nonconformity with general business practices when the

Company acquires or disposes assets or its right-of-use assets from a related party.

9. When a matter is submitted for discussion by the Board of Directors pursuant to this Article, if an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting.

Adoption pursuant to this Article, which shall be subject to the consent of one-half or more of all Audit Committee members and be submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.

10. The calculation of the transaction amounts shall be made in accordance with Article 11 Paragraph 1 Subparagraph 2. Items that have been approved by the Board of Directors and recognized by the Audit Committee need not be counted toward the transaction amount.

11. If the Company and its subsidiaries, or subsidiaries that directly or indirectly hold 100% of the issued shares or capital amount conduct the following transactions among each other, the Board may authorize the Chairman in advance within a fixed amount and report ratification of the most recent board of directors:

(1) Where equipment or its right-of-use assets for business use are acquired or disposed of.

(2) Where real estate right-of-use assets for business use are acquired or disposed of.

Article 10 Scope and amount of investment:

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

1. The total investment in securities shall not exceed 100% of the Company's net value. Subsidiaries may not exceed 80% of their net value, but subsidiaries that are professional investment companies may not exceed 100% of their net value.

2. The total value of investments in individual securities shall not exceed 30% of the Company's net value. Subsidiaries may not exceed 20% of their net value, but subsidiaries that are professional investment companies may not exceed 100% of their net value.

3. The Company and its subsidiaries' total purchases of real property and its right-of-use assets not for business use shall not exceed 50% of their net value.

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

1. Under any of the following circumstances, the Company shall, within 2 days from the date of occurrence of the event, publicly announce and report the relevant information about the acquisition or disposal of assets on the designated information reporting website of the securities authority using the specified format based on the nature of the transaction:

(1) Acquisition or disposal of real estate or its right-of-use assets from or to a related party, or acquisition or disposal of assets other than real estate or its right-of-use assets from or to a related party where the transaction amount reaches 20% or

more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

- (2) Merger, split, acquisition, or assignment of shares
 - (3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the "Engagement in derivative financial commodity transaction processing procedures" adopted by the Company
 - (4) Where equipment or its right-of-use assets for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount exceeds NT\$1 billion.
 - (5) Where real estate is acquired under an arrangement engaging in the development of self-owned land, development of leased land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.
 - (6) Where an asset transaction other than any of those referred to in (1) to (5) of this article, a disposal of receivables by a financial institution, or an investment in the Mainland China area reaches 20% or more of paid-in capital or NT\$300 million or more; provided that this shall not apply to the following circumstances:
 1. Trading of domestic government bonds.
 2. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The amount of transactions above shall be calculated as follows:
- (1) The amount of any individual transaction
 - (2) The cumulative transaction amount of acquisitions or disposals of the same type of underlying asset with the same transaction counterparty within one year.
 - (3) The cumulative transaction amount of real estate or its right-of-use assets acquired or disposed of (to be accumulated separately for acquisition and disposals) for the same development project within one year.
 - (4) The cumulative transaction amount of the same securities acquired or disposed of (to be accumulated separately for acquisition and disposals) within one year.
 - (5) "within the preceding year" as used herein refers to the year preceding the date of occurrence of the acquisition or disposal of assets. The declared part of the announcement is exempt from credit.
3. If the subsidiary is not a domestic public issuance company, the application of the applicable reporting standard for the amount of paid-in capital or total assets shall be subject to the paid-in capital or total assets of the Company. The company shall compile monthly reports on the status of derivatives trading conducted up to the end of the preceding month for its own transactions and those of its subsidiaries

(that are not domestic public companies) and enter the information in the prescribed format into the information reporting website designated by the Financial Supervisory Commission before the 10th of each month.

4. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and is required to correct it, all the items shall be again publicly announced and reported in their entirety within 2 days commencing immediately from the date that the Company becomes aware of the error or omission.
5. Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported as required, a public report of relevant information shall be made on the competent authority's designated website within 2 days commencing immediately from the date of occurrence of the event:
 - (1) Change, termination, or rescission of a contract signed in regard to the original transaction.
 - (2) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
 - (3) Change to the originally publicly announced and reported information.
6. Disclosure of Material Information: Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities promulgated by the Taiwan Stock Exchange Corporation.

Article 12 Other issues:

1. After receiving approval of the Audit Committee, these Procedures shall be sent to the Board of Directors and come into effect following approval of the Shareholders' Meeting, which also applies for revisions. If any director expresses dissent and such opinion is recorded in the minutes or a written statement, the Company shall submit the director's dissenting opinions to the Audit Committee. If an independent director objects to or expresses reservations about any matter, it shall be recorded in the minutes of the Board of Directors meeting. Any transaction involving major assets or derivatives shall be approved by more than half of all Audit Committee members and submitted to the Board of Directors for a resolution. If approval of more than half of all Audit Committee members as required in the preceding sentence is not obtained, the procedures may be implemented if approved by more than two-thirds of all directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.
2. Unless otherwise required by law, the Company shall keep on file all contracts, minutes, memorandum books, appraisal reports, and opinions issued by certified public accountants, attorneys, or securities underwriters for any acquisition or disposal of assets for a period of no less than 5 years.
3. When a Company subsidiary intends to acquire or dispose of assets, the subsidiary shall formulate and implement procedures in accordance with the Procedures Governing the Acquisition and Disposal of Assets.

Article 13 Penalties:

If any Company managers or relevant personnel are in breach of these Procedures

and/or any related laws and regulations, penalties shall be incurred in accordance with Company rewards and punishments regulations proportional to the gravity of the breach.

Article 14

These Procedures were adopted on May 18, 1991 and the 10th revision was made on June 25, 2019. Other matters not stipulated in these Procedures shall be conducted in accordance with all relevant laws and regulations.

Appendix 4

China Airlines, Ltd. Directors' Shareholdings

Base date: March 28, 2022

Title	Name	Date of Appointment	No. of Shares Held on Appointment			No. of Shares Currently Held			Remarks
			Type	No. of Shares	Percentage of shares issued	Type	No. of Shares	Percentage of shares issued	
Chairman	China Aviation Development Foundation Representative: HSIEH, SU-CHIEN	August 12, 2021	common stock	1,867,341,935	32.56%	common stock	1,867,341,935	31.16%	
Director	China Aviation Development Foundation Representative: KAO, SHING-HWANG								
Director	China Aviation Development Foundation Representative: CHEN, CHIH-YUAN								
Director	China Aviation Development Foundation Representative: TING, KWANG-HUNG								
Director	China Aviation Development Foundation Representative: Chen, Maun-JEN								
Director	China Aviation Development Foundation Representative: WEI, YUNG-YEH								

Title	Name	Date of Appointment	No. of Shares Held on Appointment			No. of Shares Currently Held			Remarks
			Type	No. of Shares	Percentage of shares issued	Type	No. of Shares	Percentage of shares issued	
Director	China Aviation Development Foundation Representative: CHAO, KANG	August 12, 2021							
Director	China Aviation Development Foundation Representative: CHEN, HAN-MING								
Director	National Development Fund, Executive Yuan's Representative: HUANG, CHUNG-CHE	August 12, 2021	common stock	519,750,519	9.06%	common stock	519,750,519	8.67%	
Director	National Development Fund, Executive Yuan's Representative: WANG, SHIH-SZU								
Independent Director	CHANG, HSIEN GEN-SEN	August 12, 2021	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	HUANG, CHIN-YEONG	August 12, 2021	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	HUANG, HSIEH HSING	August 12, 2021	common stock	0	0.00%	common stock	0	0.00%	
Total			common stock	2,387,092,454			2,387,092,454		

August 12, 2021 Total shares outstanding: 5,734,238,346 shares

March 28, 2022 Total shares outstanding: 5,993,542,732 shares

Note: All Directors shall hold statutory shares: 120,000,000 shares. As of March 28, 2022: 2,387,092,454 shares held.

The Company has formed 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.