

Stock Code: 2610



CHINA AIRLINES

2023 Annual Shareholders' Meeting

Agenda

Time: May 31, 2023 (Wed.), 9:00 AM
Location: Novotel Taipei Taoyuan International Airport, No.1-1, Hangzhan S. Rd.,
Dayuan Dist., Taoyuan City 33758, Taiwan
Nature of meeting: 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 2023 Annual Shareholders' Meeting Agenda

Time: May 31, 2023 (Wed.), 9:00 AM

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

1. Presentation of Report to Shareholders and Call to Order

2. Chairman's Address

3. Matters to Report

- (1) Business Report for the Year 2022
- (2) Audit Committee's Review Report for the Year 2022
- (3) Proposal for the Distribution of 2022 Employee Compensation
- (4) Proposal for the Distribution of 2022 Cash Dividends

4. Matters for Acknowledgement

- (1) Acknowledgment of 2022 Business Report and 2022 Financial Statements
- (2) Acknowledgment of the Proposal for 2022 Profits

5. Questions and Motions

6. Meeting Adjournment

Matters to Report

Agenda Item #1

Description: All parties to review Business Report for the year 2022.

Details: Please refer to pages 3-8 of this handbook.

Business Report for the Year 2022

Looking back on 2022, enduring challenges brought about by the novel coronavirus pandemic, along with the outbreak of the Russo-Ukrainian War, ensuing supply-demand imbalance, rising inflation, oil price hikes, monetary tightening, and economic slowdowns, have continued to affect the recovery of the aviation industry. In this ever-changing global economic environment, China Airlines is committed to maintaining resilience in operations. In 1H 2022, the Company maintained its “prioritize cargo” business strategy to sustain its cargo revenue. In the second half of the year, as the demand for cargo freight began to return to normal and the demand for passenger traffic recovered due to the lifting of border restrictions in many countries, the Company’s annual revenue remains stable.

China Airlines continues to pay attention to market trends and adopts practical approaches in facing various challenges in the post-pandemic era. In addition to rolling adjustments to its flight network, capacity, and schedule, the Company strengthens revenue management by consolidating and dynamically optimizing resources for passenger and cargo transport. The Company also actively recruits pilots, maintenance, and back-office personnel to meet operational requirements and conducts on-the-job training to boost the professional competency of its staff. The company also facilitates employees’ cooperation with the government’s vaccination policies as part of pandemic management and no contact services to improve passenger safety are normalized in the post-pandemic period.

As China Airlines welcomes the recovery in its passenger transport business and improve its network of destinations post-pandemic, the Company will continue with fleet renewal efforts in 2022 with a commitment to purchase 16 Boeing 787-9s (with the option for 8) to be delivered from 2025 to replace the A330-300. Since its introduction into the fleet at the end of 2021, the A321neo fleet is 10 strong as of end-2022 and will gradually replace the Boeing 737-800 to become the main passenger aircraft serving regional destinations. As of end-2022, the Company has purchased 5 Boeing 777F freighters, and its cargo fleet is currently at 22 planes. With the arrival of next-generation passenger and cargo aircraft, the performance of the entire fleet in the areas of fuel consumption, carbon reduction, service quality, fleet coordination, and operational efficiency will be greatly improved, further driving the Company’s momentum in the post-pandemic era.

With 10 awards both locally and abroad, China Airlines’ sustainability achievements in 2022 were

outstanding. These 10 wins included being placed first in the Dow Jones Sustainability Index (DJSI) global aviation industry segment, its selection as a constituent stock in Emerging Markets for the 7th consecutive year, as well winning the 2022 National Sustainable Development Awards (NSDA) of the Executive Yuan, its first year participating in the award. The Company has also been selected as a constituent stock of the FTSE4 Good Emerging Index for the 7th consecutive year, won its 9th consecutive Taiwan Corporate Sustainability Award (TCSA), and won the Global Corporate Sustainability Award (GCSA) for 4 years in a row, a testament to China Airlines's global leadership in aviation ESG and sustainability. In response to SkyTeam's Sustainable Flight Challenge, the Company's introduction of the Sustainability Demonstration Flight and participation in the "Flying Pikachu Project" promoted by the Pokémon Company, reflects its ideals and the Company's spirit of corporate sustainability.

With the lifting of border restrictions at the end of 2022, China Airlines has been gradually restoring the flight network by actively increasing the number of flights and exploring potential destinations, with significant passenger traffic growth expected in 2023 on a backdrop of a waning impact of the pandemic and passenger confidence recovering. In terms of cargo transport, the Company will maintain passenger-freighter flexibility to cope with the challenges from global inflation, as well as political and economic shocks. China Airlines will maintain risk control protocols implemented during the pandemic and apply sustainability strategies based on the six aspects of safety, governance, fleet and network, products and services, group business, and brand awareness, to fulfill its sustainable governance objectives. The Company will work with all employees to adopt innovative mindsets and fully commit to improving the organization's operational efficiency as the company welcomes the post-pandemic era steadfastly.

1 Outcomes of Implementation of Business Plans

The revenue was NT\$ 141.07 billion (reporting currency), an increase of 6.76% over the previous year. The net income after tax was NT\$2.86 billion (a decrease of NT\$6.52 billion from the previous year), with the earnings per share after tax at NT\$0.48.

1.1 Fleet:

In 2022, two 777F freighters and eight A321neo passenger aircraft were purchased to improve the fleet composition. As of the end of December 2022, the fleet size has reached 88, which includes 66 passenger aircraft (including leased planes) and 22 cargo aircraft.

1.2 Passenger transport:

The Company's revenue from passenger transport reached NT\$20.479 billion, an increase of 496.36% over the previous year, which accounts for 14.52% of the total revenue. As of the end of December 2022, China Airlines (including Mandarin Airlines) and its code-sharing flights service 145 passenger destinations across 27 countries in Asia, Europe, the Americas, and Oceania.

1.3 Cargo transport:

The Company's revenue from cargo transport reached NT\$115.864 billion, a decrease of 6.75% from the previous year, which accounts for 82.13% of consolidated revenue. As of the end of December 2022, China Airlines' 22 cargo aircraft service 36 destinations in 14 countries across Asia, Europe, and the Americas with an average of 97 flights on a weekly basis.

1.4 Other operating revenue:

Other operating revenue included in-flight duty-free sales totaling NT\$4.727 billion, an increase of 6.06% over the previous year, which accounts for 3.35% of the total operating revenue.

1.5 Investment summary and income:

As of the end of December 2022, the Company has invested in 30 affiliates in various businesses, such as aviation, ground services, warehousing and logistics, aircraft maintenance, tourism and leisure, etc., which contributed to NT\$2.94 billion in losses for the year.

2 Operating Revenue, Expenses Budgeting and Profitability Analysis

2.1 Revenue and expenses:

Operating revenue was NT\$141.07 billion, an increase of NT\$8.93 billion over the previous year.

Operating costs and expenses were NT\$135.153 billion, an increase of NT\$22.333 billion over the previous year.

Net profit before tax was NT\$3.889 billion, a decrease of NT\$8.085 billion from the previous year.

Net profit after tax was NT\$2.86 billion, a decrease of NT\$6.52 billion from the previous year.

2.2 Budget execution:

The projected revenue was NT\$126.304 billion, and the actual revenue was

NT\$141.07 billion, an attainment of 111.69%. The projected operating costs and expenses were NT\$117.129 billion, and the actual operating costs and expenses were NT\$135.153 billion, hence achieving a spending rate of 115.39%. The projected losses from non-operating activities was NT\$1.999 billion, and the actual losses from non-operating activities was NT\$2.028 billion. The projected net profit before tax for the whole year was NT\$7.176 billion, and the actual net profit before tax was NT\$3.889 billion.

2.3 Profitability:

Return on assets	1.72%
Return on equity	3.97%
After-tax profit margin	2.03%
After-tax earnings per share	NT\$0.48

3 Research and Development Updates

3.1 New A321neo fleet cabin

The first new A321neo was delivered in November 2021 and features two cabin classes: business class with 12 full flatbed seats, and a new economy class with 168 spacious seats, to give 180 seats total. The cabins offer the latest generation in-flight video entertainment systems which come with industry-leading 4K personal TV screens and support for Bluetooth headsets so that passengers can enjoy the audio-visual content with their own headsets. The aircraft is also equipped with high-speed Internet access to provide entertainment via in-flight Internet.

The overall cabin design was co-developed with renowned design consultants in the industry and incorporated local cultural heritage into the presentation of oriental aesthetics. The cabin equipment highlights the competitive advantages of the product and strengthens brand differentiation to establish a deeper emotional connection and resonate with passengers. The Company hopes that fleet renewal and improvements to the destination network will create even better operational advantages and opportunities for profit.

3.2 In-flight entertainment system upgrades on 738 regional destinations

Since 2020, the Company has been upgrading the 737-800 fleet with the wireless entertainment system (WES) which enables passengers to use their own mobile phones or smart mobile devices to enjoy in-flight entertainment services. The upgrade

was taken with a view to improving the quality of both in-flight service and competitive advantages to reduce the gap in entertainment services across different cabins. In response to pandemic control requirements in the post-pandemic era, the WES enables a safer travel experience for passengers as their contact with cabin equipment is reduced. The WES platform was officially launched in Q2 2022.

3.3 Improved Travelers' Service

Although many countries have lifted their border restrictions in 2022, direct passenger flights remained affected. China Airlines' customer-oriented approach offers travelers user-friendly and visualized flight schedule information on its website. To provide travelers with pandemic management information and relevant services during the pandemic, the "Coronavirus Information Service Zone" webpage provides five functions: Quarantine Hotel and to/from- transportation booking, hospitals offering PCR testing, portable Wi-Fi router rental, as well as entry and exit regulations in various countries. In response to the lifting of border restrictions around the world in the post-pandemic era, the website moved "Coronavirus Information Service Zone" banner on the landing page to the "Fly safe Information & Service" section which provides the latest international border control regulations and travel-related information. In terms of payment on the website, the Company has begun offering LINE Pay on the official website and the China Airlines App starting July 19, 2022 so that travelers are presented with more convenient and diverse payment methods. LINE Pay was also used for the first time at the Taipei International Travel Fair (ITF) in support of marketing activities and was well received by many travelers.

3.4 Digitization and increasing diverse membership services.

In appreciation of the continuing support from members of the Dynasty Flyer Program, China Airlines offered the latest membership renewal benefits in 2022, extended cabin upgrades, international flight ticket validity period, and tickets from mileage rewards to safeguard the rights and interests of its members. To provide members with various mileage redemption services, China Airlines has released the latest redemption chart for cabin upgrades and mileage reward tickets. Channels for mileage redemption are also expanded to include cross-industry collaboration where star-rated dining and hotels and short-mileage discounts on diverse items are added to enhance the value and liquidity of redeemable miles. In terms of membership services, the user experience is further improved by the launch

of a quick membership registration program on the official website which can be completed within 1 minute and members are free to subscribe to benefits or marketing messages. The revised membership registration program both complies with the personal data protection regulations and minimizes annoyance as effective and targeted communication with travelers is now possible.

- 3.5 The Company's 2022 information development strategy is a continuation of the "Solid root first, innovation as a supplement" approach which prioritized information security above all. We promoted innovative information application services and completed the development of various core business application systems and infrastructure to achieve zero-trust security. Relevant IT applications and areas of implementation to bolster the Company's core competitive advantages include customer relationship management, business intelligence decision-making analysis, mobile/self-service, biometrics, AI/immersive technology, robotic automation, pandemic control, information and communication infrastructure, and information security.

Although the impact of the pandemic is gradually fading away, the business environment has become increasingly complex and uncertain amid global economic shocks, inflation, oil price hikes, and geopolitical risks. China Airlines, in facing ever-changing market challenges, has remained resilient and kept tabs on economic conditions and market trends both locally and abroad, and adopted various strategies to control risks whilst implementing ESG strategies as it strides into the future surely and steadily.

Chairman: HSIEH, SU-CHIEN

President: KAO, SHING-HWANG

Accounting Supervisor: WANG, WEI

Agenda Item #2

Description: All parties are to review the Audit Committee's review report for the year 2022.

Details: Please refer to page 10 of this handbook.

Audit Committee Report

The Board of Directors shall create and send (1) the 2022 consolidated financial statement and the individual financial statement that have been jointly audited by Deloitte CPAs Kuan-Hao Lee and Shih-Ran Cheng who released an official unqualified opinion by March 9, 2023 and (2) the 2022 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 9, 2023

Agenda Item #3

Description: All parties are to review the proposal for the distribution of 2022 employees' compensation.

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 2022, the Company paid NT\$120 billion in cash compensation to its employees.
3. This item was approved during the 9th session of the 22nd Meeting of the Board.

Agenda Item #4

Description: All parties to review the proposal for the distribution of 2022 cash dividends.

Details:

1. The Company distributed a cash dividend of \$2,772,207,335 (\$0.46,099,444 per share) to shareholders in 2022.
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 9th session of the 22nd Meeting of the Board.

Matters for Acknowledgement

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

Description: Acknowledgement of business report and financial statements for the year 2022

Details:

1. The Company's 2022 annual financial statements (including Balance Sheet, Comprehensive Income Statement, and Changes in Equity and Cash Flow Statement) have been jointly audited by Deloitte CPAs Kuan-Hao Lee and Shiu-Ran Cheng and were approved and documented during the 9th session of the 22nd Meeting of the Board.
2. For the 2022 Annual Business Report, please refer to pages 3-8 of this handbook; for the CPA Audit Report and the financial statements referred to above, please see pages 14-42 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, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022, cargo revenue amounted to NT\$115,864,041 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, 2022 and 2021, the aforementioned investments accounted for using the equity method amounted to NT\$725,747 thousand and NT\$2,955,909 thousand, representing 0.27% and 1.09% of the total assets, respectively. For the years ended December 31, 2022 and 2021, the combined share of profit (loss) and other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$(2,230,169) thousand and NT\$(1,739,024) thousand, representing 761.22% and (18.44%) of the total comprehensive income, 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 Standards on Auditing of 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 Standards on Auditing of 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 and 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, 2022 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 Kuan-Hao Lee and Shiu-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 27,492,827	10	\$ 35,913,117	13
Financial assets at amortized cost - current (Notes 4, 8 and 29)	4,764,601	2	11,923,194	5
Financial assets for hedging - current (Notes 4, 6 and 29)	4,031,662	2	3,563,319	1
Notes and accounts receivable, net (Notes 4, 10 and 29)	10,529,664	4	12,990,399	5
Notes and accounts receivable - related parties (Note 30)	130,678	-	54,474	-
Other receivables	709,962	-	543,768	-
Current tax assets (Notes 4 and 26)	-	-	52,282	-
Inventories (Notes 4 and 10)	10,568,039	4	8,380,327	3
Non-current assets held for sale (Notes 4 and 11)	-	-	36,719	-
Other current assets (Note 16)	<u>1,308,812</u>	-	<u>389,191</u>	-
Total current assets	<u>59,536,245</u>	<u>22</u>	<u>73,846,790</u>	<u>27</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 29)	64,028	-	55,458	-
Investments accounted for using the equity method (Notes 4 and 12)	9,950,532	4	12,830,025	5
Property, plant and equipment (Notes 4, 5, 13 and 31)	114,770,352	43	115,174,548	42
Right-of-use assets (Notes 4, 19 and 31)	52,637,480	20	50,965,378	19
Investment properties (Notes 4 and 14)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 15)	654,596	-	754,349	-
Deferred tax assets (Notes 4 and 26)	6,055,811	2	5,234,304	2
Other non-current assets (Notes 16, 19, 29 and 31)	<u>22,375,706</u>	<u>8</u>	<u>9,742,416</u>	<u>4</u>
Total non-current assets	<u>208,555,953</u>	<u>78</u>	<u>196,803,926</u>	<u>73</u>
TOTAL	<u>\$ 268,092,198</u>	<u>100</u>	<u>\$ 270,650,716</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities for hedging - current (Notes 4, 19 and 29)	\$ 9,983,761	4	\$ 8,437,648	3
Notes and accounts payable (Note 29)	1,109,292	-	826,989	-
Notes and accounts payable - related parties (Note 30)	730,428	-	733,837	-
Other payables (Notes 20 and 25)	13,265,783	5	12,865,006	5
Current tax liabilities	359,261	-	2,880,785	1
Lease liabilities - current (Notes 4 and 19)	1,185,177	1	882,538	1
Contract liabilities current (Notes 4 and 21)	15,257,687	6	3,416,733	1
Provisions - current (Notes 4 and 22)	3,490,653	1	2,578,812	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 18, and 29)	2,350,000	1	2,525,000	1
Current portion of long-term borrowings (Notes 17, 29 and 31)	11,733,508	4	8,351,129	3
Other current liabilities	<u>2,815,333</u>	<u>1</u>	<u>2,168,227</u>	<u>1</u>
Total current liabilities	<u>62,280,883</u>	<u>23</u>	<u>45,666,704</u>	<u>17</u>
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 19 and 29)	32,190,102	12	27,839,847	10
Bonds payable (Notes 4, 18, and 29)	7,649,674	3	11,125,026	4
Long-term borrowings (Notes 17, 29 and 31)	56,751,142	21	76,804,516	29
Contract liabilities - non-current (Notes 4 and 21)	1,280,906	1	635,633	-
Provisions - non-current (Notes 4 and 22)	16,927,949	6	15,229,888	6
Deferred tax liabilities (Notes 4 and 26)	8,259	-	822,368	-
Lease liabilities - non-current (Notes 4 and 19)	10,428,091	4	9,677,756	4
Net defined benefit liabilities - non-current (Notes 4, 5 and 23)	8,348,163	3	8,359,189	3
Other non-current liabilities	<u>2,226,828</u>	<u>1</u>	<u>446,216</u>	<u>-</u>
Total non-current liabilities	<u>135,811,114</u>	<u>51</u>	<u>150,940,439</u>	<u>56</u>
Total liabilities	<u>198,091,997</u>	<u>74</u>	<u>196,607,143</u>	<u>73</u>
EQUITY (Notes 18 and 24)				
Share capital	<u>60,135,374</u>	<u>22</u>	<u>59,412,243</u>	<u>22</u>
Capital surplus	<u>3,120,311</u>	<u>1</u>	<u>2,694,529</u>	<u>1</u>
Retained earnings				
Legal reserve	925,385	-	-	-
Unappropriated retained earnings	<u>6,384,381</u>	<u>3</u>	<u>9,253,848</u>	<u>3</u>
Total retained earnings	<u>7,309,766</u>	<u>3</u>	<u>9,253,848</u>	<u>3</u>
Other equity	(534,375)	-	2,713,828	1
Treasury shares	<u>(30,875)</u>	<u>-</u>	<u>(30,875)</u>	<u>-</u>
Total equity	<u>70,000,201</u>	<u>26</u>	<u>74,043,573</u>	<u>27</u>
TOTAL	<u>\$ 268,092,198</u>	<u>100</u>	<u>\$ 270,650,716</u>	<u>100</u>

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

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 30)	\$141,069,849	100	\$132,140,248	100
OPERATING COSTS (Notes 4, 10, 25 and 30)	<u>128,089,348</u>	<u>91</u>	<u>106,229,554</u>	<u>80</u>
GROSS PROFIT	12,980,501	9	25,910,694	20
OPERATING EXPENSES (Notes 4, 25 and 30)	<u>7,063,461</u>	<u>5</u>	<u>6,590,298</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>5,917,040</u>	<u>4</u>	<u>19,320,396</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	1,307,531	1	374,625	-
Other gains and losses (Notes 11, 12, 13 and 25)	1,824,894	1	(1,971,900)	(1)
Finance costs (Note 25)	(2,220,960)	(1)	(2,164,174)	(2)
Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	<u>(2,939,603)</u>	<u>(2)</u>	<u>(3,585,007)</u>	<u>(3)</u>
Total non-operating income and expenses	<u>(2,028,138)</u>	<u>(1)</u>	<u>(7,346,456)</u>	<u>(6)</u>
PROFIT BEFORE INCOME TAX	3,888,902	3	11,973,940	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,029,399</u>	<u>1</u>	<u>2,594,035</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,859,503</u>	<u>2</u>	<u>9,379,905</u>	<u>7</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)	(144,906)	-	(75,214)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	8,570	-	(91,703)	-
Remeasurement of defined benefit plans (Notes 4 and 23)	28,890	-	(35,512)	-

Share of the other comprehensive income
(loss) of subsidiaries, associates and joint
ventures accounted for using the equity
method (Notes 4 and 24)

219,689

-

2,831

-

(Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 26)	(67,750)	-	21,236	-
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)	141,415	-	17,597	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	2,814	-	2,087	-
Gain (loss) on hedging instruments not subject to basis adjustment (Notes 4, 24 and 29)	(4,141,144)	(3)	264,168	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 26)	<u>799,947</u>	<u>1</u>	<u>(56,353)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(3,152,475)</u>	<u>(2)</u>	<u>49,137</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (292,972)</u>	<u>-</u>	<u>\$ 9,429,042</u>	<u>7</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	<u>\$ 0.48</u>		<u>\$ 1.67</u>	
Diluted	<u>\$ 0.47</u>		<u>\$ 1.54</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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

			Retained Earnings		Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity			Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficit)		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares	
BALANCE AT JANUARY 1, 2021	\$ 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
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	100,687	-	100,687
Appropriation of 2021 earnings									
Legal reserve	-	-	925,385	(925,385)	-	-	-	-	-
Cash dividends-\$0.83145736 per share	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)
Changes in capital surplus from dividends to subsidiaries	-	1,725	-	-	-	-	-	-	1,725
Net profit for the year ended December 31, 2022	-	-	-	2,859,503	-	-	-	-	2,859,503
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	196,415	115,781	46,430	(3,511,101)	-	(3,152,475)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	3,055,918	115,781	46,430	(3,511,101)	-	(292,972)
Convertible bonds converted to ordinary shares	723,131	424,050	-	-	-	-	-	-	1,147,181
Others	-	7	-	-	-	-	-	-	7
BALANCE AT DECEMBER 31, 2022	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201

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

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,888,902	\$ 11,973,940
Adjustments for:		
Depreciation expense	26,756,562	26,503,214
Amortization expense	181,662	179,111
Expected credit loss recognized on trade receivables	38,474	38,474
Interest income	(566,465)	(132,220)
Dividend income	(11,723)	(8,355)
Share of loss of subsidiaries, associates and joint ventures	2,939,603	3,585,007
(Gain) loss on disposal of property, plant and equipment	(19,911)	932,718
Gain on disposal of non-current assets held for sale	(558,477)	-
Loss on disposal of investments	-	540
Impairment loss recognized on property, plant and equipment	1,641	-
Loss on inventory and property, plant and equipment	675,274	1,391,279
Net loss (gain) on foreign currency exchange	1,580,216	(895,534)
Impairment loss recognized on investments accounted for using the equity method	-	136,672
Finance costs	2,220,960	2,164,174
Recognition of provisions	4,958,429	5,796,335
Loss on sale and leaseback transactions	-	342,080
Others	84,406	(3,625)
Changes in operating assets and liabilities		
Notes and accounts receivable	2,515,841	(3,875,256)
Accounts receivable - related parties	(76,204)	46,950
Other receivables	(168,077)	(117,036)
Inventories	(2,504,030)	(1,009,933)
Other current assets	(913,115)	70,928
Notes and accounts payable	209,251	(278,147)
Accounts payable - related parties	(3,409)	145,603
Other payables	692,575	5,815,179
Contract liabilities	12,486,227	(927,584)
Provisions	(3,690,602)	(1,476,769)
Other current liabilities	660,685	1,474,423
Defined benefit liabilities	17,864	106,282
Other liabilities	72,384	-
Cash generated from operations	51,468,943	51,978,450
Interest received	564,084	129,028
Dividends received	317,263	213,017
Interest paid	(2,361,441)	(2,140,081)

Income tax paid	<u>(4,402,059)</u>	<u>(45,987)</u>
Net cash generated from operating activities	<u>45,586,790</u>	<u>50,134,427</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(4,793,951)	(11,956,286)
Proceeds from disposal of financial assets at amortized cost	11,923,194	5,863,137
		(Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Purchase of financial assets for hedging	(9,535,604)	(7,126,515)
Proceeds from disposal of financial assets for hedging	9,063,037	11,110,497
Acquisition of investments and joint ventures accounted for using the equity method	-	(4,527,062)
Proceeds from disposal of non-current assets held for sale	679,951	-
Payments for property, plant and equipment	(2,269,028)	(1,702,245)
Proceeds from disposal of property, plant and equipment	25,141	586,395
Increase in refundable deposits	(323,121)	(79,357)
Decrease in refundable deposits	472,380	104,584
Increase in prepayments for equipment	(24,361,989)	(12,182,071)
Increase in computer software costs	(70,281)	(66,007)
Increase in restricted assets	(28,902)	-
Net cash inflow on disposal of subsidiary	<u>-</u>	<u>9,730</u>
Net cash used in investing activities	<u>(19,219,173)</u>	<u>(19,965,200)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bill payable	-	(8,088,882)
Proceeds from issuance of bonds payable	-	4,500,000
Repayments of bonds payable	(2,525,200)	(6,300,000)
Proceeds from long-term borrowings	4,231,761	40,224,874
Repayments of long-term borrowings	(20,902,756)	(38,683,066)
Repayments of the principal portion of lease liabilities	(10,194,631)	(8,769,985)
Proceeds of guarantee deposits received	58,477	273,890
Refund of guarantee deposits received	(61,488)	(200,415)
Proceeds from sale and leaseback transactions	-	2,810,098
Dividends paid	<u>(5,000,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(34,393,837)</u>	<u>(14,233,486)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(394,070)</u>	<u>17,556</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,420,290)	15,953,297
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>35,913,117</u>	<u>19,959,820</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 27,492,827</u>	<u>\$ 35,913,117</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. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 the Standards on Auditing of 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, 2022. 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, 2022, cargo revenue amounted to NT\$116,249,972 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, 2022 and 2021, total assets of these subsidiaries amounted to NT\$14,446,840 thousand and NT\$13,453,308 thousand, representing 4.91% and 4.56% of the consolidated total assets, respectively. For the years ended December 31, 2022 and 2021, revenue from these subsidiaries amounted to NT\$824,496 thousand and NT\$90,843 thousand, representing 0.55% and 0.07% 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, 2022 and 2021, 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 Standards on Auditing of 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 Standards on Auditing of 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, 2022 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 Kuan-Hao Lee and Shih-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 9, 2023

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to 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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 34,980,469	12	\$ 45,269,866	15
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	119,462	-	155,780	-
Financial assets at amortized cost (Notes 4, 9 and 31)	6,218,617	2	13,028,521	5
Financial assets for hedging - current (Notes 4, 6 and 31)	4,031,662	1	3,563,319	1
Notes and accounts receivable, net (Notes 4, 10 and 31)	11,126,642	4	13,473,493	5
Notes and accounts receivable - related parties (Notes 31 and 32)	4,849	-	2,348	-
Other receivables (Notes 4 and 31)	963,004	-	752,764	-
Current tax assets (Notes 4 and 28)	5,259	-	59,341	-
Inventories (Notes 4 and 11)	10,775,467	4	8,814,975	3
Non-current assets held for sale (Notes 4, 5 and 12)	-	-	36,719	-
Other current assets (Note 18)	1,596,912	1	692,464	-
Total current assets	69,822,343	24	85,849,590	29
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	123,033	-	67,884	-
Financial assets at amortized cost (Notes 4, 9 and 31)	205,765	-	70,596	-
Investments accounted for using the equity method (Notes 4 and 14)	1,453,244	-	1,555,016	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	128,207,404	44	129,632,046	44
Right-of-use assets (Notes 4, 21 and 33)	59,015,407	20	56,061,967	19
Investment properties (Notes 4 and 16)	2,072,012	1	2,074,531	1
Other intangible assets (Notes 4 and 17)	883,420	-	1,008,992	-
Deferred tax assets (Notes 4, 5 and 28)	8,446,347	3	6,930,978	2
Other non-current assets (Notes 18, 21, 25, 31 and 33)	24,183,218	8	11,469,481	4
Total non-current assets	224,589,850	76	208,871,491	71
TOTAL	\$ 294,412,193	100	\$ 294,721,081	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 19)	\$ 835,000	-	\$ 1,932,000	1
Financial liabilities for hedging - current (Notes 4, 21 and 31)	9,983,959	3	8,438,097	3
Notes and accounts payable (Note 31)	1,357,805	1	1,115,600	-
Accounts payable - related parties (Notes 31 and 32)	317,810	-	130,572	-
Other payables (Notes 22 and 31)	15,207,259	5	14,661,347	5
Current tax liabilities (Notes 4 and 28)	492,415	-	3,054,287	1
Lease liabilities - current (Notes 4 and 21)	3,027,890	1	2,533,452	1
Contract liabilities - current (Notes 4 and 23)	17,409,654	6	3,868,712	1
Provisions - current (Notes 4 and 24)	3,691,812	1	3,247,236	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20, 27 and 31)	2,350,000	1	2,525,000	1
Current portion of long-term borrowings (Notes 19, 31 and 33)	13,225,516	5	9,324,318	3
Other current liabilities (Note 31)	3,355,958	1	2,408,484	1
Total current liabilities	71,255,078	24	53,239,105	18
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	32,190,102	11	27,839,847	10
Bonds payable - non-current (Notes 4, 20, 27 and 31)	7,649,674	3	11,125,026	4
Long-term borrowings (Notes 19, 31 and 33)	65,109,050	22	85,069,285	29
Contract liabilities - non-current (Notes 4 and 23)	1,280,906	-	635,633	-
Provisions - non-current (Notes 4 and 24)	17,271,121	6	15,406,987	5
Deferred tax liabilities (Notes 4 and 28)	166,864	-	1,021,553	1
Lease liabilities - non-current (Notes 4 and 21)	15,439,535	5	12,758,050	4
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,229,640	3	9,814,737	3
Other non-current liabilities (Note 31)	2,366,781	1	605,840	-
Total non-current liabilities	150,703,673	51	164,276,958	56
Total liabilities	221,958,751	75	217,516,063	74
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)				
Share capital	60,135,374	20	59,412,243	20
Capital surplus	3,120,311	1	2,694,529	1
Retained earnings				
Legal reserve	925,385	1	-	-
Unappropriated retained earnings	6,384,381	2	9,253,848	3
Total retained earnings	7,309,766	3	9,253,848	3
Other equity	(534,375)	-	2,713,828	1
Treasury shares	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	70,000,201	24	74,043,573	25
NON-CONTROLLING INTERESTS (Note 26)	2,453,241	1	3,161,445	1
Total equity	72,453,442	25	77,205,018	26
TOTAL	\$ 294,412,193	100	\$ 294,721,081	100

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, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$150,722,471	100	\$138,841,403	100
OPERATING COSTS (Notes 4, 10, 11, 17, 24, 25, 27 and 32)	<u>139,352,258</u>	<u>92</u>	<u>115,486,946</u>	<u>83</u>
GROSS PROFIT	11,370,213	8	23,354,457	17
OPERATING EXPENSES (Notes 4, 25, 27 and 32)	<u>8,785,479</u>	<u>6</u>	<u>8,386,422</u>	<u>6</u>
PROFIT FROM OPERATIONS	<u>2,584,734</u>	<u>2</u>	<u>14,968,035</u>	<u>11</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 8 and 27)	1,588,586	1	938,526	1
Other gains and losses (Notes 12, 13, 14, 15, 27 and 31)	1,103,071	1	(1,971,093)	(2)
Finance costs (Notes 27 and 31)	(2,540,792)	(2)	(2,407,442)	(2)
Share of the profit of associates and joint ventures (Note 14)	<u>(74,839)</u>	<u>-</u>	<u>(401,421)</u>	<u>-</u>
Total non-operating income and expenses	<u>76,026</u>	<u>-</u>	<u>(3,841,430)</u>	<u>(3)</u>
PROFIT BEFORE INCOME TAX	2,660,760	2	11,126,605	8
INCOME TAX EXPENSE (Notes 4, 5 and 28)	<u>415,359</u>	<u>1</u>	<u>2,169,941</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>2,245,401</u>	<u>1</u>	<u>8,956,664</u>	<u>6</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)	(144,906)	-	(75,214)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 8)	54,956	-	(95,864)	-
Remeasurement of defined benefit plans (Notes 4 and 25)	355,040	-	(64,137)	-

Share of the other comprehensive income
(loss) of associates and joint ventures
accounted for using the equity method
(Notes 4 and 14)

18,070	-	10,779	-
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(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	2022		2021	
	Amount	%	Amount	%
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>(132,980)</u>	<u>-</u>	<u>26,961</u>	<u>-</u>
	<u>150,180</u>	<u>-</u>	<u>(197,475)</u>	<u>-</u>
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)	147,595	-	18,156	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 31)	(4,140,897)	(3)	267,230	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 28)	<u>799,193</u>	<u>1</u>	<u>(57,330)</u>	<u>-</u>
	<u>(3,194,109)</u>	<u>(2)</u>	<u>228,056</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,043,929)</u>	<u>(2)</u>	<u>30,581</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (798,528)</u>	<u>(1)</u>	<u>\$ 8,987,245</u>	<u>6</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,859,503	2	\$ 9,379,905	7
Non-controlling interests	<u>(614,102)</u>	<u>(1)</u>	<u>(423,241)</u>	<u>(1)</u>
	<u>\$ 2,245,401</u>	<u>1</u>	<u>\$ 8,956,664</u>	<u>6</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ (292,972)	-	\$ 9,429,042	7
Non-controlling interests	<u>(505,556)</u>	<u>(1)</u>	<u>(441,797)</u>	<u>(1)</u>
	<u>\$ (798,528)</u>	<u>(1)</u>	<u>\$ 8,987,245</u>	<u>6</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ 0.48</u>		<u>\$ 1.67</u>	

Diluted

\$ 0.47

\$ 1.54

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										
	Retained Earnings				Other Equity			Treasury Shares Held by Subsidiaries	Total	Non-Controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments				
BALANCE AT JANUARY 1, 2021	\$ 54,209,846	\$ 1,187,327	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	\$ 3,152,090	\$ 60,711,573
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	99,507	-	99,507	-	99,507
Appropriation of 2020 earnings											
Capital surplus used to cover accumulated deficit	-	(350,581)	-	350,581	-	-	-	-	-	-	-
Issuance of employee share options by subsidiaries	-	540	-	-	-	-	-	-	540	126	666
Changes in percentage of ownership interests in subsidiaries	-	-	-	(104,639)	-	-	-	-	(104,639)	575,753	471,114
Net profit (loss) for the year ended December 31, 2021	-	-	-	9,379,905	-	-	-	-	9,379,905	(423,241)	8,956,664
Other comprehensive income (loss) for the year ended December 31, 2021 net of income tax	-	-	-	(21,418)	14,173	(76,871)	133,253	-	49,137	(18,556)	30,581
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	9,358,487	14,173	(76,871)	133,253	-	9,429,042	(441,797)	8,987,245
Equity component of convertible bonds issued by the Company	-	188,862	-	-	-	-	-	-	188,862	-	188,862
Convertible bonds converted to ordinary shares	5,202,397	1,668,381	-	-	-	-	-	-	6,870,778	-	6,870,778
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(124,727)	(124,727)
BALANCE AT DECEMBER 31, 2021	59,412,243	2,694,529	-	9,253,848	(120,079)	(5,512)	2,839,419	(30,875)	74,043,573	3,161,445	77,205,018
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	100,687	-	100,687	-	100,687
Appropriation of 2021 earnings											
Legal reserve	-	-	925,385	(925,385)	-	-	-	-	-	-	-
Cash dividends - \$0.83145736 per share	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)
Changes in capital surplus from dividends to subsidiaries	-	1,725	-	-	-	-	-	-	1,725	-	1,725
Net profit (loss) for the year ended December 31, 2022	-	-	-	2,859,503	-	-	-	-	2,859,503	(614,102)	2,245,401
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	196,415	115,781	46,430	(3,511,101)	-	(3,152,475)	108,546	(3,043,929)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	3,055,918	115,781	46,430	(3,511,101)	-	(292,972)	(505,556)	(798,528)
Convertible bonds converted to ordinary shares	723,131	424,050	-	-	-	-	-	-	1,147,181	-	1,147,181
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(202,650)	(202,650)
Others	-	7	-	-	-	-	-	-	7	2	9
BALANCE AT DECEMBER 31, 2022	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201	\$ 2,453,241	\$ 72,453,442

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,660,760	\$ 11,126,605
Adjustments for:		
Depreciation expense	30,103,942	29,728,248
Amortization expense	223,096	221,459
Expected credit loss recognized on trade receivables	38,474	38,376
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(365)	(186)
Interest income	(639,845)	(156,339)
Dividend income	(12,666)	(12,220)
Share of loss (profit) of associates and joint ventures	74,839	401,421
(Gain) loss on disposal of property, plant and equipment	(30,006)	933,151
Gain on disposal of non-current assets held for sale	(558,477)	-
Loss on disposal of investments	-	540
Impairment loss recognized on property, plant, equipment	1,641	40,967
Loss on inventories and property, plant and equipment	605,466	1,486,792
Net loss (gain) on foreign currency exchange	2,285,096	(1,108,112)
Compensation costs of employee share options	-	666
Finance costs	2,540,792	2,407,442
Impairment loss recognized on investments accounted for using the equity method	-	59,901
Impairment loss recognized on intangible assets	-	143,043
Recognition of provisions	5,209,904	6,435,015
Loss on sale and leaseback transactions	-	342,080
Others	84,435	(3,321)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	36,993	119,424
Notes and accounts receivable	2,391,598	(3,956,141)
Accounts receivable - related parties	68,142	(90,695)
Other receivables	(186,284)	133,762
Inventories	(2,287,180)	(840,170)
Other current assets	(1,018,961)	79,366
Notes and accounts payable	365,095	(127,647)
Accounts payable - related parties	124,409	89,079
Other payables	644,258	6,366,239
Contract liabilities	14,186,269	(825,952)
Provisions	(4,306,337)	(2,042,423)
Other current liabilities	1,044,042	1,371,927
Defined benefit liabilities	(282,784)	15,799

Other liabilities	<u>73,722</u>	<u>2,739</u>
Cash generated from operations	53,440,068	52,380,835
Interest received	635,372	153,976
Dividends received	76,513	24,840
Interest paid	(2,680,263)	(2,389,939)
		(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
Income tax paid	<u>(4,622,949)</u>	<u>(284,312)</u>
Net cash generated from operating activities	<u>46,848,741</u>	<u>49,885,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(6,923,725)	(13,371,713)
Proceeds from sale of financial assets at amortized cost	13,573,488	7,248,501
Purchase of financial assets for hedging	(9,535,604)	(7,126,515)
Proceeds from sale of financial assets for hedging	9,063,037	11,110,497
Proceeds from disposal of non-current assets held for sale	679,951	-
Payments for property, plant and equipment	(2,568,507)	(2,477,191)
Proceeds from disposal of property, plant and equipment	41,219	595,447
Increase in refundable deposits	(347,149)	(102,544)
Decrease in refundable deposits	490,711	136,943
Increase in prepayments for equipment	(24,393,851)	(12,249,495)
Payments for other intangible assets	(151,010)	(203,116)
Increase in restricted assets	(109,994)	(226,905)
Net cash inflow on disposal of subsidiaries	<u>-</u>	<u>942</u>
Net cash used in investing activities	<u>(20,181,434)</u>	<u>(16,665,149)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,097,000)	-
Decrease in short-term bill payable	-	(8,088,882)
Proceeds from issuance of bonds payable	-	4,500,000
Repayments of bonds payable	(2,525,200)	(6,300,000)
Proceeds from long-term borrowings	7,634,984	43,968,069
Repayments of long-term borrowings	(23,694,020)	(42,097,170)
Repayments of the principal portion of lease liabilities	(11,870,422)	(10,466,575)
Proceeds from guarantee deposits received	165,176	328,432
Refund of guarantee deposits received	(97,801)	(267,618)
Proceeds from sale and leaseback transactions	-	2,810,098
Proceeds from issuance of ordinary shares of subsidiaries	-	471,114
Dividends paid	(4,998,275)	-
Others	9	-
Cash dividends paid to non-controlling interests	(202,650)	(124,727)
Net cash used in financing activities	<u>(36,685,199)</u>	<u>(15,267,259)</u>

EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(271,505)</u>	<u>190,937</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,289,397)	18,143,929 (Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>45,269,866</u>	<u>27,125,937</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 34,980,469</u>	<u>\$ 45,269,866</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 the distribution of 2022 profits

Details:

1. In accordance with Article 228 of the Company Act and Article 25 of the Company's Articles of Incorporation.
2. Unappropriated retained earnings were NT\$3,328,463,411 (reporting currency). The 2022 net income after was \$2,859,503,172; the remeasurement of the defined-benefit plan was \$23,111,947; the change in associates recognized using the equity method was \$173,302,664; and by recognizing 10% as a legal reserve for \$305,591,778 and special reserve for \$534,374,747, the total distributable profits were \$5,544,414,669, of which cash dividends of \$2,772,207,335 were proposed to be distributed. A cash dividend of NT\$0.46099444 per share will be distributed. In the event the number of shares changes to affect the total number of shares outstanding, which affects the dividend yield to shareholders and requires adjustment, the Chairman is authorized to make the necessary adjustments. 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 2022 surplus earnings table on page 44 of this handbook.
4. This plan was approved at the 9th convention of the 22nd 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 2022 Earnings

Unit: NT\$

Items	Total
Unappropriated retained earnings (beginning balance)	\$ 3,328,463,411
Add: Remeasurement of defined benefit plans	23,111,947
Add: Changes in recognized associates using the equity method	173,302,664
Add: 2022 Net income after tax	<u>2,859,503,172</u>
Subtotal	6,384,381,194
Subtract: 10% Legal Reserve	(305,591,778)
Subtract: special surplus reserve	<u>(534,374,747)</u>
Retained Earnings Available for Distribution as of December 31, 2022	5,544,414,669
Distribution Item:	
Cash Dividends to Common Shareholders (\$0.46099444 per share)	<u>(2,772,207,335)</u>
Unappropriated retained earnings (Ending Balance)	<u>\$2,772,207,334</u>

Note: The 2022 profits will be used first for the annual profit distribution.

Chairman: HSIEH, SU-CHIEN

Manager: KAO, SHING-HWANG

Accounting Supervisor: WANG, WEI

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, 72 amendments were made on June 25, 2019
Amended and approved by the Shareholders' Meeting, 73 amendments were made on June 23, 2020
Amended and approved by the Shareholders' Meeting, 74 amendments were made on May 26, 2022

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 in Taoyuan City (Taiwan, R.O.C.), and branch offices or sales offices may be set up inside and outside of the country when necessary 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, 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 10-1

When the Company's shareholders' meeting is held, it may be held by video conference or other methods announced by the central competent authority.

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.

Article 11

Unless otherwise stated in the Company Act, a resolution of a shareholders' meeting shall be adopted by a 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 two or more persons are 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 safe 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 industries 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, the 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 the 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 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 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 the distribution of profit or appropriation to cover the 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 the majority of the Board of Directors approves 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 the 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 is 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 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 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-fourth (74th) amendment was made on May 26, 2022. Matters not prescribed under the Articles of Incorporation shall be governed by and construed in accordance with the provisions of the 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 a 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 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 the number 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 parties 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 the 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 the 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 it 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 a 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 a proxy for any other shareholder, but the 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 a 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 the 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 4

Directors' Shareholdings of China Airlines, Ltd

Base date: April 2, 2023

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								
Director	China Aviation Development Foundation Representative: CHEN, HAN-MING								
Director	National Development Fund, Executive Yuan's Representative: CHANG, HUI-CHUAN	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		

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

April 2, 2023 Total shares outstanding: 6,013,537,444 shares

Note: All Directors shall hold statutory shares: 120,000,000 shares. As of April 2, 2023: 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.