

China Airlines, Ltd.

**Financial Statements for the
Years Ended December 31, 2023 and 2022 and
Independent Auditors' Report**

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, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of 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, 2023. 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:

Passenger Revenue Recognition

In accordance with IFRS 15 “Revenue from Contracts with Customers”, passenger sales are accounted for as contract liabilities before relevant transportation services were provided. After providing the related services, contract liabilities are reclassified to passenger revenue. For the year ended December 31, 2023, passenger revenue was NT\$99,058,956 thousand. Refer to Notes 4 and 25 to the accompanying financial statements for related detailed information.

Since relevant sales can only be recognized as passenger revenue when passengers actually boarded, the risk that revenue recorded in the wrong period may arise from complex information technology system involved in the process; therefore, we identified passenger revenue recognition as a key audit matter.

The main audit procedures that we performed included the following:

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

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, 2023 and 2022, the aforementioned investments accounted for using the equity method amounted to NT\$3,179,818 thousand and NT\$725,747 thousand, representing 1.20% and 0.27% of the total assets, respectively. For the years ended December 31, 2023 and 2022, 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\$1,399,769 thousand and NT\$(2,230,169) thousand, representing 23.14% and 761.22% 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 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, 2023 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 Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 20,385,668	8	\$ 27,492,827	10
Financial assets at amortized cost - current (Notes 4, 8 and 29)	3,086,923	1	4,764,601	2
Financial assets for hedging - current (Notes 4, 6 and 29)	10,353,943	4	4,031,662	2
Notes and accounts receivable, net (Notes 4, 9 and 29)	9,023,469	3	10,529,664	4
Notes and accounts receivable - related parties (Notes 29 and 30)	172,826	-	130,678	-
Finance lease receivables - current (Notes 4, 19 and 29)	265,955	-	-	-
Other receivables (Notes 4 and 29)	567,882	-	709,962	-
Inventories (Notes 4 and 10)	10,476,961	4	10,568,039	4
Non-current assets held for sale (Notes 4, 5 and 11)	1,290,581	1	-	-
Other current assets (Note 16)	964,572	-	1,308,812	-
Total current assets	<u>56,588,780</u>	<u>21</u>	<u>59,536,245</u>	<u>22</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 29)	60,425	-	64,028	-
Investments accounted for using the equity method (Notes 4 and 12)	12,901,558	5	9,950,532	4
Property, plant and equipment (Notes 4, 5, 13 and 31)	110,932,284	42	114,770,352	43
Right-of-use assets (Notes 4 and 19)	45,569,832	17	52,637,480	20
Investment properties (Notes 4 and 14)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 15)	584,756	-	654,596	-
Deferred tax assets (Notes 4 and 26)	6,204,550	3	6,055,811	2
Finance lease receivables - non-current (Notes 4, 19 and 29)	187,901	-	-	-
Other non-current assets (Notes 16, 19, 29 and 31)	29,888,872	11	22,375,706	8
Total non-current assets	<u>208,377,626</u>	<u>79</u>	<u>208,555,953</u>	<u>78</u>
TOTAL	<u>\$ 264,966,406</u>	<u>100</u>	<u>\$ 268,092,198</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities for hedging - current (Notes 4, 19 and 29)	\$ 8,886,485	3	\$ 9,983,761	4
Notes and accounts payable (Note 29)	1,049,762	-	1,109,292	-
Accounts payable - related parties (Note 30)	1,297,950	-	730,428	-
Other payables (Notes 20 and 25)	14,977,536	6	13,265,783	5
Current tax liabilities	212,883	-	359,261	-
Lease liabilities - current (Notes 4, 19 and 29)	1,351,737	-	1,185,177	1
Contract liabilities current (Notes 4 and 21)	23,107,378	9	15,257,687	6
Provisions - current (Notes 4 and 22)	2,591,751	1	3,490,653	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 18, 24 and 29)	4,723,814	2	2,350,000	1
Current portion of long-term borrowings (Notes 17, 29 and 31)	17,297,086	7	11,733,508	4
Other current liabilities	4,175,581	2	2,815,333	1
Total current liabilities	<u>79,671,963</u>	<u>30</u>	<u>62,280,883</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 19 and 29)	26,099,758	10	32,190,102	12
Bonds payable - non-current (Notes 4, 18, 24 and 29)	4,925,000	2	7,649,674	3
Long-term borrowings (Notes 17, 29 and 31)	40,455,119	16	56,751,142	21
Contract liabilities - non-current (Notes 4 and 21)	2,964,299	1	1,280,906	1
Provisions - non-current (Notes 4 and 22)	16,292,125	6	16,927,949	6
Deferred tax liabilities (Notes 4 and 26)	35,285	-	8,259	-
Lease liabilities - non-current (Notes 4, 19 and 29)	10,789,864	4	10,428,091	4
Net defined benefit liabilities - non-current (Notes 4, 5 and 23)	8,604,132	3	8,348,163	3
Other non-current liabilities	537,746	-	2,226,828	1
Total non-current liabilities	<u>110,703,328</u>	<u>42</u>	<u>135,811,114</u>	<u>51</u>
Total liabilities	<u>190,375,291</u>	<u>72</u>	<u>198,091,997</u>	<u>74</u>
EQUITY (Notes 18 and 24)				
Share capital	60,513,407	23	60,135,374	22
Capital surplus	3,887,046	1	3,120,311	1
Retained earnings				
Legal reserve	1,230,977	1	925,385	-
Special reserve	534,375	-	-	-
Unappropriated retained earnings	9,146,199	3	6,384,381	3
Total retained earnings	10,911,551	4	7,309,766	3
Other equity	(690,014)	-	(534,375)	-
Treasury shares	(30,875)	-	(30,875)	-
Total equity	<u>74,591,115</u>	<u>28</u>	<u>70,000,201</u>	<u>26</u>
TOTAL	<u>\$ 264,966,406</u>	<u>100</u>	<u>\$ 268,092,198</u>	<u>100</u>

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

(With Deloitte & Touche auditors' audit report dated March 8, 2024)

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 30)	\$ 161,675,533	100	\$ 141,069,849	100
OPERATING COSTS (Notes 4, 10, 25 and 30)	<u>144,040,004</u>	<u>89</u>	<u>128,089,348</u>	<u>91</u>
GROSS PROFIT	17,635,529	11	12,980,501	9
OPERATING EXPENSES (Notes 4, 25 and 30)	<u>11,041,166</u>	<u>7</u>	<u>7,063,461</u>	<u>5</u>
PROFIT FROM OPERATIONS	<u>6,594,363</u>	<u>4</u>	<u>5,917,040</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 25)	1,872,180	1	1,307,531	1
Other gains and losses (Notes 11, 12, 13 and 25)	(888,612)	(1)	1,824,894	1
Finance costs (Notes 25 and 29)	(2,242,776)	(1)	(2,220,960)	(1)
Share of profit or loss of subsidiaries, associates and joint ventures (Note 12)	<u>2,720,299</u>	<u>2</u>	<u>(2,939,603)</u>	<u>(2)</u>
Total non-operating income and expenses	<u>1,461,091</u>	<u>1</u>	<u>(2,028,138)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	8,055,454	5	3,888,902	3
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,236,902</u>	<u>1</u>	<u>1,029,399</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>6,818,552</u>	<u>4</u>	<u>2,859,503</u>	<u>2</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)	(354,851)	-	(144,906)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 24)	(3,603)	-	8,570	-
Remeasurement of defined benefit plans (Notes 4 and 23)	(322,908)	-	28,890	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	(200,784)	-	219,689	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 26)	64,543	-	(67,750)	-

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CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
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)	\$ (7,093)	-	\$ 141,415	-
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (Notes 4 and 24)	(4,555)	-	2,814	-
Gain (loss) on hedging instruments not subject to basis adjustment (Notes 4, 24 and 29)	73,486	-	(4,141,144)	(3)
Income tax related to items that may be reclassified subsequently to profit or loss (Note 26)	<u>(13,278)</u>	<u>-</u>	<u>799,947</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(769,043)</u>	<u>-</u>	<u>(3,152,475)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 6,049,509</u>	<u>4</u>	<u>\$ (292,972)</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	<u>\$ 1.13</u>		<u>\$ 0.48</u>	
Diluted	<u>\$ 1.11</u>		<u>\$ 0.47</u>	

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

(With Deloitte & Touche auditors' audit report dated March 8, 2024)

(Concluded)

CHINA AIRLINES, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Gain (Loss) on Hedging Instruments	Treasury Shares	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2022	\$ 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 distributed 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	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	168,844	-	168,844	
Appropriation of 2022 earnings											
Legal reserve	-	-	305,592	-	(305,592)	-	-	-	-	-	
Special reserve	-	-	-	534,375	(534,375)	-	-	-	-	-	
Cash dividends - \$0.4602191 per share	-	-	-	-	(2,772,207)	-	-	-	-	(2,772,207)	
Changes in capital surplus from dividends distributed to subsidiaries	-	955	-	-	-	-	-	-	-	955	
Changes in percentage of ownership interests in subsidiaries	-	452,110	-	-	-	-	-	-	-	452,110	
Issuance of employee share options by the subsidiaries	-	24,055	-	-	-	-	-	-	-	24,055	
Net profit for the year ended December 31, 2023	-	-	-	-	6,818,552	-	-	-	-	6,818,552	
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(444,560)	(8,667)	(18,192)	(297,624)	-	(769,043)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	6,373,992	(8,667)	(18,192)	(297,624)	-	6,049,509	
Convertible bonds converted to ordinary shares	378,033	289,615	-	-	-	-	-	-	-	667,648	
BALANCE AT DECEMBER 31, 2023	\$ 60,513,407	\$ 3,887,046	\$ 1,230,977	\$ 534,375	\$ 9,146,199	\$ (12,965)	\$ 22,726	\$ (699,775)	\$ (30,875)	\$ 74,591,115	

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

(With Deloitte & Touche auditors' audit report dated March 8, 2024)

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 8,055,454	\$ 3,888,902
Adjustments for:		
Depreciation expense	27,060,561	26,756,562
Amortization expense	181,471	181,662
Expected credit loss recognized on trade receivables	-	38,474
Interest income	(1,570,722)	(566,465)
Dividend income	(14,713)	(11,723)
Share of (profit) loss of subsidiaries, associates and joint ventures	(2,720,299)	2,939,603
Gain on disposal of property, plant and equipment	(499,881)	(19,911)
Loss (gain) on disposal of non-current assets held for sale	2,364	(558,477)
Impairment loss recognized on flight equipment	1,901,450	1,641
Loss on inventory and property, plant and equipment	2,935,395	675,274
Net loss on foreign currency exchange	165,071	1,580,216
Finance costs	2,242,776	2,220,960
Recognition of provisions	5,802,208	4,958,429
Others	167,647	84,406
Changes in operating assets and liabilities		
Notes and accounts receivable	1,368,112	2,515,841
Accounts receivable - related parties	(42,148)	(76,204)
Other receivables	197,567	(168,077)
Inventories	(2,289,037)	(2,504,030)
Other current assets	330,904	(913,115)
Notes and accounts payable	(60,142)	209,251
Accounts payable - related parties	567,522	(3,409)
Other payables	4,099,997	692,575
Contract liabilities	9,533,084	12,486,227
Provisions	(7,260,306)	(3,690,602)
Other current liabilities	1,281,209	660,685
Defined benefit liabilities	(66,939)	17,864
Other liabilities	(1,335,573)	72,384
Cash generated from operations	50,033,032	51,468,943
Interest received	1,500,007	564,084
Dividends received	378,493	317,263
Interest paid	(2,565,292)	(2,361,441)
Income tax paid	(1,453,729)	(4,402,059)
Net cash generated from operating activities	<u>47,892,511</u>	<u>45,586,790</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(17,155,191)	(4,793,951)
Proceeds from sale of financial assets at amortized cost	18,700,767	11,923,194
Purchase of financial assets for hedging	(16,276,122)	(9,535,604)
Proceeds from sale of financial assets for hedging	9,497,256	9,063,037

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CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
Acquisition of investments accounted for using the equity method	\$ (599,821)	\$ -
Net cash inflow on disposal of investments accounted for using the equity method	2,523	-
Proceeds from capital reduction of subsidiaries	270,000	-
Proceeds from disposal of non-current assets held for sale	1,077,006	679,951
Payments for property, plant and equipment	(1,643,552)	(2,269,028)
Proceeds from disposal of property, plant and equipment	2,437,633	25,141
Increase in refundable deposits	(188,607)	(323,121)
Decrease in refundable deposits	198,035	472,380
Increase in finance lease receivables	(786,163)	-
Decrease in finance lease receivables	336,001	-
Increase in prepayments for equipment	(25,849,974)	(24,361,989)
Payments for other intangible assets	(131,597)	(70,281)
Decrease (increase) in restricted assets	<u>14,159</u>	<u>(28,902)</u>
Net cash used in investing activities	<u>(30,097,647)</u>	<u>(19,219,173)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds payable	2,650,000	-
Repayments of bonds payable	(2,350,000)	(2,525,200)
Proceeds from long-term borrowings	12,000,000	4,231,761
Repayments of long-term borrowings	(22,732,445)	(20,902,756)
Repayments of the principal portion of lease liabilities	(11,622,941)	(10,194,631)
Proceeds of guarantee deposits received	127,095	58,477
Refund of guarantee deposits received	(293,205)	(61,488)
Dividends paid	<u>(2,772,207)</u>	<u>(5,000,000)</u>
Net cash used in financing activities	<u>(24,993,703)</u>	<u>(34,393,837)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>91,680</u>	<u>(394,070)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,107,159)	(8,420,290)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>27,492,827</u>	<u>35,913,117</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 20,385,668</u>	<u>\$ 27,492,827</u>

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

(With Deloitte & Touche auditors' audit report dated March 8, 2024)

(Concluded)

CHINA AIRLINES, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Airlines, Ltd. (the “Company”) was founded in 1959 and its shares have been listed on the Taiwan Stock Exchange since February 26, 1993. The Company is primarily involved in (a) air transport services for passengers, cargo and mail; (b) ground services and routine aircraft maintenance; (c) major maintenance of flight equipment; (d) communications and data processing services to other airlines; (e) the sale of aircraft parts, equipment and the entire aircraft; and (f) leasing of aircraft.

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2023 and 2022, CADF and NDF jointly held a combined 39.43% and 39.69%, respectively of the Company’s shares. For the years ended December 31, 2023 and 2022, the average number of employees of the Company was 11,038 and 10,794, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 8, 2024.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

As of the date the financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Statement of Compliance

The financial reports have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and related regulations.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- c. Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the share of other comprehensive income of subsidiaries, associates and joint ventures and the related equity items, as appropriate, in these parent company only financial statements.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and
- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- a. Liabilities held primarily for the purpose of trading;
- b. Liabilities due to be settled within 12 months after the reporting period; and
- c. Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

In preparing the Company's financial reports, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

- a. Foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- b. Transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purposes of presenting financial reports, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Inventories

Inventories are primarily expendable and nonexpendable parts and materials, supplies used in operations and items for in-flight sale and are stated at the lower of cost or net realizable value. The costs of inventories sold or consumed are determined using the weighted-average method.

Non-current Assets Held for Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Such assets classified as held for sale are not depreciated.

Investments Accounted for Using the Equity Method

The Company uses the equity method to account for its investments in subsidiaries, associates and joint ventures.

a. Investment in subsidiaries

A subsidiary is an entity (including a structured entity) that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted therefore to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the change in Company's share of the other equity of the subsidiary.

Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control of the subsidiaries are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amounts of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.

b. Investments in associates and joint ventures

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Company and other parties that have joint control of the arrangement and the rights to the net assets of the arrangement.

The Company uses the equity method to account for its investments in associates and joint ventures. Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and joint venture. The Company also recognizes the changes in the Company's share of equity of associates and joint ventures attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate and a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint venture. The Company records such a difference as an adjustment to investments with the

corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and a joint venture equals or exceeds its interest in that associate and joint venture (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and joint venture), the Company discontinues recognizing its share of further loss. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and joint venture.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and joint venture. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities.

When the Company transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Company's financial statements only to the extent of interests in the associate and the joint venture that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used for more than one period. The cost of an item of property, plant and equipment shall be recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company; the cost of the item can be measured reliably. Property, plant and equipment are stated at cost less recognized accumulated depreciation and recognized accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Company expects to dispose of the intangible asset before the end of its economic life. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

Impairment of Property, Plant and Equipment, Right-of-use Asset, Investment Properties and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, right-of-use asset, investment properties and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis; otherwise, corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments, with the resulting impairment loss recognized in profit or loss.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss included in the initially recognized amount of financial assets or financial liabilities.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All regular way purchases or sales of financial assets are buy or sell of financial assets in the period set by regulation or market convention.

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 29.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if an equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of an investment.

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and finance lease receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables, finance lease receivables and other receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Company are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share types. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for derivative financial instruments, all financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (i.e. convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or upon the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premiums. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premiums.

Transaction costs that relate to the issuance of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

e. Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and fuel price risks, including foreign exchange forward contracts, interest rate swaps, currency options and fuel options and swaps.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not measured at FVTPL.

Hedge Accounting

The Company designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. When entering into hedging transactions, the Company has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

The effective portion of gains and losses on derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period (in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

The Company recognizes provisions when the Company has a present obligation (legal or constructive obligation) arising from past events, the payment for the obligation is probable, and the expenditure for settling the obligation can be reliably estimated.

The amount recognized as a provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured at the estimate of the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. When the aircraft lease contracts of the Company expire and will be returned to lessor, the Company will assess if there are existing obligations and if a provision is required to be recognized when signing the lease contract.

Revenue Recognition

The Company recognizes revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Company satisfies a performance obligation.

Shipping service revenue

Passenger and cargo revenue are recognized as revenue when the passengers and goods are actually carried. When the tickets are sold, due to the fact that the fulfillment of performance obligations of the shipment have not been met, the relevant amount of revenue is initially recorded as contract liabilities until passengers actually board.

Leasing

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease.

The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Company by the end of the lease terms or if the costs of right-of-use assets reflect that the Company will exercise a purchase option, the Company depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

The Company negotiates with the lessor for rent concessions as a direct consequence of Covid-19 to change the lease payments originally due by June 30, 2022, which results in the revised consideration for the lease substantially less than the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Company elects to apply the practical expedient to all of these rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Company recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Company recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

Payments to the defined contribution retirement benefit plan are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined retirement benefit plan are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Frequent Flyer Programs

The Company has a “Dynasty Flyer Program” through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards.

A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Company recognizes this deferred revenue as revenue only when the Company has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

The current tax liabilities are based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the statements of comprehensive income. The Company’s current tax liabilities are calculated by the tax rate was legislated or substantially legislated at the balance sheet date.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve the retain earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Maintenance and Overhaul Costs

Routine maintenance costs are recognized in profit or loss in the period in which they are incurred.

The overhaul costs of an owned or leased aircraft that meet the criteria for fixed asset capitalization are capitalized as replacements for aircraft and engines and are depreciated on a straight line basis over the expected annual overhaul cycle.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies as disclosed in Note 4, management is required to make judgments, estimations and assumptions on the carrying amounts of assets and liabilities that are not readily apparent from other source. The estimates and associated assumptions are based on historical experience assumptions and other factors that are consider relevant. Actual results may differ from these estimates.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Defined Benefit Obligations

The present value of defined benefit obligations at the end of the reporting period is calculated using actuarial assumptions. Those assumptions, which are based on management's judgments and estimates, comprise the discount rate and expected return on plan assets. Changes in actuarial assumptions may have a material impact on the amount of defined benefit obligations.

Useful Lives of Property, Plant and Equipment - Flight Equipment

Flight equipment is measured at cost less residual value and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values are evaluated based on the Company's historical experience and current usage condition in the aviation industry.

Because of the change in fleet planning to match the economic benefits with the useful lives, on March 8, 2024, the Company's board of directors resolved to modify the estimated useful lives of eight B747-400F freighters from 24 years to 22 years and the estimated useful lives of two 80C2 engines from 8 years to 6 years, effective on May 1, 2024. It is estimated that the depreciation expense in 2024 will increase by \$679 million.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2023	2022
Cash on hand and revolving funds	\$ 63,051	\$ 45,097
Checking accounts and demand deposits	4,747,741	4,898,695
Cash equivalents		
Time deposits with original maturities of less than three months	10,400,000	17,572,393
Repurchase agreements collateralized by bonds	<u>5,174,876</u>	<u>4,976,642</u>
	<u>\$ 20,385,668</u>	<u>\$ 27,492,827</u>

The market rate intervals of cash in banks and cash equivalents at the end of the reporting period were as follows:

	<u>December 31</u>	
	2023	2022
Bank balance	1.00%-1.90%	0.33%-1.00%
Time deposits with original maturities of less than three months	1.35%-5.90%	1.27%-4.95%
Repurchase agreements collateralized by bonds	1.32%-5.78%	1.15%-4.70%

The Company designated some deposits denominated in USD and repurchase agreements collateralized by bonds denominated in USD as hedging instruments to avoid exchange rate fluctuations on final payments of aircraft orders and prepayments for equipment and applied cash flow hedge accounting to hedge its foreign exchange exposure. The contract information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2023	2024.1.5-2024.2.7	Financial assets for hedging - current	\$ 10,307,692
December 31, 2022	2023.1.3-2023.1.18	Financial assets for hedging - current	3,987,730

Impact on comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the year ended December 31, 2023	\$ (449,744)
For the year ended December 31, 2022	(40,217)

For the years ended December 31, 2023 and 2022, the amount of hedging instrument settlements recognized as prepayments for equipment was \$159,683 thousand and \$101,626 thousand, respectively.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31	
	2023	2022
<u>Non-current</u>		
Foreign investments		
Unlisted shares	\$ 37,640	\$ 22,900
Domestic investments		
Unlisted shares	<u>22,785</u>	<u>41,128</u>
	<u>\$ 60,425</u>	<u>\$ 64,028</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes and are expected to profit through long-term investments. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

8. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2023	2022
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 3,086,923</u>	<u>\$ 4,764,601</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 1.33%-5.89% and 0.45%-5.05% per annum as of December 31, 2023 and 2022, respectively.

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Notes receivable</u>	\$ 175,824	\$ 71,848
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	9,073,475	10,688,166
Less: Allowance for impairment loss	<u>(225,830)</u>	<u>(230,350)</u>
	<u>8,847,645</u>	<u>10,457,816</u>
	<u>\$ 9,023,469</u>	<u>\$ 10,529,664</u>

The average credit period was 7 to 55 days. In determining the recoverability of a accounts receivable, the Company considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Company's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all account receivables. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience with the debtors and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status is not further distinguished according to the different segments of the Company's customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the past due receivables. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of account receivables based on the Company's provision matrix.

December 31, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.95%	14.72%	52.36%	100.00%	100.00%	
Gross carrying amount	\$ 8,866,351	\$ 69,196	\$ 13,362	\$ 9,648	\$ 114,918	\$ 9,073,475
Loss allowance (lifetime ECLs)	<u>(84,082)</u>	<u>(10,186)</u>	<u>(6,996)</u>	<u>(9,648)</u>	<u>(114,918)</u>	<u>(225,830)</u>
Amortized cost	<u>\$ 8,782,269</u>	<u>\$ 59,010</u>	<u>\$ 6,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,847,645</u>

December 31, 2022

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	1.07%	5.22%	46.64%	46.42%	99.14%	
Gross carrying amount	\$ 10,527,938	\$ 41,208	\$ 3,317	\$ 517	\$ 115,186	\$ 10,688,166
Loss allowance (lifetime ECLs)	<u>(112,215)</u>	<u>(2,151)</u>	<u>(1,547)</u>	<u>(240)</u>	<u>(114,197)</u>	<u>(230,350)</u>
Amortized cost	<u>\$ 10,415,723</u>	<u>\$ 39,057</u>	<u>\$ 1,770</u>	<u>\$ 277</u>	<u>\$ 989</u>	<u>\$ 10,457,816</u>

The movements of the loss allowance of accounts receivables were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Balance at January 1	\$ 230,350	\$ 204,481
Add: Net remeasurement of loss allowance	-	38,474
Add: Amounts recovered	35	208
Less: Amounts written off	<u>(4,555)</u>	<u>(12,813)</u>
Balance at December 31	<u>\$ 225,830</u>	<u>\$ 230,350</u>

10. INVENTORIES, NET

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Aircraft spare parts	\$ 9,428,795	\$ 9,645,991
Items for in-flight sale	659,584	620,680
Work in process - maintenance services	<u>388,582</u>	<u>301,368</u>
	<u>\$ 10,476,961</u>	<u>\$ 10,568,039</u>

The operating costs for the years ended December 31, 2023 and 2022 included losses from inventory write-downs of \$1,171,779 thousand and \$243,088 thousand, respectively.

11. NON-CURRENT ASSETS HELD FOR SALE

	<u>December 31</u>	
	2023	2022
Aircraft held for sale	<u>\$ 1,290,581</u>	<u>\$ -</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price. The Company recognized an impairment loss of \$979,459 thousand for the year ended December 31, 2023.

The fair value measurement is classified as Level 3, and the fair value was determined according to similar transactions of the related market, and the proposed sale prices were based on the current status of the aircraft.

The Company disposed of the aircraft held for sale for the year ended December 31, 2023 and 2022, and recognized a loss of \$2,364 thousand and gain of \$558,477 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<u>December 31</u>	
	2023	2022
Investments in subsidiaries	\$ 12,032,238	\$ 9,390,430
Investments in associates	-	-
Investments in joint ventures	<u>869,320</u>	<u>560,102</u>
	<u>\$ 12,901,558</u>	<u>\$ 9,950,532</u>

a. Investment in subsidiaries

	<u>December 31</u>	
	2023	2022
Tigerair Taiwan	\$ 3,179,817	\$ 725,747
Cal Park	1,786,823	1,728,454
Mandarin Airlines	1,664,600	1,196,733
Cal-Dynasty International	1,418,175	1,359,724
Taiwan Air Cargo Terminal	1,376,778	1,790,921
Taoyuan International Airport Services	414,674	424,527
Cal-Asia Investment	622,487	617,106
Sabre Travel Network (Taiwan)	237,347	185,935
Cal Hotel	340,162	304,948
Taiwan Airport Services	65,256	102,745
Dynasty Aerotech International	124,583	144,523
Taiwan Aircraft Maintenance and Engineering	377,137	451,322
Global Sky Express	6,421	8,256
Kaohsiung Catering Services	<u>417,978</u>	<u>349,489</u>
	<u>\$ 12,032,238</u>	<u>\$ 9,390,430</u>

At the end of the reporting period, the proportion of ownership and voting rights in subsidiaries held by the Company were as follows:

	December 31	
	2023	2022
Tigerair Taiwan	75%	78%
Taiwan Air Cargo Terminal	54%	54%
Cal Park	100%	100%
Mandarin Airlines	97%	97%
Cal-Dynasty International	100%	100%
Taoyuan International Airport Services	49%	49%
Cal-Asia Investment	100%	100%
Sabre Travel Network (Taiwan)	94%	94%
Taiwan Airport Services	47%	47%
Cal Hotel	100%	100%
Dynasty Aerotech International	100%	100%
Taiwan Aircraft Maintenance and Engineering	100%	100%
Global Sky Express	25%	25%
Kaohsiung Catering Services	54%	54%

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50%. Therefore, they were listed as subsidiaries.

On February 13, 2023, the board of directors of Tigerair Taiwan Co., Ltd. resolved to issue 36,000 thousand ordinary shares for cash to strengthen its capital structure. On March 9, 2023, the board of directors of the Company approved the subscription plan at \$25 per share. In April 2023, the Company subscribed for 23,993 thousand shares. The proportion of ownership of the Group decreased to 81%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's capital surplus increased by \$85,930 thousand. In addition, Tigerair Taiwan Co., Ltd. reserves 15% of the total of issuances for employees to subscribe to in accordance with article 267, item 1 of the Company Act. Therefore, the Company's capital surplus increased by \$24,055 thousand.

In addition, Tigerair Taiwan Co., Ltd. applied for a listing on the Taiwan Innovation Board of the Taiwan Stock Exchange on December 21, 2022. The board of directors of the Taiwan Stock Exchange approved the listing application on February 21, 2023, and it was reported to the competent authority. To cooperate with the public underwriting before the initial listing on the Taiwan Innovation Board, the board of directors of Tigerair Taiwan Co., Ltd. approved the issuance of 13,000 thousand ordinary shares for cash on May 5, 2023, and the issuance was approved by the competent authority in July 2023. In addition, due to relevant regulations, the Group did not participate in ordinary shares for cash, and thus the Group's comprehensive subscribing percentage dropped to 79%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's capital surplus increased by \$366,180 thousand.

Taiwan Air Cargo Terminal carried out a capital reduction to return investment to shareholders by \$500,000 thousand. The reduction date was in August 2023. After capital deduction, the proportion of ownership in the Company remained unchanged.

In June 2023, Cal Park made up a gain of \$28,896 thousand by capital increase out of retained earnings; the proportion of ownership of the Company remained unchanged.

In November 2022, Taiwan Aircraft Maintenance and Engineering Co., Ltd. made up a loss of \$140,000 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

In December 2022, Cal Hotel Co., Ltd. made up a loss of \$130,200 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

The share of profit or loss of subsidiaries accounted for using the equity method was as follows:

	For the Year Ended December 31	
	2023	2022
Share of profit (loss)	<u>\$ 2,355,442</u>	<u>\$ (2,798,672)</u>

b. Investments in associates

The investments in associates were as follows:

	December 31	
	2023	2022
<u>Unlisted companies</u>		
Dynasty Holidays	<u>\$ -</u>	<u>\$ -</u>

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Company were as follows:

	December 31	
	2023	2022
Dynasty Holidays	-	20%

The share of profit or loss of associates accounted for using the equity method was as follows:

	For the Year Ended December 31	
	2023	2022
Dynasty Holidays	<u>\$ -</u>	<u>\$ -</u>

China Aircraft Services issued ordinary shares to meet the needs for funds in March 2022. The Company did not participate in the subscription, so the proportion of ownership of the Company decreased from 20% to 4% and the Company lost significant influence over China Aircraft Services. Therefore, the investment in China Aircraft Services which was initially classified as investments accounted for using the equity method was reclassified as financial assets at fair value through other comprehensive income since March 2022.

Dynasty Holidays was classified as associate accounted for using the equity method. On May 31, 2022, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve Dynasty Holidays, and the liquidation process has completed in June 2023. The Company has gained the liquidation income by \$2,523 thousand.

c. Investments in joint ventures

The investments in joint ventures were as follows:

	December 31	
	2023	2022
China Pacific Catering Services	\$ 767,615	\$ 448,222
China Pacific Laundry Services	101,705	92,684
NORDAM Asia	<u>-</u>	<u>19,196</u>
	<u>\$ 869,320</u>	<u>\$ 560,102</u>

At the end of the reporting period, the proportion of ownership and voting rights in joint ventures held by the Company was as follows:

	December 31	
	2023	2022
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia	49%	49%

The Company entered into a joint venture agreement with Taikoo Company to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both sides have the right to make major motion vetoes on the board of directors, and therefore, the Company does not have control.

NORDAM Asia was classified as associate accounted for using the equity method. On October 27, 2023, the provisional shareholders' meeting was held and the shareholders resolved to dissolve NORDAM Asia, and the liquidation process is in progress.

The share of profit or loss of joint ventures accounted for using the equity method was as follows:

	December 31	
	2023	2022
China Pacific Catering Services	\$ 371,539	\$ (104,360)
China Pacific Laundry Services	12,514	(26,931)
NORDAM Asia	<u>(19,196)</u>	<u>(9,640)</u>
	<u>\$ 364,857</u>	<u>\$ (140,931)</u>

The Company's shares of other comprehensive income of subsidiaries, associates and joint ventures were \$(205,339) thousand and \$222,503 thousand for the years ended 2023 and 2022, respectively.

Except for NORDAM Asia, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of subsidiaries, associates, and joint ventures were based on these investees' financial statements which have been audited. However, the management of the Company determines that it shall have no material effect if the financial statements are not audited.

For information on the major businesses and products and the locations of registration for the major business offices of the above entities, refer to Table 7 (names, locations, and related information of investees on which the Company exercises significant influence) and Table 8 investment in mainland China following the notes to the financial statements.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 181,593	\$ 7,263,207	\$ 241,050,331	\$ 6,795,722	\$ 255,290,853
Additions	-	46,652	1,539,855	682,521	2,269,028
Disposals	-	(23,947)	(2,770,427)	(184,034)	(2,978,408)
Reclassification	-	-	9,821,276	(6,573)	9,814,703
Balance at December 31, 2022	<u>\$ 181,593</u>	<u>\$ 7,285,912</u>	<u>\$ 249,641,035</u>	<u>\$ 7,287,636</u>	<u>\$ 264,396,176</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ -	\$ (4,048,982)	\$ (130,157,456)	\$ (5,909,867)	\$ (140,116,305)
Depreciation expense	-	(185,841)	(14,980,619)	(318,546)	(15,485,006)
Disposals	-	23,947	2,453,503	183,886	2,661,336
Reclassification	-	-	3,315,902	(110)	3,315,792
Impairment losses recognized	-	-	(1,641)	-	(1,641)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ (4,210,876)</u>	<u>\$ (139,370,311)</u>	<u>\$ (6,044,637)</u>	<u>\$ (149,625,824)</u>
Balance at December 31, 2022, net value	<u>\$ 181,593</u>	<u>\$ 3,075,036</u>	<u>\$ 110,270,724</u>	<u>\$ 1,242,999</u>	<u>\$ 114,770,352</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 181,593	\$ 7,285,912	\$ 249,641,035	\$ 7,287,636	\$ 264,396,176
Additions	-	72,412	1,316,191	254,949	1,643,552
Disposals	-	(1,143)	(22,809,087)	(407,960)	(23,218,190)
Reclassification	-	731	(6,818,886)	16,013	(6,802,142)
Balance at December 31, 2023	<u>\$ 181,593</u>	<u>\$ 7,357,912</u>	<u>\$ 221,329,253</u>	<u>\$ 7,150,638</u>	<u>\$ 236,019,396</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2023	\$ -	\$ (4,210,876)	\$ (139,370,311)	\$ (6,044,637)	\$ (149,625,824)
Depreciation expense	-	(185,577)	(14,873,312)	(323,892)	(15,382,781)
Disposals	-	1,144	20,438,662	407,512	20,847,318
Reclassification	-	-	19,996,072	94	19,996,166
Impairment losses recognized	-	-	(921,991)	-	(921,991)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ (4,395,309)</u>	<u>\$ (114,730,880)</u>	<u>\$ (5,960,923)</u>	<u>\$ (125,087,112)</u>
Balance at December 31, 2023, net value	<u>\$ 181,593</u>	<u>\$ 2,962,603</u>	<u>\$ 106,598,373</u>	<u>\$ 1,189,715</u>	<u>\$ 110,932,284</u>

Reclassification is mainly resulted from the transfer of prepayments for equipment and adaption of non-current assets held for sale.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset as follows:

Building	
Main buildings	45-55 years
Others	10-25 years
Machinery and equipment	
Electro-mechanical equipment	25 years
Others	3-13 years
Office equipment	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Leased assets	3-5 years

(Continued)

Flight equipment and equipment under finance leases	
Airframes	18-25 years
Aircraft cabins	10-13 years
Engines	12-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-7 years
Landing gear overhauls	8-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years
	(Concluded)

To replace aging aircraft and revitalize the fleet, the Company's board of directors resolved the sale of five and two 747-400F aircraft on May 10, 2023 and August 9, 2023 respectively.

Considering the changes in model mix and phase-out plans, the Company used the fair value (Level 3) deducting transaction costs as the recoverable amount of some flight equipment and the Company recognized impairment losses of \$921,991 thousand and \$1,641 thousand for the years ended December 31, 2023 and 2022, respectively. The fair value was determined with reference to factors such as the condition of the flight equipment and possible market estimates.

Refer to Note 31 for the carrying amounts of flight equipment pledged by the Company.

Based on the particularity of risk in the aviation industry, all of the Company's assets such as aircraft, real estate, and movable property are adequately insured to diversify the potential risk related to operations.

14. INVESTMENT PROPERTIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Carrying amount		
Investment properties	<u>\$ 2,047,448</u>	<u>\$ 2,047,448</u>

The investment properties held by the Company were land located in Nankan, which were leased to others.

The fair value of the investment properties held by the Company were \$3,105,185 thousand and \$2,456,472 thousand as of December 31, 2023 and 2022, respectively. The fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions. All of the Company's investment properties were held under freehold interest.

15. OTHER INTANGIBLE ASSETS

	Computer Software Costs	Accumulated Amortization	Net Value
Balance at January 1, 2022	\$ 1,613,794	\$ (859,445)	\$ 754,349
Additions	70,281	-	70,281
Amortization expense	-	(181,662)	(181,662)
Reclassification	<u>(48,334)</u>	<u>59,962</u>	<u>11,628</u>
Balance at December 31, 2022	<u>\$ 1,635,741</u>	<u>\$ (981,145)</u>	<u>\$ 654,596</u>

(Continued)

	Computer Software Costs	Accumulated Amortization	Net Value
Balance at January 1, 2023	\$ 1,635,741	\$ (981,145)	\$ 654,596
Additions	131,597	-	131,597
Amortization expense	-	(181,471)	(181,471)
Reclassification	<u>(85,245)</u>	<u>65,279</u>	<u>(19,967)</u>
Balance at December 31, 2023	<u>\$ 1,682,093</u>	<u>\$ (1,097,337)</u>	<u>\$ 584,756</u> (Concluded)

The above items of other intangible assets are amortized on a straight-line basis over 2-10 years.

16. OTHER ASSETS

	<u>December 31</u>	
	2023	2022
<u>Current</u>		
Temporary payments	\$ 128,081	\$ 68,140
Prepayments	481,688	926,426
Others	<u>354,803</u>	<u>314,246</u>
	<u>\$ 964,572</u>	<u>\$ 1,308,812</u>
<u>Non-current</u>		
Prepayments for aircraft	\$ 26,931,965	\$ 17,879,206
Prepayments - long-term	2,495,267	4,009,828
Refundable deposits	401,393	409,277
Restricted Assets	48,432	62,598
Other financial assets	<u>11,815</u>	<u>14,797</u>
	<u>\$ 29,888,872</u>	<u>\$ 22,375,706</u>

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of A321neo, B777F, B787-9 and B787-10 aircraft. For details of the contract for the purchase of the aircraft, refer to Note 32.

17. BORROWINGS

Long-term Borrowings

	December 31	
	2023	2022
Unsecured bank loans	\$ 4,000,000	\$ 18,550,000
Secured bank loans	37,592,590	29,579,243
Commercial paper		
Proceeds from issuance	16,200,000	20,400,000
Less: Unamortized discounts	<u>40,385</u>	<u>44,593</u>
	57,752,205	68,484,650
Less: Current portion	<u>17,297,086</u>	<u>11,733,508</u>
	<u>\$ 40,455,119</u>	<u>\$ 56,751,142</u>
Interest rates	1.74%-2.15%	1.29%-1.90%

Secured bank loans are secured by flight equipment, refer to Note 31.

Bank loans (denominated in New Taiwan dollars) are repayable quarterly, semiannually or in lump sum upon maturity. The related information is summarized as follows:

	December 31	
	2023	2022
Periods	2016/10/18- 2035/12/14	2016/10/18- 2034/10/12

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Company to guarantee commercial paper issued. As of December 31, 2023 and 2022, such commercial papers were issued at discount rates of 1.994%-2.0477% and 1.6830%-1.9013%, respectively.

In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Company applied for a special loan project to maintain its operation, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$29,350 million, which shall be repaid within 2 years and 4 years from the date of initial drawdown. As of December 31, 2023, the Company had made a drawdown in the amount of \$29,350 million and repaid \$25,350 million of the drawdown.

18. BONDS PAYABLE

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds first-time issued in 2018	2,050,000	3,275,000
Unsecured corporate bonds first-time issued in 2019	2,375,000	3,500,000
Unsecured corporate bonds first-time issued in 2023	2,650,000	-
Convertible bonds seventh-time issued	<u>1,573,814</u>	<u>2,224,674</u>
	9,648,814	9,999,674
Less: Current portion and put option of convertible bonds	<u>4,723,814</u>	<u>2,350,000</u>
	<u>\$ 4,925,000</u>	<u>\$ 7,649,674</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.05.19- 2024.05.19	Principal repayable on due date; indicator rate; payable annually	1.75
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30- 2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30- 2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21- 2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21- 2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year private unsecured bonds - issued at par in May 2023; repayable in May 2027 and 2028; 1.90% interest p.a., payable annually	2023.05.22- 2028.05.22	Principal repayable in May of 2027 and 2028; indicator rate; payable annually	1.90
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.04.28- 2026.04.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April of 2026; 0.8612% discount rate p.a.	-

a. The Company issued the seventh issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- 1) The holders may demand a lump-sum payment for the bonds upon maturity.
- 2) The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.

- 3) The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- 4) Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$19, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 16, 2023, the conversion price was adjusted to NT\$18. As of December 31, 2023, a total face value of NT\$2,894,700 thousand of convertible bonds was converted into 154,182 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	45,648
Convertible bonds converted into ordinary shares	<u>(2,132,112)</u>
Liability component at December 31, 2022	2,224,674
Interest charged at an effective interest rate	16,788
Convertible bonds converted into ordinary shares	<u>(667,648)</u>
Liability component at December 31, 2023	<u>\$ 1,573,814</u>

- b. On March 9, 2023, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued by installments in 2023 with a limited total face value of \$8,000 million. The face value of a bond is \$1,000 thousand. As of December 31, 2023, \$2,650 million had been issued.
- c. On March 8, 2024, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued by installments in 2024 with a limited total face value of \$8,000 million.

19. LEASE AGREEMENTS

- a. Right-of-use assets

	<u>December 31</u>	
	2023	2022
Carrying amount		
Land	\$ 3,210,220	\$ 3,265,435
Buildings	7,062,389	6,290,368
Flight equipment	35,290,060	43,074,156
Other equipment	<u>7,163</u>	<u>7,521</u>
	<u>\$ 45,569,832</u>	<u>\$ 52,637,480</u>

	For the Year Ended December 31	
	2023	2022
Additions to right-of-use assets	<u>\$ 4,900,695</u>	<u>\$ 13,305,582</u>
Depreciation for right-of-use assets		
Land	\$ 189,197	\$ 183,088
Buildings	758,619	350,840
Flight equipment	10,727,839	10,737,107
Other equipment	<u>2,125</u>	<u>521</u>
	<u>\$ 11,677,780</u>	<u>\$ 11,271,556</u>

b. Lease liabilities

	December 31	
	2023	2022
Carrying amount		
Current	<u>\$ 1,351,737</u>	<u>\$ 1,185,177</u>
Non-current	<u>\$ 10,789,864</u>	<u>\$ 10,428,091</u>

Range of discount rates for lease liabilities (including leases denominated in USD designated as hedging instruments):

	December 31	
	2023	2022
Land	0%-1.65%	0%-1.65%
Buildings	0%-4.65%	0%-4.65%
Flight equipment	0.68%-5.73%	0.68%-3.16%
Other equipment	0%-1.34%	0%-1.34%

c. Financial instruments under hedge accounting

The Company specifies a part of aircraft leases denominated in USD as hedging instruments to avoid exchange rate fluctuations in passenger revenue and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2023	2024.5.1-2034.12.31	Financial liabilities for hedging - current	\$ 8,766,634
		Financial liabilities for hedging - non-current	26,094,250
December 31, 2022	2023.2.7-2034.12.31	Financial liabilities for hedging - current	9,817,440
		Financial liabilities for hedging - non-current	32,183,170

Influence of comprehensive income

	Recognized in Other Comprehensive Income (Loss)	Reclassified to Income
For the year ended December 31, 2023	\$ 127,327	\$ (329,884)
For the year ended December 31, 2022	(4,111,327)	114,759

d. Material leasing activities and terms

China Airlines leased ten 777-300ER planes, fifteen A330-300 planes, ten 737-800 planes and ten A321neo planes for operation, lease period are 4 to 16 years from February 2007 to December 2034. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease does not have purchase rights.

The information of refundable deposits and opening of credit letter due to rental of planes:

	December 31	
	2023	2022
Refundable deposits	\$ 121,846	\$ 270,494
Credit guarantees	1,537,903	1,658,337

e. Lease agreement signed but not yet delivered

In October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be introduced between 2022 and 2025. As of December 31, 2023, four A321neo have been delivered.

In November 2023, the Company signed a rental contract for one A350-900 with lease corporation, which was delivered to Taiwan on December 30, 2023 and underwent painting and maintenance operations at Engineering and Maintenance Organization immediately. The first rental payment was expected to be paid in March 2024 when the aircraft turns into operation.

The Company also signed related aircraft purchase agreement, please refer to Note 32 for details.

f. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F aircraft with US Cargo Company in August 2021 and September 2021, respectively. The lease commencement dates were July 15, 2022 and October 10, 2022, respectively. Due to early termination of the lease agreements, these two cargo aircraft were sold to Icelandic owner Air Atlanta Icelandic in August 2023. One of the cargo aircraft was sold on a finance lease basis, and ownership can only be obtained after the payment is paid in accordance with the 24-installment payment schedule.

Finance lease receivables

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Undiscounted lease payments</u>		
Year 1	\$ 289,300	\$ -
Year 2	<u>192,866</u>	<u>-</u>
	482,166	-
Less: Unearned finance income	<u>(28,310)</u>	<u>-</u>
Net investment in leases presented as finance lease receivables	<u>\$ 453,856</u>	<u>\$ -</u>
Current	<u>\$ 265,955</u>	<u>\$ -</u>
Non-current	<u>\$ 187,901</u>	<u>\$ -</u>

The Company measures the loss allowance for finance lease receivables at an amount equal to lifetime ECLs. As of the date of balance sheet, no finance lease receivable was past due. The Company has not recognized a loss allowance for finance lease receivables after taking into consideration the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

g. Other lease information

The Company uses operating lease agreement for investment properties, refer to Note 14.

	<u>For the Year Ended December 31</u>	
	2023	2022
Short-term leases and low-value asset leases	<u>\$ 58,523</u>	<u>\$ 67,335</u>
Total cash outflow for leases	<u>\$ (12,980,436)</u>	<u>\$ (11,573,192)</u>

The Company chooses to waive the recognition of the contract provisions for the short-term leases and low-value asset leases, and does not recognize the related right-of-use assets and lease liabilities for such leases.

20. OTHER PAYABLES

	<u>December 31</u>	
	2023	2022
Short-term employee benefits	\$ 4,882,140	\$ 3,765,372
Fuel costs	4,477,752	4,560,607
Repair expenses	1,800,550	1,379,132
Ground service expenses	814,676	781,071
Terminal surcharges	689,430	901,498
Commission expenses	277,089	85,140
Finance cost	156,502	98,736
Others	<u>1,879,397</u>	<u>1,694,227</u>
	<u>\$ 14,977,536</u>	<u>\$ 13,265,783</u>

21. CONTRACT LIABILITIES

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Frequent flyer program	\$ 3,915,165	\$ 3,179,874
Advance ticket sales	<u>22,156,512</u>	<u>13,358,719</u>
	<u>\$ 26,071,677</u>	<u>\$ 16,538,593</u>
Current	\$ 23,107,378	\$ 15,257,687
Non-current	<u>2,964,299</u>	<u>1,280,906</u>
	<u>\$ 26,071,677</u>	<u>\$ 16,538,593</u>

22. PROVISIONS

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Leases - aircraft	<u>\$ 18,883,876</u>	<u>\$ 20,418,602</u>
Current	\$ 2,591,751	\$ 3,490,653
Non-current	<u>16,292,125</u>	<u>16,927,949</u>
	<u>\$ 18,883,876</u>	<u>\$ 20,418,602</u>

The Company leased flight equipment under operating lease agreements. Under the contracts, when the leases expire and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycles and the number of engine revolution. The Company had existing obligations to recognize provisions when signing a lease or during the lease term.

	Aircraft Lease Contracts
Balance at January 1, 2022	\$ 17,808,700
Additional provisions recognized	4,958,429
Usage	(3,690,602)
Effect of foreign currency exchange differences	<u>1,342,075</u>
Balance at December 31, 2022	<u>\$ 20,418,602</u>
Balance at January 1, 2023	\$ 20,418,602
Additional provisions recognized	5,802,208
Usage	(7,260,306)
Effect of foreign currency exchange differences	<u>(76,628)</u>
Balance at December 31, 2023	<u>\$ 18,883,876</u>

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2023	2022
Present value of defined benefit obligation	\$ 16,349,379	\$ 15,802,396
Fair value of plan assets	<u>(7,745,247)</u>	<u>(7,454,233)</u>
Net defined benefit liabilities	<u>\$ 8,604,132</u>	<u>\$ 8,348,163</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 14,958,292</u>	<u>\$ (6,599,103)</u>	<u>\$ 8,359,189</u>
Service cost			
Current service cost	1,079,984	-	1,079,984
Net interest expense (income)	<u>98,312</u>	<u>(43,772)</u>	<u>54,540</u>
Recognized in profit or loss	<u>1,178,296</u>	<u>(43,772)</u>	<u>1,134,524</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(506,426)	(506,426)
Actuarial gain - changes in financial assumptions	(773,074)	-	(773,074)
Actuarial loss - experience adjustments	<u>1,250,610</u>	<u>-</u>	<u>1,250,610</u>
Recognized in other comprehensive income	<u>477,536</u>	<u>(506,426)</u>	<u>(28,890)</u>
Contributions from the employer	-	(982,041)	(982,041)
Benefits paid	(677,109)	677,109	-

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Direct payment to employees	\$ (161,579)	\$ -	\$ (161,579)
Exchange differences on foreign plans	<u>26,960</u>	<u>-</u>	<u>26,960</u>
Balance at December 31, 2022	<u>\$ 15,802,396</u>	<u>\$ (7,454,233)</u>	<u>\$ 8,348,163</u>
Balance at January 1, 2023	<u>\$ 15,802,396</u>	<u>\$ (7,454,233)</u>	<u>\$ 8,348,163</u>
Service cost			
Current service cost	1,018,015	-	1,018,015
Net interest expense (income)	<u>194,678</u>	<u>(92,238)</u>	<u>102,440</u>
Recognized in profit or loss	<u>1,212,693</u>	<u>(92,238)</u>	<u>1,120,455</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(66,553)	(66,553)
Actuarial loss - changes in financial assumptions	118,258	-	118,258
Actuarial loss - experience adjustments	<u>271,203</u>	<u>-</u>	<u>271,203</u>
Recognized in other comprehensive income	<u>389,461</u>	<u>(66,553)</u>	<u>322,908</u>
Contributions from the employer	-	(1,026,895)	(1,026,895)
Benefits paid	(894,672)	894,672	-
Direct payment to employees	(160,721)	-	(160,721)
Exchange differences on foreign plans	<u>222</u>	<u>-</u>	<u>222</u>
Balance at December 31, 2023	<u>\$ 16,349,379</u>	<u>\$ (7,745,247)</u>	<u>\$ 8,604,132</u> (Concluded)

Through the defined benefit plans under the Labor Standards Act, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a two-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2023	2022
Discount rate	1.19%	1.28%
Expected rate of salary increase	1.00%	1.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Discount rate		
0.25% increase	<u>\$ (317,990)</u>	<u>\$ (306,026)</u>
0.25% decrease	<u>\$ 317,990</u>	<u>\$ 321,327</u>
Expected rate of salary increase		
0.5% increase	<u>\$ 635,979</u>	<u>\$ 627,353</u>
0.5% decrease	<u>\$ (604,180)</u>	<u>\$ (596,751)</u>

The above sensitivity analysis may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Expected contributions to the plan for the next year	<u>\$ 891,625</u>	<u>\$ 862,222</u>
Average duration of the defined benefit obligation	8.1 years	8.4 years

24. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,513,407</u>	<u>\$ 60,135,374</u>

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$683,500 thousand and \$1,178,600 thousand for the years ended December 31, 2023 and 2022. The number of ordinary shares exchanged were 37,803 thousand and 72,313 thousand, respectively, and completed the registration of the change in equity after the issuance of new shares.

b. Capital surplus

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,382,046	\$ 2,092,431
Dividend distributed to subsidiaries	2,680	1,725
Expired equity component of convertible bonds	958,221	929,535
<u>May only be used to offset a deficit (2)</u>		
Long-term investments	476,712	547
<u>May not be used for any purpose</u>		
Equity component of convertible bonds	<u>67,387</u>	<u>96,073</u>
	<u>\$ 3,887,046</u>	<u>\$ 3,120,311</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

The board of directors of the Company proposed to amend the Company Act on January 10, 2024, and the amendments are subject to the resolution in the shareholders' meeting to be held on May 30, 2024. Under the dividend policy as set forth in the amended Company Act, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. The profit can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends.

Under the Company Act before the amendments, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations. Then, if any remaining profit together with any undistributed retained earnings, it shall be used by the Company's board of directors as the basis for proposing a distribution plan that dividends and bonus shall be no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonus mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends. If surplus earnings are distributed in the form of new shares, the distribution of shares shall be resolved in the shareholders' meeting; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Company has no loss, according to laws and regulations, the

Company can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such capital reserve is distributed in the form of new shares, it shall be resolved by a meeting of the shareholders; if such capital reserve is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the following year.

1) Appropriation of earnings in 2021

The appropriation of earnings in 2021 which was resolved and recognized in the shareholders' meeting on May 26, 2022 is as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 925,385	-
Cash dividends	5,000,000	0.83145736

2) Appropriation of earnings in 2022

The appropriation of earnings in 2022 which was resolved and recognized in the shareholders' meeting on May 31, 2023 is as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 305,592	-
Special reserve	534,375	-
Cash dividends	2,772,207	0.4602191

d. Other equity items

The movement of other equity items were as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on the translation of the financial statements of foreign operations	141,415	-	-	141,415
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(4,086,411)	(4,086,411)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(199,639)	(199,639)

(Continued)

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Unrealized gain (loss) on financial assets at FVTOCI	\$ -	\$ 8,570	\$ -	\$ 8,570
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	2,649	46,386	165	49,200
Effects of income tax	<u>(28,283)</u>	<u>(8,526)</u>	<u>774,784</u>	<u>737,975</u>
Other comprehensive income (loss) recognized in the period	<u>115,781</u>	<u>46,430</u>	<u>(3,511,101)</u>	<u>(3,348,890)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>100,687</u>	<u>100,687</u>
Balance at December 31, 2022	<u>\$ (4,298)</u>	<u>\$ 40,918</u>	<u>\$ (570,995)</u>	<u>\$ (534,375)</u>
Balance at January 1, 2023	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (534,375)
Exchange differences on the translation of the financial statements of foreign operations	(7,093)	-	-	(7,093)
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(621,571)	(621,571)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	340,206	340,206
Unrealized gain (loss) on financial assets at FVTOCI	-	(3,603)	-	(3,603)
Share of other comprehensive income (loss) of associates and joint ventures accounted for using the equity method	(2,993)	(14,551)	(1,562)	(19,106)
Effects of income tax	<u>1,419</u>	<u>(38)</u>	<u>(14,697)</u>	<u>(13,316)</u>
Other comprehensive income (loss) recognized in the period	<u>(8,667)</u>	<u>(18,192)</u>	<u>(297,624)</u>	<u>(324,483)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>168,844</u>	<u>168,844</u>
Balance at December 31, 2023	<u>\$ (12,965)</u>	<u>\$ 22,726</u>	<u>\$ (699,775)</u>	<u>\$ (690,014)</u>

(Concluded)

e. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of the reporting date and are as follows:

(In Thousands of Shares)

Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the year ended December 31, 2023	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the year ended December 31, 2022	<u>2,075</u>	<u>-</u>	<u>2,075</u>

Name of Subsidiary	Number of Shares (In Thousands of Shares)	Carrying Amount	Market Value
<u>December 31, 2023</u>			
Mandarin Airlines	2,075	\$ <u>44,916</u>	\$ <u>44,916</u>
<u>December 31, 2022</u>			
Mandarin Airlines	2,075	\$ <u>39,418</u>	\$ <u>39,418</u>

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

25. NET INCOME

a. Revenue

	<u>For the Year Ended December 31</u>	
	2023	2022
Passenger	\$ 99,058,956	\$ 20,479,214
Cargo	56,851,792	115,864,041
Others	<u>5,764,785</u>	<u>4,726,594</u>
	<u>\$ 161,675,533</u>	<u>\$ 141,069,849</u>

b. Other income

	For the Year Ended December 31	
	2023	2022
Interest income	\$ 1,570,722	\$ 566,465
Dividend income	14,713	11,723
Others	<u>286,745</u>	<u>729,343</u>
	<u>\$ 1,872,180</u>	<u>\$ 1,307,531</u>

In 2002, CAA terminated the lease of six aircraft with the Company on a unilateral basis, which arose several litigation between the Company and CAA. Because the aircraft leases were terminated in advance, the agreement had turned from financial lease to operating lease, which caused the situation of overpaid rental owing from the differential of the calculation basis. Therefore, in 2016, the Company sued CAA for an approximate amount of \$1,200 million. The Company lost the case in the first and second instances, and won the part of the case after remanding in the third instance.

The Supreme Court dismissed the appeal and affirmed the conviction that CAA should pay back the principal amount with interest.

CAA has paid the abovementioned amount in October 2022. The Company recognized the amount of \$288 million as other income - others in 2022.

c. Other gains and losses

	For the Year Ended December 31	
	2023	2022
Gain on disposal of property, plant and equipment	\$ 499,881	\$ 19,911
Net foreign exchange gain	832,999	1,517,582
Impairment loss recognized on flight equipment	(1,901,450)	(1,641)
Gain on disposal of investments	2,523	-
(Loss) gain on disposal of non-current assets held for sale	(2,364)	558,477
Others	<u>(320,201)</u>	<u>(269,435)</u>
	<u>\$ (888,612)</u>	<u>\$ 1,824,894</u>

d. Finance costs

	For the Year Ended December 31	
	2023	2022
Interest expense		
Bonds payable	\$ 144,279	\$ 156,189
Bank loans	799,010	749,735
Interest on lease liabilities	1,298,972	1,311,226
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	<u>515</u>	<u>3,810</u>
	<u>\$ 2,242,776</u>	<u>\$ 2,220,960</u>
Capitalization interest	\$ 392,969	\$ 176,264
Capitalization rate	1.64%-2.06%	0.81%-1.58%

e. Depreciation and amortization expenses

	For the Year Ended December 31	
	2023	2022
Property, plant and equipment	\$ 15,382,781	\$ 15,485,006
Right-of-use assets	11,677,780	11,271,556
Intangible assets	<u>181,471</u>	<u>181,662</u>
	<u>\$ 27,242,032</u>	<u>\$ 26,938,224</u>
 An analysis of depreciation by function		
Operating costs	\$ 26,034,269	\$ 26,150,203
Operating expenses	<u>1,026,292</u>	<u>606,359</u>
	<u>\$ 27,060,561</u>	<u>\$ 26,756,562</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ 181,471</u>	<u>\$ 181,662</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2023	2022
Post-employment benefits		
Defined contribution plan	\$ 355,652	\$ 331,703
Defined benefit plan	<u>1,120,455</u>	<u>1,134,524</u>
	<u>\$ 1,476,107</u>	<u>\$ 1,466,227</u>
 Other employee benefits		
Salary expenses	\$ 16,837,377	\$ 14,493,508
Labor and health insurance expenses	1,280,125	1,236,490
Personnel service expenses	<u>4,864,852</u>	<u>3,268,895</u>
	<u>\$ 22,982,354</u>	<u>\$ 18,998,893</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 19,887,973	\$ 16,538,596
Operating expenses	<u>4,570,488</u>	<u>3,926,524</u>
	<u>\$ 24,458,461</u>	<u>\$ 20,465,120</u>

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the year ended December 31, 2023 and 2022, the estimated amount of compensation of employees were \$249,138 thousand and \$120,275 thousand.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual financial statements are authorized for issue are adjusted in the year that the compensation and remuneration are recognized. If there is a change in the proposed amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual appropriated amounts of compensation of employees and the amounts recognized in the financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Year Ended December 31	
	2023	2022
Current tax		
In respect of the current year	\$ 1,307,597	\$ 1,908,649
Adjustments for prior year	(247)	24,169
Deferred tax		
In respect of the current year	(276,611)	(889,534)
Adjustments for prior year	<u>206,163</u>	<u>(13,885)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,236,902</u>	<u>\$ 1,029,399</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2023	2022
Profit before tax from continuing operations	<u>\$ 8,055,454</u>	<u>\$ 3,888,902</u>
Income tax expense calculated at the statutory rate	\$ 1,611,091	\$ 777,780
Effects of adjustments to income tax:		
Nondeductible expenses in determining taxable income	11,508	621,251
Tax-exempt income	(528,544)	(372,693)
Overseas income tax expense	15,600	48,128
Unrecognized deductible temporary differences	(78,669)	(55,351)
Adjustments for prior years' tax	(247)	24,169
Adjustments for prior years' deferred tax	<u>206,163</u>	<u>(13,885)</u>
Income tax expense recognized in profit or loss	<u>\$ 1,236,902</u>	<u>\$ 1,029,399</u>

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ 1,419	\$ 28,283
Fair value changes of hedging instruments for cash flow hedges	(14,697)	774,784
Remeasurement of defined benefit plans	64,581	(5,778)
Fair value changes of financial assets at FVTOCI	<u>(38)</u>	<u>(8,526)</u>
Total income tax recognized in other comprehensive income	<u>\$ 51,265</u>	<u>\$ 732,197</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2023

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 1,682,495	\$ (12,419)	\$ 64,581	\$ 1,734,657
Frequent flyer programs	650,350	140,848	-	791,198
Maintenance reserve	2,396,129	240,645	-	2,636,774
Allowance for impairment loss of inventories	294,857	197,653	-	492,510
Unrealized foreign exchange losses	340,127	(340,127)	-	-
Others	<u>691,853</u>	<u>(129,126)</u>	<u>(13,316)</u>	<u>549,411</u>
	<u>\$ 6,055,811</u>	<u>\$ 97,474</u>	<u>\$ 51,265</u>	<u>\$ 6,204,550</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ -	\$ 27,025	\$ -	\$ 27,025
Others	<u>8,259</u>	<u>1</u>	<u>-</u>	<u>8,260</u>
	<u>\$ 8,259</u>	<u>\$ 27,026</u>	<u>\$ -</u>	<u>\$ 35,285</u>

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen- sive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligations	\$ 1,698,141	\$ (9,868)	\$ (5,778)	\$ 1,682,495
Frequent flyer programs	583,272	67,078	-	650,350
Maintenance reserve	2,288,073	108,056	-	2,396,129
Allowance for impairment loss of inventories	280,131	14,726	-	294,857
Unrealized foreign exchange losses	-	340,127	-	340,127
Others	<u>384,687</u>	<u>324,677</u>	<u>(17,511)</u>	<u>691,853</u>
	<u>\$ 5,234,304</u>	<u>\$ 844,796</u>	<u>\$ (23,289)</u>	<u>\$ 6,055,811</u>

Deferred tax liabilities

Temporary differences				
Unrealized foreign exchange gains	\$ 58,623	\$ (58,623)	\$ -	\$ -
Others	<u>763,745</u>	<u>-</u>	<u>(755,486)</u>	<u>8,259</u>
	<u>\$ 822,368</u>	<u>\$ (58,623)</u>	<u>\$ (755,486)</u>	<u>\$ 8,259</u>

Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets were as follows:

	<u>December 31</u>	
	2023	2022
Other temporary differences	<u>\$ 5,700,000</u>	<u>\$ 6,200,000</u>

d. As of December 31, 2023, the Company has no unused loss carryforwards.

e. Income tax assessments

The income tax returns of the Company through 2021 have been examined by the tax authorities.

27. EARNINGS PER SHARE

	For the Year Ended December 31	
	2023	2022
Basic earnings per share (NT\$ per share)	<u>\$ 1.13</u>	<u>\$ 0.48</u>
Diluted earnings per share (NT\$ per share)	<u>\$ 1.11</u>	<u>\$ 0.47</u>
<u>Net profit for the year</u>		
Earnings used in the computation of basic earnings per share	\$ 6,818,552	\$ 2,859,503
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>16,466</u>	<u>21,415</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 6,835,018</u>	<u>\$ 2,880,918</u>
<u>In thousands of shares</u>		
Weighted average number of ordinary shares used in the computation of basic earnings per share	6,029,240	5,996,406
Effect of potentially dilutive ordinary shares:		
Convertible bonds	108,167	137,708
Compensation of employees	<u>12,580</u>	<u>9,155</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,149,987</u>	<u>6,143,269</u>

The Company may settle the compensation of employees in cash or shares, therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity items).

To support operating activities and purchase of aircraft, the Company needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure that financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment, dividend payments and other needs in the next 12 months.

29. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

	December 31			
	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>				
Bonds payable	\$ 9,648,814	\$ 10,076,215	\$ 9,999,674	\$ 10,313,545

Lease liabilities and long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bonds payable trading in OTC are based on quoted market prices (Level 1).

b. Fair value of financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- 1) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 fair value measurements are those derived from valuation techniques that include inputs for an asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 22,785	\$ 22,785
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>37,640</u>	<u>37,640</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,425</u>	<u>\$ 60,425</u>
Financial assets for hedging	<u>\$ 10,307,692</u>	<u>\$ 40,796</u>	<u>\$ 5,455</u>	<u>\$ 10,353,943</u>
Financial liabilities for hedging	<u>\$ 34,860,884</u>	<u>\$ 47,878</u>	<u>\$ 77,481</u>	<u>\$ 34,986,243</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 41,128	\$ 41,128
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>22,900</u>	<u>22,900</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,028</u>	<u>\$ 64,028</u>
Financial assets for hedging	<u>\$ 3,987,730</u>	<u>\$ 4,935</u>	<u>\$ 38,997</u>	<u>\$ 4,031,662</u>
Financial liabilities for hedging	<u>\$ 42,000,610</u>	<u>\$ 117,495</u>	<u>\$ 55,758</u>	<u>\$ 42,173,863</u>

There were no transfers between Level 1 and 2 in the current period.

4) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instruments</u>	<u>Valuation Techniques and Inputs</u>
Derivatives	The fair values of derivatives (except for options) have been determined based on discounted cash flow analyses using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Company used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of currency options and fuel options and swap are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuation used in isolation would result in an increase or decrease in the fair value of the currency options and fuel options and swap.

The domestic and foreign unlisted equity investments are based on the comparative company valuation to estimate the fair value. The main assumptions are based on the multiplier of the market price of the comparable listed company and the net value per share, which have considered the liquidity discount. The higher the multiplier or the lower the liquidity discount, the higher the fair value of the relevant financial instruments.

The multiplier and liquidity discount of financial instruments based on Level 3 fair value measurement were as follows:

	Multiplier	Liquidity Discount
December 31, 2023	0.82-12.24	80%
December 31, 2022	0.79-10.39	80%

	Derivative Instruments	Equity Instruments
Balance at January 1, 2023	\$ (16,761)	\$ 64,028
Recognized in other comprehensive income	<u>(55,265)</u>	<u>(3,603)</u>
Balance at December 31, 2023	<u>\$ (72,026)</u>	<u>\$ 60,425</u>
Balance at January 1, 2022	\$ 6,124	\$ 55,458
Recognized in other comprehensive income	<u>(22,885)</u>	<u>8,570</u>
Balance at December 31, 2022	<u>\$ (16,761)</u>	<u>\$ 64,028</u>

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Company's collective instruments.

c. Categories of financial instruments

	December 31	
	2023	2022
<u>Financial assets</u>		
Financial assets for hedging	\$ 10,353,943	\$ 4,031,662
Financial assets at amortized cost (Note 1)	34,152,264	44,114,404
Financial assets at FVTOCI - investments in equity instruments	60,425	64,028
<u>Financial liabilities</u>		
Financial liabilities for hedging	34,986,243	42,173,863
Financial liabilities at amortized cost (Note 2)	116,053,175	126,090,173

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, notes and accounts receivable, accounts receivable - related parties, finance lease receivables, other receivables, refundable deposits, restricted assets and other financial assets.

Note 2: The balance include financial liabilities measured at amortized cost, which comprise notes and accounts payable, accounts payable - related parties, other payables, bonds payable, long-term borrowings, lease liabilities, provisions, parts of other current liabilities, parts of other non-current liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Company has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest exchange rates and in fuel prices, the Company has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Company's shareholders to reduce the impact of market price on earnings. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

In addition, the Company has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the Company of global economic and financial conditions, controls the entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The Company enters into foreign exchange forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

The Company enters into foreign currency option contracts to hedge against the risks of changes in related exchange rates, and enters into foreign exchange forward contracts to hedge against the risks on changes in foreign-currency assets, liabilities and commitments in the related exchange rates.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar.

An increase/decrease in U.S. dollars one dollar against New Taiwan dollars when reporting foreign currency risk internally to key management personnel represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease by one dollar against New Taiwan dollars in foreign currency rates. When New Taiwan dollars increased one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the year ended December 31, 2023 of \$17,542 thousand and \$681,979 thousand, respectively, and a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the year ended December 31, 2022 of \$254,789 thousand and \$1,131,220 thousand, respectively.

The Company's hedging strategy is to enter into foreign exchange forward contracts and foreign currency options to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in next year, and managing the mix of U.S. dollar revenue and U.S. dollar lease expenses those transactions are designated as cash flow hedges. When forecasted purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable aircraft prepayments, as the critical terms (i.e., the notional amount, useful life and underlying asset) of the foreign currency options contracts and foreign exchange forward contracts and their corresponding hedged items are the same, the Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign currency options and foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The following table summarizes the information relating to the hedges of foreign currency risk.

Refer to Note 19 for aircraft rental contracts for hedging.

December 31, 2023

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft prepayment - forward exchange contracts	NTD/USD	NTD3,569,231/ USD116,000	2024.1.31- 2024.10.31	29.37-31.581	Financial assets for hedging - current/liabilities for hedging - current	\$ 40,796	\$ 42,370

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft prepayment in U.S. dollars) was \$(1,574) thousand.

For the year ended December 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge Aircraft prepayments	\$ 94,893	\$ -

For the year ended December 31, 2023, the amount of hedging instrument settlements recognized as an increase of aircraft prepayments were \$9,161 thousand.

December 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft prepayment - forward exchange contracts	NTD/USD	NTD3,312,883/ USD108,000	2023.1.19- 2023.6.30	29.5-31.9	Financial assets for hedging - current/liabilities for hedging - current	\$ 4,935	\$ 110,563

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft prepayment in U.S. dollars) was \$(105,628) thousand.

For the year ended December 31, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge Aircraft prepayments	\$ (104,689)	\$ -

For the year ended December 31, 2022, the amount of hedging instrument settlements recognized as a decrease of aircraft prepayments were \$939 thousand.

b) Interest rate risk

The Company enters into interest rate swap contracts to hedge against the risks on change in interest rates of long-term borrowings. The Company was exposed to interest rate risk because the Company borrowed funds at both fixed and floating interest rates.

The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts.

The carrying amount of the Company's financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Fair value interest rate risk	\$ 44,509,698	\$ 52,000,283
Cash flow interest rate risk	69,893,806	80,097,918

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A one yard (25 basis points) increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Company's pre-tax profit for the years ended December 31, 2023 and 2022 would have decreased by \$174,735 thousand and \$200,245 thousand, respectively.

The following tables summarize the information relating to the hedges for interest rate risk.

December 31, 2023

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39-1.58	Financial assets for hedging - current/liabilities for hedging - non-current	\$ -	\$ 5,508

Note: The Company recognized interest receivable and interest payable for \$76 thousand and \$(46) thousand, respectively.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(5,508) thousand.

For the year ended December 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Interest expense on long-term borrowings	<u>\$ 1,424</u>	<u>\$ (516)</u>	(Note)

Note: Increase in finance costs or other losses.

December 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39-1.58	Financial assets for hedging - current/liabilities for hedging - non-current	\$ -	\$ 6,932

Note: The Company recognized interest payable for \$(637) thousands.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(6,932) thousand.

For the year ended December 31, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Interest expense on long-term borrowings	<u>\$ (6,932)</u>	<u>\$ (3,810)</u>	(Note)

Note: Increase in finance costs or other losses.

c) Other price risk

The Company was exposed to fuel price risk on its purchase of aviation fuel. The Company enters into fuel options and swap contracts to hedge against adverse risks on fuel price changes.

December 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges							
Aviation fuel - fuel options	USD	NTD7,553	2024.3.31-2024.9.30	USD60-USD102.50	Financial assets for hedging - current/liabilities for hedging - current	\$ 4,036	\$ 11,590
Aviation fuel - swap	USD	NTD64,472	2024.3.31-2024.12.31	USD74.04-USD87.50	Financial assets for hedging - current/liabilities for hedging - current	1,419	65,891

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(72,026) thousand.

For the year ended December 31, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Fuel options	<u>\$ (55,265)</u>	<u>\$ (9,806)</u>	(Note)

Note: Increase in operating costs.

December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges							
Aviation fuel - fuel options	USD	NTD7,094	2023.3.31-2023.12.31	USD60-USD148	Financial assets for hedging - current/liabilities for hedging - current	\$ 38,997	\$ 46,091
Aviation fuel - swap	USD	NTD9,667	2023.3.31	USD96	Financial assets for hedging - current/liabilities for hedging - current	-	9,667

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(16,761) thousand.

For the year ended December 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Fuel options	<u>\$ (22,885)</u>	<u>\$ 88,690</u>	(Note)

Note: Increase in operating costs.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to fuel price risks at the end of the reporting period.

	For the Year Ended December 31			
	2023		2022	
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase 5%	\$ 980	\$ 3,601	\$ 3,624	\$ 838
Fuel price decrease 5%	(1,435)	(3,601)	(7,066)	(838)

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk primarily comes from accounts receivable generated from operating activities, bank deposits generated from investing activities, fixed income investments and other financial instruments. Operation related credit risk and financial credit risk are managed separately.

Operation - related credit risk

The Company has established procedures to manage operation related credit risk to maintain the quality of accounts receivable.

To assess the risk of individual customers, the Company consider into the financial condition of the customers, the credit rating agency rating, the Company's internal credit rating, transaction history and current economic conditions and many other factors that may affect the repayment. Sometimes, the Company uses certain credit enhancement tools to reduce the credit risk of specific customers.

Since the customers of the aviation industry are dispersed and non-related, the credit risk concentration is not critical.

Financial credit risk

Credit risk on bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. The Company's counterparties and other parties are well-performing banks and financial institutions, corporations, and government agencies, and so the risk of counterparties failing to discharge an obligation is low; therefore, there is no significant credit risk.

Endorsements given by the Company on behalf of its subsidiaries can be found in Note 30(g).

3) Liquidity risk

The objective of the Company's management of liquidity is to maintain cash and cash equivalents sufficient for operating purposes, marketable securities with high liquidity and loan commitments that are sufficient to ensure that the Company has adequate financial flexibility.

Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Company's financial liabilities with agreed-upon repayment periods, which were based on the date the Company may be required to pay the first repayment and financial liabilities is evaluated based on undiscounted cash flows, including cash flows of interest and principal.

Bank loans with a repayment on demand clause are included in the second column of the table below regardless of whether or not the banks would choose to exercise early their rights to repayment. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates. The Company's liquidity analysis for its derivative financial instruments is also shown in the following table. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

December 31, 2023

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	0.9045	\$ 935,660	\$ 3,741,952	\$ 9,343,859
Floating interest rate liabilities	2.0093	18,457,514	27,756,417	13,783,067
Hedging instruments	3.0686	15,014,436	30,633,991	10,022,879
Bonds payable	1.3105	<u>4,850,264</u>	<u>4,989,543</u>	<u>-</u>
		<u>\$ 39,257,874</u>	<u>\$ 67,121,903</u>	<u>\$ 33,149,805</u>

December 31, 2022

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	1.8249	\$ 1,240,819	\$ 3,437,298	\$ 9,359,610
Floating interest rate liabilities	1.5609	12,802,497	47,991,005	9,796,542
Hedging instruments	2.8390	11,025,984	27,455,159	7,480,222
Bonds payable	1.0465	<u>2,454,645</u>	<u>7,729,726</u>	<u>-</u>
		<u>\$ 27,523,945</u>	<u>\$ 86,613,188</u>	<u>\$ 26,636,374</u>

Loan commitments

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Undrawn bank loan commitments (unsecured)	\$ 30,082,707	\$ 22,455,000

30. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are as follows:

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Taiwan Aircargo Terminal Company	Subsidiary
Taoyuan International Airport Service Co., Ltd.	Subsidiary
Sabre Travel Network (Taiwan), Ltd.	Subsidiary
Taiwan Airport Service Co., Ltd.	Subsidiary
Taiwan Airport Service (Samoa)	Subsidiary
Dynasty Aerotech International Corp.	Subsidiary
Global Sky Express	Subsidiary
Mandarin Airlines	Subsidiary
CAL Park	Subsidiary
CAL Hotel Co., Ltd.	Subsidiary
CAL-Asia Investment	Subsidiary
CAL-Dynasty International Inc.	Subsidiary
Tigerair Taiwan Co., Ltd.	Subsidiary
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary
Kaohsiung Catering Services	Subsidiary
China Aircraft Service	Associate (became not related party since March 2022)
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays, Inc.	Associate (completed the dissolution and liquidation procedures in June 2023)
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture (the provisional shareholders' meeting was held in October 2023, and the shareholders resolved to dissolve. And, the liquidation process is in progress in accordance)
Delica International Co., Ltd.	Joint venture
China Aviation Development Foundation (CADF)	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Company, spouse and second-degree relative

b. Operating income

Account Items	Related Party Type	For the Year Ended December 31	
		2023	2022
Other income	Subsidiary	\$ 1,638,162	\$ 837,092
	Major shareholder of the Company	\$ 18,553	\$ 9,131
	Joint venture	\$ 50,999	\$ 46,801

c. Purchases

Related Party Type	For the Year Ended December 31	
	2023	2022
Subsidiary	\$ 3,317,572	\$ 2,845,455
Major shareholder of the Company	\$ 40,705	\$ 18,972
Associate	\$ 266,826	\$ 415,611
Joint venture	\$ 2,558,012	\$ 665,802

d. Accounts receivable - related parties (generated by operations)

Related Party Type	December 31	
	2023	2022
Subsidiary	\$ 156,650	\$ 125,829
Major shareholder of the Company	2,210	1,045
Joint venture	13,966	3,804
	\$ 172,826	\$ 130,678

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment periods of such accounts were within 30 to 90 days, and there are no overdue payments.

e. Accounts payable - related parties (generated by operations)

Related Party Type	December 31	
	2023	2022
Subsidiary	\$ 627,136	\$ 412,618
Major shareholder of the Company	5,100	2,421
Associate	19,980	39,491
Joint venture	645,734	275,898
	\$ 1,297,950	\$ 730,428

The remaining balance of accounts payable - related parties will be paid in cash if they are not secured.

f. Lease arrangements (operating leases)

The Company rented out planes to Mandarin Airlines under an operating lease contract. The monthly rental received is based on flight hours. For the years ended December 31, 2023 and 2022, the rentals received amounted to \$873,998 thousand and \$323,448 thousand, respectively.

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots. The Company paid the rental based on usage hours. For the years ended December 31, 2023 and 2022, the Company paid rentals of \$40,705 thousand and \$18,972 thousand, respectively.

In March 2010, the Company signed a yearly renewable operating lease agreement to use the Operating and Aviation Headquarters building of the Taiwan Taoyuan International Airport with CAL Park. For the years ended December 31, 2023 and 2022, the Company paid rentals of \$231,514 thousand and \$231,288 thousand, respectively.

g. Endorsements and guarantees

	December 31			
	2023		2022	
	Amount Endorsed	Amount Utilized	Amount Endorsed	Amount Utilized
<u>The Company</u>				
Tigerair Taiwan	\$ 2,877,292	\$ 289,059	\$ 2,868,466	\$ 286,202
CAL Park	3,400,000	1,225,080	3,850,000	1,444,200
Taiwan Air Craft Maintenance and Engineering Co., Ltd	2,000,000	1,675,500	2,000,000	1,517,000

h. Remuneration of key management personnel

	For the Year Ended December 31	
	2023	2022
Short-term employee benefits	\$ 62,766	\$ 59,047
Post-employment benefits	<u>16,982</u>	<u>13,503</u>
	<u>\$ 79,748</u>	<u>\$ 72,550</u>

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

31. ASSETS PLEDGED AS COLLATERAL FOR SECURITY

The following assets were pledged or mortgaged as collateral for long-term bank loans and business transactions:

	December 31	
	2023	2022
Property, plant and equipment	\$ 43,277,793	\$ 30,892,531
Restricted Assets	<u>48,432</u>	<u>62,660</u>
	<u>\$ 43,326,225</u>	<u>\$ 30,955,191</u>

32. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Company at December 31, 2023 were as follows:

- a. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,672,763 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of December 31, 2023, the list price had been paid in the amount of US\$84,820 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand. As of December 31, 2023, two backup engine has been delivered, for details please refer to Note 19.
- b. In July and August 2019, the Company signed a contract with Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,905,142 thousand. As of December 31, 2023, seven out of ten aircraft have been delivered. The total list price of the remaining three aircraft is US\$1,223,689 thousand, and the list price has been paid in the amount of US\$244,738 thousand (recognized as prepayments for aircraft).
- c. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircraft and the option to purchase eight 787-9 aircraft. On May 23 and June 20, 2023, the Company exercised the option to purchase eight aircraft, six 787-9 aircraft transfer to 787-10, twenty-four aircraft (include eighteen 787-9 aircraft and six 787-10 aircraft) of the total list price are approximately US\$9,246,181 thousand. The expected delivery periods are from 2025 to 2028. As of December 31, 2023, the list price has been paid in the amount of US\$512,698 thousand (recognized as prepayments for aircraft).

33. IMPACT OF COVID-19

For the years ended December 31, 2022, because of the COVID-19 pandemic, the Company received subsidies of \$1,072,259 thousand, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense were \$590,729 thousand. These subsidies were recognized as other income or deductions from other expenses. The Company has not received such subsidies since 2023.

The Company has obtained relief loan from the government. Refer to Note 17 for details on the amount of loan and its allocation.

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company, and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 955,758	30.7692	\$ 29,407,918
EUR	20,145	34.0136	685,202
HKD	290,865	3.9324	1,143,798
JPY	2,634,833	0.2173	572,549
RMB	411,286	4.3290	1,780,457

Financial liabilities

Monetary items			
USD	1,736,196	30.7692	53,421,352
EUR	9,519	34.0136	323,772
HKD	72,559	3.9324	285,330
JPY	4,159,738	0.2173	903,911
RMB	97,650	4.3290	422,725

December 31, 2022

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 993,035	30.6748	\$ 30,461,150
EUR	41,723	32.7869	1,367,968
HKD	300,543	3.9386	1,183,719
JPY	4,249,561	0.2317	984,623
RMB	470,306	4.4131	2,075,507

Financial liabilities

Monetary items			
USD	1,977,467	30.6748	60,658,405
EUR	6,849	32.7869	224,557
HKD	48,231	3.9386	189,963
JPY	2,989,197	0.2317	692,597
RMB	107,880	4.4131	476,085

For the years ended December 31, 2023 and 2022, the Company's net foreign exchange gains were \$832,999 thousand and \$1,517,582 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions.

35. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
- 1) Financing provided to others: Table 1 (attached).
 - 2) Endorsements/guarantees provided: Table 2 (attached).
 - 3) Marketable securities held: Table 3 (attached).
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached).
 - 5) Acquisitions of individual real estates at costs of at least NT\$100 million or 20% of the paid-in capital: None.
 - 6) Disposals of individual real estates at prices of at least NT\$100 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached).
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached).
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached).
 - 10) Trading in derivative instruments: Notes 6 and 29.
- b. Information on investments in mainland China: Table 8 (attached).
- c. Information of major shareholders: Table 9 (attached).

36. SEGMENT INFORMATION

The Company mainly engages in air transportation services for passengers, cargo and others. The major revenue-generating asset is its aircraft fleet, which is jointly used for passenger and cargo services. Thus, the Company's sole reportable segment is flight segment. For the disclosure of operating segment in the consolidated financial statements, the reportable segment of the Group comprises flight and non-flight business departments. The related information of reportable segment has been disclosed in the consolidated financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 113,636	\$ 107,692	\$ 107,692	2.25	Short-term financing facility is necessary	\$ -	Operating turnover capital expenditure	\$ -	-	\$ -	\$ 157,511	\$ 315,022	

Cal-Dynasty International's operational procedures for financing provided to others or legal requirements:

Note 1: The maximum amount of loans provided to others by the Company is up to 40% of the Company's net worth as stated in its latest financial statements.

Note 2: The maximum amount of loans to an individual counterparty by the Company is up to 20% of the Company's net worth as stated in its latest financial statements.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsor/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd.	100% owned subsidiary 78.89% owned subsidiary by direct and indirect holdings	\$ 14,918,223 14,918,223	\$ 3,850,000 3,036,104	\$ 3,400,000 2,877,292	\$ 1,225,080 289,059	\$ - -	4.56 3.86	\$ 37,295,558 37,295,558	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	14,918,223	2,000,000	2,000,000	1,675,500	-	2.68	37,295,558	Yes	No	No

Note 1: Based on the Company's operational procedures for endorsements/guarantees, the maximum amount of guarantee to an individual counterparty is up to 20% of the Company's shareholders' equity.

Note 2: Based on the Company's operational procedures for endorsements/guarantees, the maximum amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines ("Parent company")	<u>Shares</u>							
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	16,724	\$ 34,218	13.59	\$ 37,640	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	1,672	3,422	-	-	Note 1
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	22,785	11.00	22,785	-
	China Aircraft Services Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	1,072	-	-	-	-
Mandarin Airlines	<u>Shares</u>							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	44,916	-	44,916	-
Cal-Asia Investment	<u>Shares</u>							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	43,557	5.45	43,557	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u>							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	70,928	12,992	-	12,992	-
	FTSA Money Market Fund	-	Financial assets at FVTPL - current	3,301,613	35,083	-	35,083	-
	CAPITAL Money Market Fund	-	Financial assets at FVTPL - current	2,114,700	35,076	-	35,076	-
Taiwan Airport Services	<u>Shares</u>							
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.4	-	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u>							
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,163,289	51,431	-	51,431	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,728,020	51,978	-	51,978	-

Note 1: The subsidiary's net asset value was \$37,640 thousand, which included ordinary shares and preference shares as of December 31, 2023.

Note 2: The company does not issue shares because it is a limited company.

Note 3: The table only lists financial assets that are in accordance with IFRS 9.

CHINA AIRLINES, LTD. AND ITS REINVESTMENT COMPANIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain on Disposal	Shares/Units (In Thousands)	Amount
China Airlines (the "Company")	Tigerair Taiwan Co., Ltd.	Investments accounted for using the equity method	Tigerair Taiwan Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -

Note 1: Marketable securities in this table include shares, bonds, beneficiary certificates and securities derived from these items.

Note 2: Fill in the two columns if marketable securities are accounted for using the equity method.

Note 3: The accumulated buying and selling amount should be calculated separately at the market price, whether it reaches \$300 million or 20% of the paid-in capital.

Note 4: Paid-in capital is the paid-in capital of the Company shares of issuers without par value, or NT\$10 per share, calculated according to 10% of the total equity attributable to the owners of the Company based on the regulation on transaction amounts of 20% of paid-in capital.

Note 5: The Company's subsidiaries issued shares for public offering.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or Payable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	\$ 363,051	0.25	2 months	\$ -	-	\$ (49,543)	(2.11)	
	CAL Park	Subsidiary	Purchase	231,514	0.16	2 months	-	-	-	-	
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	213,426	0.15	2 months	-	-	(27,609)	(1.18)	
	Mandarin Airlines	Subsidiary	Sale	(1,090,121)	(0.67)	2 months	-	-	111,348	1.14	
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	491,256	0.34	30 days	-	-	(41,804)	(1.78)	
	Taoyuan International Airport Service	Subsidiary	Purchase	1,076,485	0.75	40 days	-	-	(282,203)	(12.02)	
	Taiwan Airport Services	Subsidiary	Purchase	198,371	0.14	40 days	-	-	(40,418)	(1.72)	
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(363,877)	(0.23)	1 month	-	-	32,750	0.34	
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	342,252	0.24	1 month	-	-	(41,262)	(1.76)	
	Kaohsiung Catering Services	Subsidiary	Purchase	292,742	0.20	90 days	-	-	(58,364)	(2.49)	
	Eastern United International Logistics	Equity-method investee	Purchase	261,972	0.18	2 months	-	-	(19,533)	(0.83)	
	China Pacific Laundry Services	Equity-method investee	Purchase	169,111	0.12	90 days	-	-	(29,472)	(1.26)	
	China Pacific Catering Services	Equity-method investee	Purchase	2,238,889	1.55	90 days	-	-	(616,262)	(26.25)	
	NORDAM Asia Ltd.	Equity-method investee	Purchase	150,013	0.10	90 days	-	-	-	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Same parent company	Purchase	211,676	4.13	1 month	-	-	-	-	
	Taiwan Airport Services	Same parent company	Purchase	275,018	5.37	1 month	-	-	(3,534)	(0.47)	
Tigerair Taiwan Co., Ltd.	Taoyuan International Airport Service	Same parent company	Purchase	225,883	2.50	40 days	-	-	(78,904)	(7.24)	
	Taiwan Airport Services	Same parent company	Purchase	101,527	1.12	40 days	-	-	(11,632)	(1.07)	
Cal Hotel	CAL Park	Same parent company	Purchase	114,392	30.13	1 month	-	-	-	-	

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
China Pacific Catering Services	China Airlines	Parent company	\$ 616,262	5.14	\$ -	-	\$ 416,987	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	282,023	4.39	-	-	281,896	-
China Airlines	Mandarin Airlines	Subsidiary	111,348	11.42	-	-	111,289	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	154,435,974	100.00	\$ 1,786,823	\$ 20,412	\$ 58,369	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,664,600	462,190	447,118	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,080,000	1,350,000	108,000,000	54.00	1,376,778	340,655	183,833	Note 4
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,418,175	55,608	54,900	Notes 2 and 4
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	767,615	728,508	371,539	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	414,674	111,655	54,711	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	622,487	30,576	30,576	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	237,347	57,046	53,583	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	65,256	38,965	18,450	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	417,978	137,136	70,524	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	334,800	334,800	33,480,000	100.00	340,162	18,955	35,214	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	101,705	22,753	12,514	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	124,583	19,060	19,041	Note 4
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,421	3,058	765	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	6,240,018	5,640,197	337,624,477	75.19	3,179,817	1,826,847	1,402,543	Note 4
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	56,000,000	100.00	377,137	(74,185)	(74,185)	-	
NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	-	(26,080)	(19,196)	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	183,846	154,330	16,613,624	3.70	156,471	1,826,847	69,017	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	1,484	38,965	420	-
CAL-Asia Investment	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	49,030	11,055	4,390	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	406,021	23,082	22,691	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,630	188	96	-

Note 1: Adopted the treasury share method in recognizing investment income or loss.

Note 2: Represents the consolidated financial information of the foreign holding company disclosed in accordance with local regulations.

Note 3: The company does not issue shares because it is a limited company.

Note 4: The difference is due to lease arrangement between consolidated entities.

Note 5: The difference is due to acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2023

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,101,644 (RMB 254,480)	Indirect (Note 1)	\$ 128,799 (US\$ 4,186)	\$ -	\$ -	\$ 128,799 (US\$ 4,186)	\$ 103,389 (RMB 23,508)	14.00	\$ 14,063 (RMB 3,291)	\$ 256,248 (RMB 59,193)	\$ 130,806 (US\$ 4,251) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,606 (RMB 14,000)	Indirect (Note 1)	59,921 (US\$ 1,947)	-	-	59,921 (US\$ 1,947)	75,925 (RMB 17,264)	14.00	10,009 (RMB 2,417)	149,882 (RMB 34,623)	68,563 (US\$ 2,228) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,556,613 (US\$ 83,090)	Indirect (Note 1)	66,191 (US\$ 2,151)	-	-	66,191 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjiang)	Composite material	358,864 (US\$ 11,663)	Indirect (Note 1)	19,569 (US\$ 636)	-	-	19,569 (US\$ 636)	-	5.45	-	43,557 (RMB 10,062)	21,998 (US\$ 715)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$274,481 (US\$8,920)	\$664,951 (Note 3)	\$46,487,322 (Note 4)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2023	Accumulated Repatriation of Investment Income as of December 31, 2023
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,101,644 (RMB 254,480)	Indirect (Note 5)	\$ 123,642 (US\$ 4,018)	\$ -	\$ -	\$ 123,642 (US\$ 4,018)	\$ 103,389 (RMB 23,508)	14.00	\$ 14,062 (RMB 3,291)	\$ 255,035 (RMB 58,913)	\$ 161,716 (US\$ 5,256)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,606 (RMB 14,000)	Indirect (Note 5)	59,285 (US\$ 1,927)	-	-	59,285 (US\$ 1,927)	75,925 (RMB 17,264)	14.00	10,008 (RMB 2,417)	150,090 (RMB 34,671)	84,910 (US\$ 2,760)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2023	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$182,926 (US\$5,945)	\$182,926 (US\$5,945)	\$82,690 (Note 4)

Note 1: The Company invested in CAL-Asia Investment, which invested in a company located in mainland China.

Note 2: As of December 31, 2023, the inward remittance of earnings amounted to US\$4,251,192 and US\$2,228,304.

Note 3: The amount comprised US\$19,828,324, RMB4,200,000 and NT\$36,666,667.

Note 4: The limit stated in the Investment Commission's regulation "The Review Principle of Investment or Technical Cooperation in Mainland China" is the larger of the Company's net asset value or 60% of the consolidated net asset value.

Note 5: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are converted at period-end rates and the gains (losses) are converted at the average of the period-end rates for the reporting period.

(Concluded)

TABLE 9**CHINA AIRLINES, LTD.****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	30.85
National Development Fund (NDF)	519,750,519	8.58

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.