

China Airlines, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2022 and 2021, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the reports of other auditors. The total assets of these subsidiaries were NT\$13,940,928 thousand and NT\$11,831,573 thousand, which represented 4.90% and 4.37% of the consolidated total assets as of March 31, 2022 and 2021, respectively; and the total revenue of these subsidiaries was NT\$22,085 thousand and NT\$14,968 thousand, which represented 0.06% and 0.05% of the consolidated total revenue for the three months ended March 31, 2022 and 2021, respectively.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method were not reviewed. As of March 31, 2022 and 2021, the combined total assets of these non-significant subsidiaries were NT\$20,406,838 thousand and NT\$20,742,633 thousand, respectively, representing 7.18% and 7.67%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$11,180,765 thousand and NT\$10,977,026 thousand, respectively, representing 5.47% and 5.20%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2022 and 2021, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$(164,937) thousand and NT\$(168,915) thousand, respectively, representing (8.59%) and 11.36%, respectively, of the consolidated total comprehensive income. As of March 31, 2022 and 2021, the aforementioned investments accounted for using the equity method were NT\$1,536,795 thousand and NT\$1,889,627 thousand, respectively; and for the three months ended March 31, 2022 and 2021, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$(50,965) thousand and NT\$(81,674) thousand, respectively.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for by using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and 2021 and its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 9, 2022

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2022 (Reviewed)		December 31, 2021 (Audited)		March 31, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 39,936,574	14	\$ 45,269,866	15	\$ 24,026,029	9
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	142,467	-	155,780	-	257,820	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	9,583,303	4	13,028,521	5	1,536,398	1
Financial assets for hedging - current (Notes 4, 6 and 31)	1,528,634	1	3,563,319	1	3,319,084	1
Notes and accounts receivable, net (Notes 4, 5, 10 and 31)	10,552,420	4	13,473,493	5	9,296,240	4
Notes and accounts receivable - related parties (Notes 31 and 32)	2,937	-	2,348	-	2,852	-
Other receivables (Note 31)	963,622	-	752,764	-	734,498	-
Current tax assets (Notes 4 and 28)	59,473	-	59,341	-	70,381	-
Inventories, net (Notes 4 and 11)	8,861,247	3	8,814,975	3	8,264,929	3
Non-current assets held for sale (Notes 4, 5 and 12)	64,016	-	36,719	-	89,956	-
Other current assets (Note 18)	808,106	-	692,464	-	1,105,885	-
Total current assets	<u>72,502,799</u>	<u>26</u>	<u>85,849,590</u>	<u>29</u>	<u>48,704,072</u>	<u>18</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	71,820	-	67,884	-	161,331	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	223,264	-	70,596	-	353,462	-
Investments accounted for using the equity method (Notes 4 and 14)	1,536,795	-	1,555,016	1	1,889,627	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	131,513,405	46	129,632,046	44	143,241,463	53
Right-of-use assets (Notes 4, 21 and 33)	55,222,077	19	56,061,967	19	57,790,916	21
Investment properties (Notes 4 and 16)	2,074,464	1	2,074,531	1	2,074,731	1
Other intangible assets (Notes 4 and 17)	964,007	-	1,008,992	-	1,030,289	-
Deferred tax assets (Notes 4, 5 and 28)	7,277,204	3	6,930,978	2	6,048,683	2
Other non-current assets (Notes 18, 21, 31 and 33)	12,927,801	5	11,469,481	4	9,225,197	4
Total non-current assets	<u>211,810,837</u>	<u>74</u>	<u>208,871,491</u>	<u>71</u>	<u>221,815,699</u>	<u>82</u>
TOTAL	<u>\$ 284,313,636</u>	<u>100</u>	<u>\$ 294,721,081</u>	<u>100</u>	<u>\$ 270,519,771</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 1,932,000	1	\$ 1,932,000	1	\$ 1,932,000	1
Financial liabilities for hedging - current (Notes 4, 21 and 31)	8,582,710	3	8,438,097	3	8,168,211	3
Notes and accounts payable (Note 31)	1,036,009	-	1,115,600	-	1,398,349	1
Accounts payable - related parties (Notes 31 and 32)	105,378	-	130,572	-	103,450	-
Contract liabilities - current (Notes 4, 5 and 23)	4,086,926	1	3,868,712	1	3,540,129	1
Other payables (Notes 22 and 31)	11,044,426	4	14,661,347	5	8,061,204	3
Current tax liabilities (Notes 4 and 28)	4,280,518	2	3,054,287	1	226,604	-
Provisions - current (Notes 4, 24 and 31)	3,308,241	1	3,247,236	1	1,262,426	-
Lease liabilities - current (Notes 4 and 21)	2,639,995	1	2,533,452	1	2,562,559	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20 and 31)	2,525,000	1	2,525,000	1	6,150,000	2
Current portion of long-term borrowings (Notes 19, 31 and 33)	5,402,924	2	9,324,318	3	17,931,908	7
Other current liabilities (Note 31)	2,198,952	1	2,408,484	1	1,056,195	-
Total current liabilities	<u>47,143,079</u>	<u>17</u>	<u>53,239,105</u>	<u>18</u>	<u>52,393,035</u>	<u>19</u>
NON-CURRENT LIABILITIES						
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	27,874,799	10	27,839,847	10	30,606,694	11
Bonds payable - non-current (Notes 4, 20 and 31)	10,352,160	4	11,125,026	4	16,152,661	6
Long-term borrowings - non-current (Notes 19, 31 and 33)	77,989,467	27	85,069,285	29	71,546,595	27
Contract liabilities - non-current (Notes 4 and 23)	831,704	-	635,633	-	1,417,609	1
Provisions - non-current (Notes 4, 24 and 31)	15,855,239	6	15,406,987	5	14,415,791	5
Current tax liabilities - non-current (Notes 4 and 28)	14,530	-	29,060	-	842,194	-
Deferred tax liabilities (Notes 4 and 28)	655,319	-	1,021,553	1	72,651	-
Lease liabilities - non-current (Notes 4 and 21)	13,488,258	5	12,758,050	4	13,497,658	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,569,563	3	9,814,737	3	9,735,920	4
Other noncurrent liabilities (Note 31)	599,666	-	576,780	-	534,867	-
Total non-current liabilities	<u>157,230,705</u>	<u>55</u>	<u>164,276,958</u>	<u>56</u>	<u>158,822,640</u>	<u>59</u>
Total liabilities	<u>204,373,784</u>	<u>72</u>	<u>217,516,063</u>	<u>74</u>	<u>211,215,675</u>	<u>78</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)						
Share capital	59,935,427	21	59,412,243	20	54,209,926	20
Capital surplus	2,950,940	1	2,694,529	1	1,187,345	-
Retained earnings (accumulated deficit)						
Legal reserve	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-
Unappropriated retained earnings (accumulated deficit)	12,326,156	4	9,253,848	3	(1,369,957)	-
Total retained earnings (accumulated deficit)	<u>12,326,156</u>	<u>4</u>	<u>9,253,848</u>	<u>3</u>	<u>(1,369,957)</u>	<u>-</u>
Other equity	1,851,016	1	2,713,828	1	2,352,322	1
Treasury shares	(30,875)	-	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	<u>77,032,664</u>	<u>27</u>	<u>74,043,573</u>	<u>25</u>	<u>56,348,761</u>	<u>21</u>
NON-CONTROLLING INTERESTS (Note 26)	<u>2,907,188</u>	<u>1</u>	<u>3,161,445</u>	<u>1</u>	<u>2,955,335</u>	<u>1</u>
Total equity	<u>79,939,852</u>	<u>28</u>	<u>77,205,018</u>	<u>26</u>	<u>59,304,096</u>	<u>22</u>
TOTAL	<u>\$ 284,313,636</u>	<u>100</u>	<u>\$ 294,721,081</u>	<u>100</u>	<u>\$ 270,519,771</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2022)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 37,233,283	100	\$ 27,827,656	100
OPERATING COSTS (Notes 4, 11, 17, 21, 24, 25, 27 and 32)	<u>31,734,202</u>	<u>86</u>	<u>26,159,788</u>	<u>94</u>
GROSS PROFIT	5,499,081	14	1,667,868	6
OPERATING EXPENSES (Notes 4, 25 and 27)	<u>1,873,052</u>	<u>5</u>	<u>2,137,046</u>	<u>8</u>
PROFIT (LOSS) FROM OPERATIONS	<u>3,626,029</u>	<u>9</u>	<u>(469,178)</u>	<u>(2)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27)	278,803	1	95,820	-
Other gains and losses (Notes 15 and 27)	264,142	1	(219,433)	(1)
Finance costs (Notes 27 and 31)	(565,657)	(2)	(657,383)	(2)
Share of the profit of associates and joint ventures (Note 14)	<u>(50,965)</u>	<u>-</u>	<u>(81,674)</u>	<u>-</u>
Total non-operating income and expenses	<u>(73,677)</u>	<u>-</u>	<u>(862,670)</u>	<u>(3)</u>
PROFIT (LOSS) BEFORE INCOME TAX	3,552,352	9	(1,331,848)	(5)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 28)	<u>(741,621)</u>	<u>(2)</u>	<u>115,301</u>	<u>1</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>2,810,731</u>	<u>7</u>	<u>(1,216,547)</u>	<u>(4)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain on hedging instruments subject to basis adjustment	70,548	-	6,434	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	3,534	-	(2,419)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>(13,536)</u>	<u>-</u>	<u>(376)</u>	<u>-</u>
	<u>60,546</u>	<u>-</u>	<u>3,639</u>	<u>-</u>

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2022		2021	
	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 26)	\$ 72,202	-	\$ 7,163	-
Loss on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 31)	(1,264,133)	(3)	(350,502)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>240,843</u>	<u>1</u>	<u>69,066</u>	<u>-</u>
	<u>(951,088)</u>	<u>(2)</u>	<u>(274,273)</u>	<u>(1)</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(890,542)</u>	<u>(2)</u>	<u>(270,634)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 1,920,189</u>	<u>5</u>	<u>\$ (1,487,181)</u>	<u>(5)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,072,308	8	\$ (1,019,376)	(3)
Non-controlling interests	<u>(261,577)</u>	<u>(1)</u>	<u>(197,171)</u>	<u>(1)</u>
	<u>\$ 2,810,731</u>	<u>7</u>	<u>\$ (1,216,547)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,174,446	6	\$ (1,290,426)	(4)
Non-controlling interests	<u>(254,257)</u>	<u>(1)</u>	<u>(196,755)</u>	<u>(1)</u>
	<u>\$ 1,920,189</u>	<u>5</u>	<u>\$ (1,487,181)</u>	<u>(5)</u>
EARNINGS (LOSS) PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ 0.52</u>		<u>\$ (0.19)</u>	
Diluted	<u>\$ 0.50</u>		<u>\$ (0.19)</u>	

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

(With Deloitte & Touche auditors' review report dated May 9, 2022)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Company											
	Share Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	\$ 54,209,846	\$ 1,187,327	\$ -	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	\$ 3,152,090	\$ 60,711,573
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	79,606	-	79,606	-	79,606
Net loss for the three months ended March 31, 2021	-	-	-	-	(1,019,376)	-	-	-	-	(1,019,376)	(197,171)	(1,216,547)
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	5,693	(1,507)	(275,236)	-	(271,050)	416	(270,634)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	(1,019,376)	5,693	(1,507)	(275,236)	-	(1,290,426)	(196,755)	(1,487,181)
Convertible bonds converted to ordinary shares	80	18	-	-	-	-	-	-	-	98	-	98
BALANCE AT MARCH 31, 2021	<u>\$ 54,209,926</u>	<u>\$ 1,187,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,369,957)</u>	<u>\$ (128,559)</u>	<u>\$ 69,852</u>	<u>\$ 2,411,029</u>	<u>\$ (30,875)</u>	<u>\$ 56,348,761</u>	<u>\$ 2,955,335</u>	<u>\$ 59,304,096</u>
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	\$ 3,161,445	\$ 77,205,018
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	35,050	-	35,050	-	35,050
Net income (loss) for the three months ended March 31, 2022	-	-	-	-	3,072,308	-	-	-	-	3,072,308	(261,577)	2,810,731
Other comprehensive income (loss) for the three months ended March 31, 2022, net of income tax	-	-	-	-	-	53,878	4,108	(955,848)	-	(897,862)	7,320	(890,542)
Total comprehensive income (loss) for the three months ended March 31, 2022	-	-	-	-	3,072,308	53,878	4,108	(955,848)	-	2,174,446	(254,257)	1,920,189
Convertible bonds converted to ordinary shares	523,184	256,411	-	-	-	-	-	-	-	779,595	-	779,595
BALANCE AT MARCH 31, 2022	<u>\$ 59,935,427</u>	<u>\$ 2,950,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,326,156</u>	<u>\$ (66,201)</u>	<u>\$ (1,404)</u>	<u>\$ 1,918,621</u>	<u>\$ (30,875)</u>	<u>\$ 77,032,664</u>	<u>\$ 2,907,188</u>	<u>\$ 79,939,852</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2022)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 3,552,352	\$ (1,331,848)
Adjustments for:		
Depreciation expense	7,350,563	7,881,376
Amortization expense	56,622	54,328
Expected credit loss recognized on trade receivables	9,618	9,370
Net gain on fair value changes of financial assets at fair value through profit or loss	(686)	(149)
Interest income	(36,197)	(41,153)
Share of loss (profit) of associates and joint ventures	50,965	81,674
(Gain) loss on disposal of property, plant and equipment	(2,715)	36,476
Loss on inventories and property, plant and equipment	282,340	386,381
Net gain on foreign currency exchange	(133,352)	(452,373)
Finance costs	565,657	657,383
Recognition of provisions	1,376,905	1,372,144
Others	(7,047)	(2,666)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	13,401	17,007
Notes and accounts receivable	3,093,322	345,392
Accounts receivable - related parties	371	(20,911)
Other receivables	(191,504)	111,511
Inventories	(978,275)	504,149
Other current assets	(169,945)	(258,198)
Notes and accounts payable	(202,207)	(10,756)
Accounts payable - related parties	9,816	(21,963)
Other payables	(3,665,249)	(287,580)
Contract liabilities	414,285	(372,673)
Provisions	(1,309,962)	(313,099)
Other current liabilities	(150,046)	40,211
Defined benefit liabilities	(245,212)	732
Other liabilities	8,624	5,602
Cash generated from operations	9,692,444	8,390,367
Interest received	28,995	43,637
Interest paid	(555,744)	(612,422)
Income tax paid	(18,445)	(22,876)
Net cash generated from operating activities	<u>9,147,250</u>	<u>7,798,706</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(7,233,050)	(983,424)
Proceeds from sale of financial assets at amortized cost	10,804,786	5,994,682
Purchase of financial assets for hedging	(1,329,640)	(2,537)
Proceeds from sale of financial assets for hedging	3,573,027	4,604,205
Payments for property, plant and equipment	(557,457)	(189,642)

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2022	2021
Proceeds from disposal of property, plant and equipment	\$ 5,195	\$ 770
Increase in refundable deposits	(2,130)	(19,011)
Decrease in refundable deposits	41,099	16,114
Increase in prepayments for equipment	(6,147,227)	(6,529,185)
Increase in computer software costs	(78,033)	(8,266)
Increase in restricted assets	<u>(75,621)</u>	<u>(77,553)</u>
Net cash (used in) generated from investing activities	<u>(999,051)</u>	<u>2,806,153</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bills payable	-	(8,088,882)
Repayments of bonds payable	(200)	-
Proceeds from long-term borrowings	1,107,017	230,925
Repayments of long-term borrowings	(12,108,229)	(3,304,180)
Repayments of the principal portion of lease liabilities	(2,869,152)	(2,743,077)
Proceeds from guarantee deposits received	23,978	61,302
Refund of guarantee deposits received	<u>(22,088)</u>	<u>(63,533)</u>
Net cash used in financing activities	<u>(13,868,674)</u>	<u>(13,907,445)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>387,183</u>	<u>202,678</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,333,292)	(3,099,908)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>45,269,866</u>	<u>27,125,937</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 39,936,574</u>	<u>\$ 24,026,029</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2022)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 March 31, 2022, December 31, 2021 and March 31, 2021, CADF and NDF held a combined 39.82%, 40.17% and 44.03%, respectively of the Company’s shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s board of directors on May 9, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- 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 “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)
	(Concluded)

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

Note 2: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 4: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those of for the consolidated financial statements for the year ended December 31, 2021.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosures required in a full set of annual consolidated financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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.

Basis of Consolidation

The consolidated financial statements reporting principles are the same as those in the consolidated financial statements for the year ended December 31, 2021.

Employee Benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

Lease

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2022, that results in the revised consideration for the lease substantially the same as, or less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty for these interim consolidated financial statements are the same as those applied for the annual consolidated financial statements for the year ended December 31, 2021.

6. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021	March 31, 2021
Cash on hand and revolving fund	\$ 523,061	\$ 294,026	\$ 107,856
Checking accounts and demand deposits	21,747,854	28,507,427	12,030,912
Cash equivalents			
Time deposits with original maturities of less than three months	16,040,588	11,347,326	9,512,184
Repurchase agreements collateralized by bonds	<u>1,625,071</u>	<u>5,121,087</u>	<u>2,375,077</u>
	<u>\$ 39,936,574</u>	<u>\$ 45,269,866</u>	<u>\$ 24,026,029</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Bank balance	0%-1.97%	0%-1.9%	0%-1.90%
Time deposits with original maturities of less than three months	0.06%-1.77%	0.07%-0.41%	0.13%-2.40%
Repurchase agreements collateralized by bonds	0.20%-0.53%	0.20%-0.45%	0.22%-0.41%

The Group designated some deposits denominated in USD and repurchase agreements collateralized by bonds 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
March 31, 2022	2022.4.26-2022.4.28	Financial assets for hedging - current	\$ 1,375,358
December 31, 2021	2022.2.7-2022.2.14	Financial assets for hedging - current	3,545,706
March 31, 2021	2021.4.1-2021.8.2	Financial assets for hedging - current	3,314,286

Impact on comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the three months ended March 31, 2022	\$ 70,548
For the three months ended March 31, 2021	6,434

For the three months ended March 31, 2021 and 2022, the amount of hedging instrument settlements recognized as prepayments for equipment were \$43,812 thousand and \$99,507 thousand, respectively.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Beneficiary certificates	<u>\$ 142,467</u>	<u>\$ 155,780</u>	<u>\$ 257,820</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Investments in Equity Instruments

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 36,609	\$ 39,080	\$ 129,488
Domestic investments			
Unlisted shares	<u>35,211</u>	<u>28,804</u>	<u>31,843</u>
	<u>\$ 71,820</u>	<u>\$ 67,884</u>	<u>\$ 161,331</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 Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 9,582,742	\$ 13,027,969	\$ 1,534,735
Government bond	<u>561</u>	<u>552</u>	<u>1,663</u>
	<u>\$ 9,583,303</u>	<u>\$ 13,028,521</u>	<u>\$ 1,536,398</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ 223,264</u>	<u>\$ 70,596</u>	<u>\$ 353,462</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 0.21%-1.11%, 0.21%-1.05% and 0.21%-1.10% per annum as of March 31, 2022, December 31, 2021 and March 31, 2021, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Notes receivable</u>	\$ 245	\$ 1,547	\$ 1,860
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	10,797,371	13,707,506	9,509,934
Less: Allowance for impairment loss	<u>(245,196)</u>	<u>(235,560)</u>	<u>(215,554)</u>
	<u>10,552,175</u>	<u>13,471,946</u>	<u>9,294,380</u>
	<u>\$ 10,552,420</u>	<u>\$ 13,473,493</u>	<u>\$ 9,296,240</u>

The average credit period was 7 to 55 days. In determining the recoverability of a trade receivable, the Group 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 Group's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Group 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 Group uses other publicly available financial information or its own trading records to rate its major customers. The Group'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 Group 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 accounts receivable. 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 Group'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 Group's customer base.

The Group 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 Group 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 accounts receivable based on the Group's provision matrix.

March 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	0.75%	8.43%	41.57%	99.94%	100.00%	
Gross carrying amount	\$ 10,560,993	\$ 73,732	\$ 4,879	\$ 3,518	\$ 154,249	\$ 10,797,371
Loss allowance (lifetime ECLs)	<u>(79,187)</u>	<u>(6,216)</u>	<u>(2,028)</u>	<u>(3,516)</u>	<u>(154,249)</u>	<u>(245,196)</u>
Amortized cost	<u>\$ 10,481,806</u>	<u>\$ 67,516</u>	<u>\$ 2,851</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 10,552,175</u>

December 31, 2021

	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	0.56%	6.79%	20.75%	99.92%	99.99%	
Gross carrying amount	\$ 13,481,446	\$ 61,988	\$ 9,884	\$ 2,499	\$ 151,689	\$ 13,707,506
Loss allowance (lifetime ECLs)	<u>(75,114)</u>	<u>(4,211)</u>	<u>(2,051)</u>	<u>(2,497)</u>	<u>(151,687)</u>	<u>(235,560)</u>
Amortized cost	<u>\$ 13,406,332</u>	<u>\$ 57,777</u>	<u>\$ 7,833</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 13,471,946</u>

March 31, 2021

	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	0.30%	0.67%	0.10%	22.45%	94.51%	
Gross carrying amount	\$ 8,935,260	\$ 261,227	\$ 110,923	\$ 7,238	\$ 195,286	\$ 9,509,934
Loss allowance (lifetime ECLs)	<u>(27,517)</u>	<u>(1,745)</u>	<u>(107)</u>	<u>(1,625)</u>	<u>(184,560)</u>	<u>(215,554)</u>
Amortized cost	<u>\$ 8,907,743</u>	<u>\$ 259,482</u>	<u>\$ 110,816</u>	<u>\$ 5,613</u>	<u>\$ 10,726</u>	<u>\$ 9,294,380</u>

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

	For the Three Months Ended March 31	
	2022	2021
Balance at January 1	\$ 235,560	\$ 206,152
Add: Net remeasurement of loss allowance	9,618	9,370
Add: Amounts recovered	176	106
Less: Amounts written off	(163)	(76)
Foreign exchange gains and losses	<u>5</u>	<u>2</u>
Balance at March 31	<u>\$ 245,196</u>	<u>\$ 215,554</u>

11. INVENTORIES

	March 31, 2022	December 31, 2021	March 31, 2021
Aircraft spare parts	\$ 7,773,739	\$ 7,603,809	\$ 7,348,878
Items for in-flight sale	648,631	621,181	627,067
Work in process - maintenance services	350,980	534,073	241,072
Others	<u>87,897</u>	<u>55,912</u>	<u>47,912</u>
	<u>\$ 8,861,247</u>	<u>\$ 8,814,975</u>	<u>\$ 8,264,929</u>

The operating costs recognized for the three months ended March 31, 2022 and 2021 included losses from inventory write-downs of \$169,321 thousand and \$188,279 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	March 31, 2022	December 31, 2021	March 31, 2021
Aircraft held for sale	<u>\$ 64,016</u>	<u>\$ 36,719</u>	<u>\$ 89,956</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 fair value measurement is classified as Level 3, and the fair value was determined according to similar transactions of the related markets and the proposed sale prices were based on the current status of the aircraft.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			March 31, 2022	December 31, 2021	March 31, 2021
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	82	82	81
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investment	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Yestrip	Travel business	-	-	100
	Cal Park	Real estate lease and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	97	94
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54	54
	Taoyuan International Airport Services	Airport services	49	49	49
	Taiwan Airport Services (Note)	Airport services	48	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100

Note: Proportion of ownership is considered from the perspective of the Group.

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50% and for the other subsidiaries, the Company had control and more than 50% of their voting shares. The above financial information of the subsidiaries for the three months ended March 31, 2022 and 2021 was reported according to financial statements that were not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

Tigerair Taiwan Co., Ltd. planned to issue ordinary shares for cash to meet the needs for funds. The board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 5, 2021. The Company subscribed for 101,212 thousand shares in September 2021. The proportion of ownership of the Group increased to 82%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$54,449 thousand.

To strengthen the capital structure of Mandarin Airlines, the board of directors of the Company approved the plan to issue ordinary shares for cash at \$10 per share on August 26, 2021. The Company subscribed for 199,677 thousand shares in September 2021. The proportion of ownership of the Group increased to 97%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$50,190 thousand.

The liquidation of Yestrip Co., Ltd. was completed on April 22, 2021, and the Company recognized a liquidation loss of \$540 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2022	December 31, 2021	March 31, 2021
Investments in associates	\$ 910,664	\$ 864,178	\$ 1,072,589
Investments in joint ventures	<u>626,131</u>	<u>690,838</u>	<u>817,038</u>
	<u>\$ 1,536,795</u>	<u>\$ 1,555,016</u>	<u>\$ 1,889,627</u>

a. The investments in associates were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Unlisted companies</u>			
China Aircraft Services	\$ -	\$ -	\$ 250,420
Dynasty Holidays	-	-	4,485
Airport Air Cargo Terminal (Xiamen)	537,629	513,059	487,319
Airport Air Cargo Service (Xiamen)	315,516	298,971	276,386
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>57,519</u>	<u>52,148</u>	<u>53,979</u>
	<u>\$ 910,664</u>	<u>\$ 864,178</u>	<u>\$ 1,072,589</u>

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

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	March 31, 2022	December 31, 2021	March 31, 2021
China Aircraft Services	4%	20%	20%
Dynasty Holidays	20%	20%	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%	35%

The investment gain (loss) recognized for associates accounted for using the equity method was as follows:

	For the Three Months Ended March 31	
	2022	2021
China Aircraft Services	\$ -	\$ (27,310)
Dynasty Holidays	-	(438)
Airport Air Cargo Terminal (Xiamen)	5,213	10,908
Airport Air Cargo Service (Xiamen)	5,204	6,233
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>3,324</u>	<u>2,844</u>
	<u>\$ 13,741</u>	<u>\$ (7,763)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on the associates' financial statements which have not been reviewed. However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently reviewed.

China Aircraft Services issued ordinary shares to meet the needs for funds in March 2022. The Group did not participate in the subscription, so the proportion of ownership of the Group decreased from 20% to 4% and the Group 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.

b. Investments in joint ventures

The investments in joint ventures were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
China Pacific Catering Services	\$ 484,066	\$ 533,251	\$ 630,774
China Pacific Laundry Services	110,263	120,876	141,441
NORDAM Asia Ltd.	23,927	28,836	36,952
Delica International Co., Ltd.	<u>7,875</u>	<u>7,875</u>	<u>7,871</u>
	<u>\$ 626,131</u>	<u>\$ 690,838</u>	<u>\$ 817,038</u>

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

	Proportion of Ownership and Voting Rights		
	March 31, 2022	December 31, 2021	March 31, 2021
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%
NORDAM Asia Ltd.	49%	49%	49%
Delica International Co., Ltd.	51%	51%	51%

The Group entered into a joint venture agreement with the Taikoo Group 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 Group does not have control.

To expand the Group's catering business, Kaohsiung Catering entered into a joint venture agreement with a Japanese brand company to invest in Delica International Co, Ltd., with the Japanese brand company having the right to make decisions on operations, and therefore, the Group does not have control.

The investment (loss) gain recognized for joint ventures accounted for using the equity method was as follows:

	For the Three Months Ended March 31	
	2022	2021
China Pacific Catering Services	\$ (49,185)	\$ (65,184)
China Pacific Laundry Services	(10,613)	(7,912)
NORDAM Asia Ltd.	(4,908)	(815)
Delica International Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ (64,706)</u>	<u>\$ (73,911)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which were not independently reviewed. However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently reviewed.

For information on the major businesses and products and the locations of registration for the major business offices of the above entities, refer to Tables 6 and 7 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 955,823	\$ 15,705,635	\$ 282,007,135	\$ 17,058,648	\$ 315,727,241
Additions	-	12,731	12,266	164,645	189,642
Disposals	-	-	(1,072,693)	(46,317)	(1,119,010)
Reclassification	-	-	6,633,856	13,958	6,647,814
Net exchange differences	<u>2,869</u>	<u>5,297</u>	<u>-</u>	<u>558</u>	<u>8,724</u>
Balance at March 31, 2021	<u>\$ 958,692</u>	<u>\$ 15,723,663</u>	<u>\$ 287,580,564</u>	<u>\$ 17,191,492</u>	<u>\$ 321,454,411</u>

(Continued)

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ -	\$ (7,121,637)	\$ (155,376,265)	\$ (11,747,645)	\$ (174,245,547)
Depreciation expense	-	(123,184)	(4,504,782)	(220,509)	(4,848,475)
Disposals	-	-	838,779	45,562	884,341
Reclassification	-	-	-	89	89
Net exchange differences	-	(2,882)	-	(474)	(3,356)
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ (7,247,703)</u>	<u>\$ (159,042,268)</u>	<u>\$ (11,922,977)</u>	<u>\$ (178,212,948)</u>
Balance at March 31, 2021, net value	<u>\$ 958,692</u>	<u>\$ 8,475,960</u>	<u>\$ 128,538,296</u>	<u>\$ 5,268,515</u>	<u>\$ 143,241,463</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 943,305	\$ 15,921,862	\$ 247,842,073	\$ 17,625,366	\$ 282,332,606
Additions	-	30,895	288,157	238,405	557,457
Disposals	-	(238)	(160,176)	(66,673)	(227,087)
Reclassification	-	3,733	5,301,405	38,372	5,343,510
Net exchange differences	<u>16,835</u>	<u>31,133</u>	<u>-</u>	<u>3,387</u>	<u>51,355</u>
Balance at March 31, 2022	<u>\$ 960,140</u>	<u>\$ 15,987,385</u>	<u>\$ 253,271,459</u>	<u>\$ 17,838,857</u>	<u>\$ 288,057,841</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ -	\$ (7,582,813)	\$ (132,691,333)	\$ (12,426,414)	\$ (152,700,560)
Depreciation expense	-	(125,038)	(3,803,900)	(238,404)	(4,167,342)
Disposals	-	238	118,241	65,923	184,402
Reclassification	-	-	159,472	1	159,473
Net exchange differences	-	(17,530)	-	(2,879)	(20,409)
Balance at March 31, 2022	<u>\$ -</u>	<u>\$ (7,725,143)</u>	<u>\$ (136,217,520)</u>	<u>\$ (12,601,773)</u>	<u>\$ (156,544,436)</u>
Balance at March 31, 2022, net value	<u>\$ 960,140</u>	<u>\$ 8,262,242</u>	<u>\$ 117,053,939</u>	<u>\$ 5,237,084</u>	<u>\$ 131,513,405</u>

(Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

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

Buildings	
Main buildings	45-55 years
Others	10-25 years
Machinery 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
Assets leased to others	3-5 years

(Continued)

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

Refer to Note 33 for the carrying amounts of property, plant and equipment and right-of-use assets pledged by the Group.

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

16. INVESTMENT PROPERTIES

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amount			
Investment properties	<u>\$ 2,074,464</u>	<u>\$ 2,074,531</u>	<u>\$ 2,074,731</u>

The investment properties held by the Group were land located in Nankan and buildings in Taipei, which were all leased to others. The buildings are depreciated on a straight-line basis over 55 years.

The fair values of the investment properties held by the Group were both \$2,488,931 thousand as of March 31, 2021 and December 31, 2021. In addition, management assessed that there was no significant difference between the fair values on March 31, 2022 and December 31, 2021. The fair value valuations were performed by independent qualified professional valuers, and the future income which was evaluated by management was based on market transactions.

All of the Group's investment properties were held under freehold interests.

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2021	\$ 1,763,644	\$ 186,197	\$ (873,490)	\$ 1,076,351
Additions	8,266	-	-	8,266
Amortization expense	<u>-</u>	<u>-</u>	<u>(54,328)</u>	<u>(54,328)</u>
Balance at March 31, 2021	<u>\$ 1,771,910</u>	<u>\$ 186,197</u>	<u>\$ (927,818)</u>	<u>\$ 1,030,289</u>
Balance at January 1, 2022	\$ 1,880,049	\$ 168,280	\$ (1,039,337)	\$ 1,008,992
Additions	11,637	-	-	11,637
Reclassification	(28,345)	-	28,345	-
Amortization expense	<u>-</u>	<u>-</u>	<u>(56,622)</u>	<u>(56,622)</u>
Balance at March 31, 2022	<u>\$ 1,863,341</u>	<u>\$ 168,280</u>	<u>\$ (1,067,614)</u>	<u>\$ 964,007</u>

The above items of other intangible assets are amortized on a straight-line basis over 2-16 years.

In addition, the Group has \$16,600 thousand installment payable for the purchase of trademark.

18. OTHER ASSETS

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Current</u>			
Temporary payments	\$ 178,820	\$ 138,688	\$ 626,997
Prepayments	374,811	327,140	264,231
Restricted assets	9,559	9,562	11,000
Others	<u>244,916</u>	<u>217,074</u>	<u>203,657</u>
	<u>\$ 808,106</u>	<u>\$ 692,464</u>	<u>\$ 1,105,885</u>
<u>Non-current</u>			
Prepayments for aircraft	\$ 9,981,257	\$ 8,624,307	\$ 5,349,874
Prepayments - long-term	1,282,550	1,249,389	2,373,661
Refundable deposits	975,252	1,000,457	1,090,546
Restricted assets	655,340	568,247	374,058
Other financial assets	18,388	18,497	18,060
Others	<u>15,014</u>	<u>8,584</u>	<u>18,998</u>
	<u>\$ 12,927,801</u>	<u>\$ 11,469,481</u>	<u>\$ 9,225,197</u>

The prepayments for aircraft are comprised of prepaid deposits and capitalized interest from the purchase of A321neo, A320neo and B777F aircraft. For details of the contract for the purchase of the aircraft, refer to Note 34.

19. BORROWINGS

a. Short-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Bank loans - unsecured	<u>\$ 1,932,000</u>	<u>\$ 1,932,000</u>	<u>\$ 1,932,000</u>
Interest rates	0.90%-1.35%	0.90%-1.26%	0.92%-1.28%

b. Long-term borrowings

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured bank loans	\$ 26,049,892	\$ 33,248,892	\$ 22,433,196
Secured bank loans	36,628,750	35,721,925	39,587,276
Commercial paper			
Proceeds from issue	20,740,000	25,450,000	27,480,000
Less: Unamortized discounts	<u>26,251</u>	<u>27,214</u>	<u>21,969</u>
	83,392,391	94,393,603	89,478,503
Less: Current portion	<u>5,402,924</u>	<u>9,324,318</u>	<u>17,931,908</u>
	<u>\$ 77,989,467</u>	<u>\$ 85,069,285</u>	<u>\$ 71,546,595</u>
Interest rates	0.83%-1.63%	0.81%-1.22%	0.81%-1.63%

Secured bank loans are secured by flight equipment, buildings, and other equipment, refer to Note 33.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Periods	2009.2.4- 2032.6.30	2009.2.4- 2032.6.30	2009.2.4- 2032.6.30

The Group 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 the commercial paper issued. As of March 31, 2022, December 31, 2021 and March 31, 2021, such commercial paper was issued at discount rates of 0.9963%-1.143%, 0.985%-1.097% and 1.0177%-1.0997%, 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 Group applied for a special loan project to maintain its operations, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$35,480 million, which shall be repaid within 2 years to 4 years from the date of initial drawdown. As of March 31, 2022, the Group had made a drawdown in the amount of \$34,101 million.

20. BONDS PAYABLE

	March 31, 2022	December 31, 2021	March 31, 2021
Unsecured corporate bonds first-time issued in 2016	\$ -	\$ -	\$ 2,350,000
Unsecured corporate bonds second-time issued in 2016	-	-	2,500,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	1,000,000	1,000,000
Unsecured corporate bonds second-time issued in 2017	1,300,000	1,300,000	2,600,000
Unsecured corporate bonds first-time issued in 2018	4,500,000	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000	3,500,000
Convertible bonds sixth-time issued	-	379,284	5,852,661
Convertible bonds seventh-time issued	<u>2,577,160</u>	<u>2,970,742</u>	<u>-</u>
	12,877,160	13,650,026	22,302,661
Less: Current portion and put option of convertible bonds	<u>2,525,000</u>	<u>2,525,000</u>	<u>6,150,000</u>
	<u>\$ 10,352,160</u>	<u>\$ 11,125,026</u>	<u>\$ 16,152,661</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually	2016.5.26-2021.5.26	Principal repayable in May of 2020 and 2021; indicator rate; payable annually	1.19
Five-year unsecured bonds - issued at par in September 2016; repayable in September 2020 and 2021; 1.08% interest p.a., payable annually	2016.9.27-2021.9.27	Principal repayable in September of 2020 and 2021; indicator rate; payable annually	1.08
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually	2017.5.19-2020.5.19	Principal repayable on due date; indicator rate; payable annually	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.5.19-2024.5.19	Principal repayable on due date; indicator rate; payable annually	1.75
Three-year private unsecured bonds - issued at par in October 2017; repayable on due date; interest of 1.14% p.a., payable annually	2017.10.12-2020.10.12	Principal repayable on due date; indicator rate; payable annually	1.14
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
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 convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.1.30-2023.1.30	Unless bonds are converted to share capital or redeemed, principal repayable one time in January 2023; 1.3821 discount rate p.a.	-
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.4.28-2026.4.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April 2026; 0.8612 discount rate p.a.	-

- a. The Company issued its 2016 first unsecured corporate bonds with a face value of \$5,000 million, and the purchasers of the bonds included Mandarin Airlines and Sabre Travel Network (Taiwan), who held a cumulative face value of \$150,000 thousand which was eliminated from the consolidated financial statements. These bonds were redeemed in May 2021.
- b. The Company issued the sixth 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 January 30, 2021.
 - 3) The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions. The Company resolved to exercise the right of redemption on January 14, 2022. The reference date of redemption of the bonds is March 9, 2022 and the actual face value of redemption is \$200 thousand.
 - 4) Between April 30, 2018 and January 30, 2023 (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\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends on July 29, 2019, the conversion price was adjusted to NT\$12.6. As of the reference date of redemption of the bonds which was on March 9, 2022, a total face value of NT\$5,999,800 thousand of convertible bonds was converted into 476,174 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 1.3821% per annum on initial recognition.

Proceeds from issuance	\$ 6,012,000
Equity component	<u>(409,978)</u>
Liability component at the date of issuance	<u>\$ 5,602,022</u>

- c. 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 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. As of March 31, 2022, a total face value of NT\$1,831,300 thousand of convertible bonds was converted into 96,384 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	<u>\$ 4,311,138</u>

21. LEASE AGREEMENTS

a. Right-of-use assets

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amounts			
Land	\$ 7,235,065	\$ 7,335,883	\$ 7,542,964
Buildings	946,767	1,018,252	1,363,432
Flight equipment	47,034,384	47,701,558	48,876,393
Other equipment	<u>5,861</u>	<u>6,274</u>	<u>8,127</u>
	<u>\$ 55,222,077</u>	<u>\$ 56,061,967</u>	<u>\$ 57,790,916</u>
		For the Three Months Ended March 31	
		2022	2021
Additions to right-of-use assets		<u>\$ 2,526,134</u>	<u>\$ 1,374,300</u>
Depreciation for right-of-use assets			
Land		\$ 56,234	\$ 102,486
Buildings		85,681	201,366
Flight equipment		3,040,938	2,725,484
Other equipment		<u>302</u>	<u>3,498</u>
		<u>\$ 3,183,155</u>	<u>\$ 3,032,834</u>

b. Lease liabilities

	March 31, 2022	December 31, 2021	March 31, 2021
Carrying amounts			
Current	\$ 2,639,995	\$ 2,533,452	\$ 2,562,559
Non-current	<u>\$ 13,488,258</u>	<u>\$ 12,758,050</u>	<u>\$ 13,497,658</u>

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

	March 31, 2022	December 31, 2021	March 31, 2021
Land	0%-2.00%	0.81%-2.00%	1.09%-1.80%
Buildings	0%-2.98%	0%-2.98%	0%-2.98%
Flight equipment	0.68%-3.34%	0.68%-3.34%	0.68%-3.34%
Other equipment	0%-1.43%	0%-1.43%	1.06%-1.50%

c. Financial liabilities under hedge accounting

The Group 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
March 31, 2022	2022.6.11-2034.2.14	Financial liabilities for hedging - current	\$ 8,567,537
		Financial liabilities for hedging - non-current	27,874,799
December 31, 2021	2022.2.9-2033.12.12	Financial liabilities for hedging - current	8,434,893
		Financial liabilities for hedging - non-current	27,839,847
March 31, 2021	2022.2.9-2028.5.15	Financial liabilities for hedging - current	8,165,713
		Financial liabilities for hedging - non-current	30,606,694

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the three months ended March 31, 2022	\$ (1,390,319)	\$ 172,265
For the three months ended March 31, 2021	(359,570)	150,096

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, nineteen A330-300 planes, fourteen 737-800 planes, ten A320-200 planes, three A320 neo, three A321 neo, two ERJ190 planes and three ART72-600 planes for operation, lease periods are 3 to 16 years from February 2007 to February 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, and the rent is revised every half year. When the lease expires, the lessee does not have purchase rights.

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

	March 31, 2022	December 31, 2021	March 31, 2021
Refundable deposits	\$ 666,676	\$ 682,376	\$ 716,694
Credit guarantees	1,790,226	1,699,376	1,766,692

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, please refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by \$900,268 thousand, \$897,264 thousand and \$888,623 thousand on March 31, 2022, December 31, 2021, and March 31, 2021, respectively.

Taiwan Air Cargo Terminal Co. and CAA signed a BOT contract with a land lease agreement. For details, please refer to Note 34.

e. Lease agreement signed but not yet delivered

In September 2019, the Company signed a rental contract for six A321neo with Air Lease Corporation, which is expected to be introduced between 2021 and 2022. As of March 31, 2022, three A321neo have been 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 2024.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental contract for eight A320neo with ICBC Lease Corporation, which is expected to be delivered between 2021 and 2024. As of March 31, 2022, three A321neo have been delivered.

The Group also signed related aircraft purchase agreement, please refer to Note 34 for details.

f. Sale and leaseback

In order to revitalize assets and strengthen financial structure, the Company signed a sale and leaseback agreement for five A330-300 with CALC Lease Corporation in June 2021 and September 2021. Those aircraft were sold for \$2,810,098 thousand and the Company recognized a loss of \$342,080 thousand. The lease term is 4 years without renewal option or right of first refusal and the annual lease payments for each aircraft are US\$4,200 thousand to US\$4,823 thousand.

g. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F with US Cargo Company in August 2021 and September 2021.

h. Other lease information

The Group uses operating lease agreement for investment properties, refer to Note 16.

	For the Three Months Ended March 31	
	2022	2021
Short-term leases and low-value asset leases	<u>\$ 12,777</u>	<u>\$ 6,507</u>
Total cash outflow for leases	<u>\$ (3,215,686)</u>	<u>\$ (3,100,692)</u>

The Group 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 lease.

22. OTHER PAYABLES

	March 31, 2022	December 31, 2021	March 31, 2021
Fuel costs	\$ 3,101,781	\$ 3,049,812	\$ 2,178,473
Short-term employee benefits	2,932,049	5,848,866	1,610,364
Repair expenses	1,237,284	1,580,899	717,310
Ground service expenses	807,289	778,546	818,197
Terminal surcharges	683,247	716,531	415,349
Interest expenses	113,853	83,250	170,560
Commission expenses	94,223	149,296	140,492
Others	<u>2,074,700</u>	<u>2,454,147</u>	<u>2,010,459</u>
	<u>\$ 11,044,426</u>	<u>\$ 14,661,347</u>	<u>\$ 8,061,204</u>

23. CONTRACT LIABILITIES

	March 31, 2022	December 31, 2021	March 31, 2021
Frequent flyer program	\$ 2,941,279	\$ 2,810,482	\$ 2,504,217
Advance ticket sales	1,967,543	1,693,863	2,442,307
Others	<u>9,808</u>	<u>-</u>	<u>11,214</u>
	<u>\$ 4,918,630</u>	<u>\$ 4,504,345</u>	<u>\$ 4,957,738</u>
Current			
Non-current	\$ 4,086,926	\$ 3,868,712	\$ 3,540,129
	<u>831,704</u>	<u>635,633</u>	<u>1,417,609</u>
	<u>\$ 4,918,630</u>	<u>\$ 4,504,345</u>	<u>\$ 4,957,738</u>

24. PROVISIONS

	March 31, 2022	December 31, 2021	March 31, 2021
Operating leases - aircraft	<u>\$ 19,163,480</u>	<u>\$ 18,654,223</u>	<u>\$ 15,678,217</u>
Current	\$ 3,308,241	\$ 3,247,236	\$ 1,262,426
Non-current	<u>15,855,239</u>	<u>15,406,987</u>	<u>14,415,791</u>
	<u>\$ 19,163,480</u>	<u>\$ 18,654,223</u>	<u>\$ 15,678,217</u>
			Aircraft Lease Contracts
Balance at January 1, 2021			\$ 14,534,286
Additional provisions recognized			1,372,144
Usage			(313,099)
Effect of foreign currency exchange differences			<u>84,886</u>
Balance at March 31, 2021			<u>\$ 15,678,217</u>
Balance at January 1, 2022			\$ 18,654,223
Additional provisions recognized			1,376,905
Usage			(1,309,962)
Unwinding of discounts and effects of changes in the discount rate			(113,204)
Effect of foreign currency exchange differences			<u>555,518</u>
Balance at March 31, 2022			<u>\$ 19,163,480</u>

The Group 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 Group had existing obligations to recognize provisions when signing a lease or during the lease term. Tigerair Taiwan Co., Ltd. also leased flight equipment under operating lease agreements. In accordance with the contract, Tigerair had to pay the maintenance reserve monthly accounted for by using the actual number of flight hours.

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined retirement benefit plan was calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020.

	For the Three Months Ended March 31	
	2022	2021
Operating costs	\$ 228,632	\$ 243,547
Operating expenses	<u>92,760</u>	<u>96,330</u>
	<u>\$ 321,392</u>	<u>\$ 339,877</u>

26. EQUITY

a. Share capital

Ordinary shares

	March 31, 2022	December 31, 2021	March 31, 2021
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 59,935,427</u>	<u>\$ 59,412,243</u>	<u>\$ 54,209,926</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 \$798,700 thousand and \$100 thousand, respectively, for the three months ended March 31, 2022 and 2021. The number of ordinary shares exchanged was 52,318 thousand and 8 thousand, respectively, and completed the registration of the change in equity after the issuance of new shares.

b. Capital surplus

	March 31, 2022	December 31, 2021	March 31, 2021
Issuance of convertible bonds in excess of par value and conversion premium	\$ 1,924,792	\$ 1,668,381	\$ 146,369
Retirement of treasury shares	-	-	33,513
Expired employee share options	-	-	11,747
Long-term investments	540	540	119,134
Bonds payable equity component	112,018	155,676	409,971
Others	<u>913,590</u>	<u>869,932</u>	<u>466,611</u>
	<u>\$ 2,950,940</u>	<u>\$ 2,694,529</u>	<u>\$ 1,187,345</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the converted convertible bonds) may be used to offset deficits; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Company's paid-in capital on a yearly basis).

The capital surplus arising from long-term investments, expired employee share options, dividends distributed to subsidiaries and retirement of treasury shares may not be used for any purpose, except for offsetting a deficit. The capital surplus arising from the conversion of convertible bonds may not be used for any purpose.

c. Appropriation of earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles"), 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, which is to distribute dividends and bonus 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.

Under the Company Act, if surplus earnings are distributed in the form of new shares, the distribution of shares shall be approved in the meeting of the board of directors; 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; and 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 surplus earnings is distributed in the form of new shares, it shall be approved by a meeting of the board of directors; if such surplus earning 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; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles") based on the amended Company Act, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a 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 with due consideration of any future aircraft acquisition plans and fund demands, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders by cash or shares (cash dividends cannot be less than 30% of total dividends distributed). However, if the Company's profit before tax in a fiscal year after deductions for the abovementioned items is not sufficient for earnings distribution, retained earnings can be used as a supplement for the deficiency.

The Company shall set aside profits as a legal reserve until the legal reserve amounts to the authorized capital. The legal reserve could be used for offsetting deficit of the Company. If the Company has no deficit in a fiscal year, the Company can distribute all or part of the capital surplus by cash or shares with due consideration of finance, marketing and management requirements in accordance with the laws and regulations.

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

1) Offsetting deficit in 2020

On August 12, 2021, the offsetting of deficit in 2020 was resolved and recognized in the shareholders' meeting. The deficit included a net income of \$140,000 thousand and negative adjustment of other retained earnings of \$490,581 thousand; thus, the remaining amount of accumulated deficit was \$350,581 thousand. The deficit was offset by the capital reserve of \$350,581 thousand.

2) Appropriation of earnings in 2021

On March 15, 2022, the appropriation of earnings in 2021 which was resolved in the meeting of the Company's board of directors as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 925,385	\$-
Cash dividends	5,000,000	0.83636529

The appropriation of earnings in 2021 is subject to the resolution of the shareholders in their meeting on May 26, 2022.

d. Other equity items

The movement of other equity items is 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 on January 1, 2021	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766
Exchange differences on translation of the financial statements of foreign operations	7,102	-	-	7,102
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(201,215)	(201,215)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(143,208)	(143,208)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(2,419)	-	(2,419)
Effects of income tax	<u>(1,409)</u>	<u>912</u>	<u>69,187</u>	<u>68,690</u>
Other comprehensive income (loss) recognized in the period	<u>5,693</u>	<u>(1,507)</u>	<u>(275,236)</u>	<u>(271,050)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>79,606</u>	<u>79,606</u>
Balance on March 31, 2021	<u>\$ (128,559)</u>	<u>\$ 69,852</u>	<u>\$ 2,411,029</u>	<u>\$ 2,352,322</u>
Balance on January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on translation of the financial statements of foreign operations	65,861	-	-	65,861
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(980,015)	(980,015)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(214,794)	(214,794)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	3,534	-	3,534
Effects of income tax	<u>(11,983)</u>	<u>574</u>	<u>238,961</u>	<u>227,552</u>
Other comprehensive income (loss) recognized in the period	<u>53,878</u>	<u>4,108</u>	<u>(955,848)</u>	<u>(897,862)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>35,050</u>	<u>35,050</u>
Balance on March 31, 2022	<u>\$ (66,201)</u>	<u>\$ (1,404)</u>	<u>\$ 1,918,621</u>	<u>\$ 1,851,016</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2022	2021
Beginning balance	\$ 3,161,445	\$ 3,152,090
Net (loss) income attributable to non-controlling interests	(261,577)	(197,171)
Exchange differences on translation of the financial statements of foreign operations	6,341	61
Cumulative gain on changes in fair value of hedging instruments	1,224	6
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	438
Effects of income tax	<u>(245)</u>	<u>(89)</u>
	<u>7,320</u>	<u>416</u>
Ending balance	<u>\$ 2,907,188</u>	<u>\$ 2,955,335</u>

f. Treasury shares

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

(In Thousands of Shares)

Purpose of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the three months ended March 31, 2022	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the three months ended March 31, 2021	<u>2,075</u>	<u>-</u>	<u>2,075</u>
Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
<u>March 31, 2022</u>			
Mandarin Airlines	2,075	<u>\$ 55,289</u>	<u>\$ 55,289</u>
<u>December 31, 2021</u>			
Mandarin Airlines	2,075	<u>\$ 57,156</u>	<u>\$ 57,156</u>
<u>March 31, 2021</u>			
Mandarin Airlines	2,075	<u>\$ 31,638</u>	<u>\$ 31,638</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.

27. NET INCOME

a. Revenue

	For the Three Months Ended March 31	
	2022	2021
Passenger	\$ 2,185,039	\$ 1,974,969
Cargo	32,779,543	24,025,206
Others	<u>2,268,701</u>	<u>1,827,481</u>
	<u>\$ 37,233,283</u>	<u>\$ 27,827,656</u>

b. Other income

	For the Three Months Ended March 31	
	2022	2021
Interest income	\$ 36,197	\$ 41,153
Others	<u>242,606</u>	<u>54,667</u>
	<u>\$ 278,803</u>	<u>\$ 95,820</u>

c. Other gains and losses

	For the Three Months Ended March 31	
	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 2,715	\$ (36,476)
Gain on financial assets mandatorily classified as at FVTPL	686	149
Net foreign exchange gains (losses)	275,940	(127,657)
Others	<u>(15,199)</u>	<u>(55,449)</u>
	<u>\$ 264,142</u>	<u>\$ (219,433)</u>

d. Finance costs

	For the Three Months Ended March 31	
	2022	2021
Interest expense		
Bonds payable	\$ 41,367	\$ 72,539
Bank loans	190,533	206,467
Interest on lease liabilities	<u>333,757</u>	<u>378,377</u>
	<u>\$ 565,657</u>	<u>\$ 657,383</u>
Capitalization interest	<u>\$ 16,717</u>	<u>\$ 8,293</u>
Capitalization rate	0.63%-0.70%	0.72%-1.11%

e. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2022	2021
Property, plant, equipment	\$ 4,167,342	\$ 4,848,475
Right-of-use assets	3,183,155	3,032,834
Investment properties	66	67
Intangible assets	<u>56,622</u>	<u>54,328</u>
Depreciation and amortization expenses	<u>\$ 7,407,185</u>	<u>\$ 7,935,704</u>
An analysis of depreciation by function		
Operating costs	\$ 7,080,678	\$ 7,506,640
Operating expenses	<u>269,885</u>	<u>374,736</u>
	<u>\$ 7,350,563</u>	<u>\$ 7,881,376</u>
An analysis of amortization by function		
Operating costs	\$ 1,298	\$ 3,822
Operating expenses	<u>55,324</u>	<u>50,506</u>
	<u>\$ 56,622</u>	<u>\$ 54,328</u>

f. Employee benefits expense

	For the Three Months Ended March 31	
	2022	2021
Post-employment benefits		
Defined contribution plan	\$ 128,528	\$ 132,328
Defined benefit plan	<u>321,392</u>	<u>339,877</u>
	<u>\$ 449,920</u>	<u>\$ 472,205</u>
Other employee benefits		
Salary expenses	\$ 5,944,428	\$ 4,482,317
Personnel service expenses	<u>1,400,103</u>	<u>1,120,329</u>
	<u>\$ 7,344,531</u>	<u>\$ 5,602,646</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 6,506,322	\$ 4,879,279
Operating expenses	<u>1,288,129</u>	<u>1,195,572</u>
	<u>\$ 7,794,451</u>	<u>\$ 6,074,851</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 and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the three months ended March 31, 2022, the estimated amount of compensation of employees was \$124,243 thousand, and for the three months ended March 31, 2021, the compensation of employees was not estimated since the Company had an accumulated deficit.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual consolidated 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 consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

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.

28. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expense (benefit) were as follows:

	For the Three Months Ended March 31	
	2022	2021
Current tax		
Current year	\$ 1,219,661	\$ 28,101
Adjustments for prior periods	(16,973)	-
Deferred tax		
Current year	<u>(461,067)</u>	<u>(143,402)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 741,621</u>	<u>\$ (115,301)</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2022	2021
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ (11,983)	\$ (1,409)
Fair value changes of financial assets at FVTOCI	574	912
Fair value changes of hedging instruments for cash flow hedging	<u>238,716</u>	<u>69,187</u>
Total income tax recognized in other comprehensive income	<u>\$ 227,307</u>	<u>\$ 68,690</u>

c. Income tax assessment

The income tax returns of the Company through 2018 have been examined by the tax authorities. And the income tax returns of the Company's subsidiaries through 2019 have been examined by the tax authorities.

29. EARNINGS (LOSS) PER SHARE

	For the Three Months Ended March 31	
	2022	2021
Basic earnings (loss) per share	<u>\$ 0.52</u>	<u>\$ (0.19)</u>
Diluted earnings (loss) per share	<u>\$ 0.50</u>	<u>\$ (0.19)</u>
Earnings (loss) used in the computation of basic earnings (loss) per share	\$ 3,072,308	\$ (1,019,376)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>6,529</u>	<u>-</u>
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 3,078,837</u>	<u>\$ (1,019,376)</u>
<u>In thousands of shares</u>		
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	5,965,183	5,418,911
Effect of potentially dilutive ordinary shares:		
Compensation of employees or bonuses issued to employees	16,118	-
Convertible bonds	<u>166,755</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>6,148,056</u>	<u>5,418,911</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was 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.

30. CAPITAL MANAGEMENT

The goal, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 30 to the Group's consolidated financial statements for the year ended December 31, 2021.

31. FINANCIAL INSTRUMENTS

a. Financial instruments not evaluated at fair value

Except as detailed in the following table, the management considers the carrying amounts of financial assets and financial liabilities recognized in the financial statements as approximating their fair values.

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable	\$ 12,877,160	\$ 14,100,109	\$ 13,650,026	\$ 14,557,830	\$ 22,302,661	\$ 23,734,187

Lease liabilities and long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bond 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 the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ <u>142,467</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>142,467</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 35,211	\$ 35,211
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>36,609</u>	<u>36,609</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,820</u>	<u>\$ 71,820</u>
Financial assets for hedging	<u>\$ 1,375,358</u>	<u>\$ 6,402</u>	<u>\$ 146,874</u>	<u>\$ 1,528,634</u>
Financial liabilities for hedging	<u>\$ 36,442,336</u>	<u>\$ -</u>	<u>\$ 15,173</u>	<u>\$ 36,457,509</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 155,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,780</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 28,804	\$ 28,804
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>39,080</u>	<u>39,080</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,884</u>	<u>\$ 67,884</u>
Financial assets for hedging	<u>\$ 3,545,706</u>	<u>\$ -</u>	<u>\$ 17,613</u>	<u>\$ 3,563,319</u>
Financial liabilities for hedging	<u>\$ 36,274,740</u>	<u>\$ 449</u>	<u>\$ 2,755</u>	<u>\$ 36,277,944</u>

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 257,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 257,820</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 31,843	\$ 31,843
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>129,488</u>	<u>129,488</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,331</u>	<u>\$ 161,331</u>
Financial assets for hedging	<u>\$ 3,314,286</u>	<u>\$ -</u>	<u>\$ 4,798</u>	<u>\$ 3,319,084</u>
Financial liabilities for hedging	<u>\$ 38,772,407</u>	<u>\$ 2,498</u>	<u>\$ -</u>	<u>\$ 38,774,905</u>

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

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

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Derivatives	The fair values of derivatives (except for options) have been determined based on discounted cash flow analysis using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Group 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 fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuations used in isolation would result in an increase or decrease in the fair value of the fuel options.

The domestic and foreign unlisted equity investment 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
March 31, 2022	0.74-14.31	80%
December 31, 2021	0.74-14.31	80%
March 31, 2021	0.79-16.32	80%

The movements of financial instruments based on Level 3 fair value measurement were as follows:

	Derivative Instruments	Equity Instruments
Balance at January 1, 2022	\$ 6,124	\$ 67,884
Recognized in other comprehensive income	<u>119,334</u>	<u>3,936</u>
Balance at March 31, 2022	<u>\$ 125,458</u>	<u>\$ 71,820</u>
Balance at January 1, 2021	\$ -	\$ 163,746
Recognized in other comprehensive income	<u>(2,260)</u>	<u>(2,415)</u>
Balance at March 31, 2021	<u>\$ (2,260)</u>	<u>\$ 161,331</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 Group's collective instruments.

c. Categories of financial instruments

	March 31, 2022	December 31, 2021	March 31, 2021
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 142,467	\$ 155,780	\$ 257,820
Financial assets for hedging	1,528,634	3,563,319	3,319,084
Financial assets at amortized cost (Note 1)	62,920,659	74,194,351	37,443,143
Financial assets at FVTOCI - investments in equity instruments	71,820	67,884	161,331
<u>Financial liabilities</u>			
Financial liabilities for hedging	36,457,509	36,277,944	38,774,905
Financial liabilities at amortized cost (Note 2)	146,249,385	160,383,305	155,516,020

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, other receivables, refundable deposits and other restricted financial assets.

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

d. Financial risk management objectives and policies

The Group 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 Group 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 Group's shareholders to reduce the impact of market price changes on earnings. These risks include market risk (including foreign 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 Group 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 Group is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The Group 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 Group enters into foreign currency option contracts to hedge against the risks on change in related exchange rates, enters into forward contracts to hedge against the risks on changes in foreign-currency assets, liabilities and commitments in the related exchange rates.

Sensitivity analysis

The Group 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 increase 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 other comprehensive income for the three months ended March 31, 2022 of \$68,564 thousand and \$1,214,782 thousand, respectively, and a decrease in pre-tax deficit and increase in pre-tax other comprehensive income for the three months ended March 31, 2021 of \$271,676 thousand and \$1,237,102 thousand, respectively.

The Group's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in the next year. 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 exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of the effectiveness, and it is expected that the value of the 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.

Please refer to Note 21 for aircraft rental contract for hedging.

March 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft rentals - forward exchange contracts	NTD/USD	NTD251,919/ USD9,055	2022.4.27- 2022.12.23	27.6-28.6	Financial assets for hedging - current/ liabilities for hedging - current	\$ 6,402	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$6,402 thousand.

December 31, 2021

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft rentals - forward exchange contracts	NTD/USD	NTD215,651/ USD7,785	2022.4.29- 2022.12.31	27.6-27.9	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 449

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$(449) thousand.

March 31, 2021

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft rentals - forward exchange contracts	NTD/USD	NTD85,216/ USD2,932	2021.4.28- 2021.11.9	28.48-29.72	Financial assets for hedging/liabilities for hedging	\$ -	\$ 1,638
Aviation fuel - forward exchange contracts	NTD/USD	NTD28,571/ USD1,000	2021.5.28	29.38	Financial assets for hedging - current/ liabilities for hedging - current	-	860

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aviation fuel in U.S. dollars) was \$(2,498) thousand.

For the three months ended March 31, 2022

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedge		
Aircraft rentals	\$ 6,852	\$ - (Note)

Note: Decrease in operating costs or exchange loss.

For the three months ended March 31, 2021

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedge		
Aircraft rentals	\$ 1,874	\$ (1,844) (Note)
Aviation fuel	4,934	(5,394)
	\$ 6,808	\$ (7,238)

Note: Decrease in operating costs or foreign exchange loss.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	March 31, 2022	December 31, 2021	March 31, 2021
Fair value interest rate risk	\$ 56,678,987	\$ 56,279,341	\$ 67,774,114
Cash flow interest rate risk	94,093,154	105,262,530	100,771,675

Sensitivity analysis

The sensitivity analysis below was determined based on the Group'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 Group's pretax profit for the three months ended March 31, 2022 would have decreased by \$58,808 thousand.

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Group's pretax profit for the three months ended March 31, 2021 would have decreased by \$62,982 thousand.

c) Other price risk

The Group was exposed to fuel price risk on its purchase of aviation fuel. The Group enters into fuel options contract to hedge against adverse risks on fuel price changes.

March 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD125,457	2022.6.30-2023.12.31	USD60-USD177	Financial assets for hedging - current/ liabilities for hedging - current	\$ 146,874	\$ 15,173

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 \$125,457 thousand.

December 31, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD6,124	2022.1.31-2022.9.30	USD62-USD122	Financial assets for hedging - current/ liabilities for hedging - current	\$ 17,613	\$ 2,755

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 \$6,124 thousand.

March 31, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD2,260	2021.7.31-2021.9.30	USD68.20-USD76.10	Financial assets for hedging - current/ liabilities for hedging - current	\$ 4,798	\$ -

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 \$2,260 thousand.

For the three months ended March 31, 2022

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedges - fuel options	\$ 119,334	\$ 42,529 (Note)

Note: Increase in operating costs.

For the three months ended March 31, 2021

	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Comprehensive Income		
Cash flow hedges - fuel options	\$ 2,260	\$ - (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 Three Months Ended March 31			
	2022		2021	
	Pre-tax Profit Increase (Decrease)	Other Compre- hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre- hensive Income Increase (Decrease)
A 5% increase in fuel price	\$ 12,585	\$ 6,273	\$ -	\$ (2,260)
A 5% decrease in fuel price	(12,585)	(6,273)	-	(2,260)

2) Credit risk

The objective, policies and procedure of credit risk management are the same as the consolidated financial statements for the year ended December 31, 2021. Related illustration can be referred to in Note 31.

3) Liquidity risk

The objective of the Group'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 Group has adequate financial flexibility.

	Undrawn Bank Loan Commitments (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 25,558,021

Liquidity and interest risk rate table

The following table shows the remaining contractual maturity analysis of the Group's financial liabilities with agreed-upon repayment periods, which were based on the date the Group 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 were 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 Group'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.

March 31, 2022

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.4115	\$ 2,943,827	\$ 10,304,781	\$ 9,485,120
Floating interest rate liabilities	1.0456	8,213,613	66,493,855	12,480,648
Hedging instruments	2.8983	9,629,350	27,574,753	2,157,445
Bonds payable	1.0846	<u>2,664,665</u>	<u>10,464,439</u>	<u>-</u>
		<u>\$ 23,451,455</u>	<u>\$ 114,837,828</u>	<u>\$ 24,123,213</u>

December 31, 2021

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.4651	\$ 3,440,414	\$ 9,119,294	\$ 7,314,114
Floating interest rate liabilities	0.9005	12,123,745	71,980,918	13,979,191
Hedging instruments	2.9022	9,375,841	28,118,375	1,532,555
Bonds payable	1.4686	<u>2,740,146</u>	<u>12,303,090</u>	<u>-</u>
		<u>\$ 27,680,146</u>	<u>\$ 121,521,677</u>	<u>\$ 22,825,860</u>

March 31, 2021

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.3020	\$ 3,512,867	\$ 9,876,067	\$ 7,940,094
Floating interest rate liabilities	0.9583	20,762,065	56,340,681	16,043,825
Hedging instruments	3.0521	9,221,894	25,150,304	1,158,792
Bonds payable	0.9588	<u>6,307,714</u>	<u>9,148,751</u>	<u>1,261,984</u>
		<u>\$ 39,804,540</u>	<u>\$ 100,515,803</u>	<u>\$ 26,404,695</u>

32. TRANSACTIONS WITH RELATED PARTIES

The transactions between subsidiaries (obtain business) relationship with China Airlines, Ltd., remaining account balance, revenue and expense are eliminated when combined, which is not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are as follows:

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
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	Associate
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
Nordam Asia Ltd.	Joint venture
Delica International Co., Ltd.	Joint venture
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relative

b. Operating income

<u>Account Items</u>	<u>Related Party Type</u>	<u>For the Three Months Ended March 31</u>	
		<u>2022</u>	<u>2021</u>
Other income	Major shareholder of the Company	<u>\$ 2,233</u>	<u>\$ 5,412</u>
	Joint venture	<u>\$ 5,862</u>	<u>\$ 4,690</u>

c. Purchases

<u>Related Party Type</u>	<u>For the Three Months Ended March 31</u>	
	<u>2022</u>	<u>2021</u>
Major shareholder of the Company	<u>\$ 4,698</u>	<u>\$ 12,510</u>
Associate	<u>\$ 105,952</u>	<u>\$ 92,634</u>
Joint venture	<u>\$ 69,070</u>	<u>\$ 61,201</u>

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

<u>Related Party Type</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>	<u>March 31, 2021</u>
Major shareholder of the Company	\$ 856	\$ 785	\$ 1,220
Joint venture	<u>2,081</u>	<u>1,563</u>	<u>1,632</u>
	<u>\$ 2,937</u>	<u>\$ 2,348</u>	<u>\$ 2,852</u>

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	March 31, 2022	December 31, 2021	March 31, 2021
Major shareholder of the Company	\$ 1,484	\$ 1,816	\$ 2,816
Associate	36,180	68,826	38,687
Joint venture	<u>67,714</u>	<u>59,930</u>	<u>61,947</u>
	<u>\$ 105,378</u>	<u>\$ 130,572</u>	<u>\$ 103,450</u>

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

f. Lease arrangements (operating leases)

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 three months ended March 31, 2022 and 2021, the Company paid rentals of \$4,698 thousand and \$12,510 thousand, respectively.

g. Endorsements and guarantees

	<u>March 31, 2022</u>		<u>December 31, 2021</u>		<u>March 31, 2021</u>	
	<u>Authorized Amount</u>	<u>Actual Amount Used</u>	<u>Authorized Amount</u>	<u>Actual Amount Used</u>	<u>Authorized Amount</u>	<u>Actual Amount Used</u>
<u>The Company</u>						
Cal Park	\$ 3,850,000	\$ 1,553,760	\$ 3,850,000	\$ 1,663,320	\$ 3,850,000	\$ 1,782,980
Tigerair Taiwan Co., Ltd.	2,679,427	267,341	2,590,360	258,454	2,671,771	266,577
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,565,000	2,000,000	1,459,000	2,000,000	1,366,500

h. Remuneration of key management personnel

	For the Three Months Ended March 31	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 23,596	\$ 9,336
Post-employment benefits	<u>13,062</u>	<u>590</u>
	<u>\$ 36,658</u>	<u>\$ 9,926</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2022	December 31, 2021	March 31, 2021
Property, plant and equipment	\$ 31,229,703	\$ 31,823,285	\$ 33,316,314
Right-of-use assets	55,222,077	56,061,967	57,790,916
Restricted assets	<u>664,899</u>	<u>577,809</u>	<u>385,058</u>
	<u>\$ 87,116,679</u>	<u>\$ 88,463,061</u>	<u>\$ 91,492,288</u>

The above restricted assets included pledged time deposits and demand deposits which were made according to loan agreements.

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at March 31, 2022 were as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. TACT filed an application for a 10-year extension of the COP for the cargo terminals in the Taiwan Taoyuan International Airport and Kaohsiung International Airport and received the approval from Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

However, TACT filed an arbitration in 2012 to revise the total amount of expenditure to \$6,840,000 thousand. As of March 31, 2022, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo Terminal Expansion Construction Consultant Contract	\$ 192,000

Assets acquired from cargo terminal improvements, equipment acquisition and subsequent equipment acquisition and replacement will be transferred to the government without any compensation when the chartered operating license expires.

TACT should pay royalties to Taoyuan Airport Corporation and CAA during the chartered operation period. The calculation is based on annual sales (including operating and non-operating revenue but excluding the rental revenue from specific districts), and Taoyuan Airport Corporation and CAA have the option to adjust the royalty rates every 3 years starting from the date of transfer of the chartered operation rights on the basis of actual revenue and expenditures. The current royalty rate is 6%.

- b. CAL Park Co., Ltd. (“CAL Park”) signed “Taiwan Taoyuan International Airport Aviation Operation Center (including Airport Hotel) Construction Operating Contract” with the CAA on September 20, 2006. However, on November 1, 2010, the Taoyuan Airport Corporation took over the CAA’s rights on this contract from the CAA. The contract is effective for 50 years (consisting of the development stage and operating period) from the contract date. Three years before contract expiry date, CAL Park has the first option to renew the contract with a 20-year extension.

CAL Park’s business scope includes providing business and other operating space related to civil air transport, hotels, aviation service and related industries adhered to the base and essential services law and approved by the Taoyuan Airport Corporation.

CAL Park should pay land rentals on the date of the registration of surface rights. The rental rates for the development stage differ from those for the operation period. The rental rates should follow Article No. 2 of the “Regulations for Favorable Rentals Regarding Public Land Lease and Superficies in Infrastructure Projects,” which states that rental calculation in the development stage should include the land value added tax plus the necessary maintenance fee; in the operation period, rentals are 60% of the amount based on the National Building Land Rental Standard plus land value tax, value-added tax and the necessary maintenance fees.

During the 50 years beginning from the initial operation date of CAL Park to the end of the construction period, CAL Park should pay royalties based on the operating revenue estimated in the financial plan of its investment execution proposal. If the sales and business tax declared and filed by a business entity for a single year exceeds 10% of the operating revenue as estimated in the financial plan in its investment execution proposal, CAL Park should pay additional royalties at 10% of this excess.

CAL Park should submit the asset transfer plan within five years before the expiry date of the chartered operation period, begin the negotiation of the asset transfer contract, and complete the assignment no later than three years before the expiry date of the chartered period. If CAA decides not to keep the building and equipment on the base area, CAL Park should remove all related building and equipment within three months after the expiry date.

- c. 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\$1,676,413 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 March 31, 2022, the list price had been paid in the amount of US\$32,578 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. As of March 31, 2022, one out of the four backup engines has been delivered. The Group also signed related aircraft lease agreement, please refer to Note 21.
- d. 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. The expected delivery periods are from 2020 to 2023. 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\$3,914,818 thousand. As of March 31, 2022, four out of ten aircraft have been delivered. The total list price of the remaining six aircraft is US\$2,421,027 thousand, and the list price that has been paid was US\$286,723 thousand (recognized as prepayments for aircraft).
- e. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2027. As of March 31, 2022, the list price has been paid in the amount of US\$18,549 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of March 31, 2022, one out of the two backup engines has been

delivered, and the other was expected to be delivered in 2025. The Group also signed related aircraft lease agreement, please refer to Note 21.

35. IMPACT OF COVID-19

Since the outbreak of the COVID-19 in January 2020, the coronavirus has become a pandemic. The pandemic has now spread around the world and most countries have not removed their travel restrictions. Because the number of inbound and outbound passengers has decreased significantly, the Group adjusts the proportion between passenger aircraft and cargo aircraft used in operations to comply with the government's epidemic prevention policy and cater to market demand. The Company reduces the frequency of passenger air services that have been severely affected, uses the passenger aircraft to support the cargo flight arrangement and expands the function of all-cargo aircraft to maximize the opportunities from air cargo business. Since March 2020, cargo has become the main source of revenue for the Group.

The Group continues to adjust the response measures according to the situation. In addition, to ensure the adequate liquidity, the Group also implements measures for human resource management such as postponing the hiring of newcomers, relaxing the application of special leave, loosening the restrictions on leave without pay, encouraging employees to take leave, adjusting working hours and salaries, etc. The Group's policies to control spending include suspension of non-urgent capital expenditures, reduction in and postponement of payments.

For the three months ended March 31, 2022 and 2021, because of the COVID-19 pandemic, the Company received subsidies of \$402,567 thousand and \$182,959 thousand, respectively, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expense were \$276,314 thousand and \$171,862 thousand, respectively. These subsidies were recognized as other income or deduction from other expenses.

The Group has obtained relief loan from the government. Refer to Note 19 for details on the amount of loan and its allocation.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of entities in the Group 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:

(In Thousands of Foreign Currencies)

March 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 987,534	28.6533	\$ 28,296,100
EUR	28,746	31.9489	918,412
HKD	237,502	3.6563	868,381
JPY	9,026,766	0.2343	2,114,987
RMB	530,105	4.5086	2,390,016

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 2,142,808	28.6553	\$ 61,398,524
EUR	5,198	31.9489	166,072
HKD	55,240	3.6563	201,975
JPY	2,990,835	0.2343	700,758
RMB	116,344	4.5086	524,544
			(Concluded)

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,123,112	27.7008	\$ 31,111,094
EUR	24,700	31.4465	776,718
HKD	551,856	3.5499	1,959,032
JPY	5,082,118	0.2407	1,223,259
RMB	768,075	4.3459	3,337,976

Financial liabilities

Monetary items			
USD	2,116,761	27.7008	58,635,978
EUR	3,724	31.4465	117,119
HKD	65,641	3.5499	233,020
JPY	2,810,820	0.2407	676,564
RMB	112,025	4.3459	486,852

March 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 641,441	28.5714	\$ 18,326,876
EUR	17,284	33.4448	578,061
HKD	236,136	3.6697	866,549
JPY	3,860,686	0.2574	993,741
RMB	377,306	4.3459	1,639,733
			(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 2,154,151	28.5714	\$ 61,547,099
EUR	6,378	33.4448	213,297
HKD	66,767	3.6697	245,015
JPY	3,054,320	0.2574	786,182
RMB	110,213	4.3459	478,976
			(Concluded)

For the three months ended March 31, 2022 and 2021, the Group's net foreign exchange gains (losses) were \$275,940 thousand and \$(127,657) 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 and functional currencies of the entities in the Group.

37. 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: None
 - 5) Acquisitions of individual real estates at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estates at costs of at least NT\$300 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 4 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)
 - 10) Trading in derivative instruments (Note 31)
- b. Information on investments in mainland China: Table 7 (attached)

- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)
- d. Information of major shareholders: Table 9 (attached)

38. SEGMENT INFORMATION

The Group mainly engages in air transportation services for passengers, cargo and others. Its major revenue-generating asset is its aircraft fleet, which is used jointly for passenger and cargo services. Thus, the Group's sole reportable segment is its flight segment. For operating segment reporting in the consolidated financial statements, the reportable segment of the Group and its subsidiaries comprises the flight and the non-flight business departments. The accounting policy applied for reportable segments are consistent with the policies aforementioned in Note 4.

For the three months ended March 31, 2022 and 2021, financial information of reportable segments is listed below:

	For the Three Months Ended March 31, 2022			Total
	Air Transportation	Others	Adjustments and Eliminations	
Operating revenue	<u>\$ 36,188,614</u>	<u>\$ 2,144,846</u>	<u>\$ (1,100,177)</u>	<u>\$ 37,233,283</u>
Operation profit and loss	<u>\$ 3,843,400</u>	<u>\$ (199,736)</u>	<u>\$ (17,635)</u>	\$ 3,626,029
Interest revenue				36,197
Investments income accounted for using the equity method				(50,965)
Revenue				521,947
Financial costs				(565,657)
Expenses				<u>(15,199)</u>
Profit before income tax				<u>\$ 3,552,352</u>
Identifiable assets	<u>\$ 180,663,070</u>	<u>\$ 14,293,087</u>	<u>\$ (6,146,211)</u>	\$ 188,809,946
Investments accounted for using the equity method				1,536,795
Assets				<u>93,966,895</u>
Total assets				<u>\$ 284,313,636</u>

	For the Three Months Ended March 31, 2021			Total
	Air Transportation	Others	Adjustments and Eliminations	
Operating revenue	<u>\$ 26,857,874</u>	<u>\$ 1,803,484</u>	<u>\$ (833,702)</u>	<u>\$ 27,827,656</u>
Operation profit and loss	<u>\$ (296,778)</u>	<u>\$ (151,484)</u>	<u>\$ (20,916)</u>	\$ (469,178)
Interest revenue				41,153
Investment income accounted for using the equity method				(81,674)
Revenue				54,816
Financial costs				(657,383)
Expenses				<u>(219,582)</u>
Loss before income tax				<u>\$ (1,331,848)</u>

(Continued)

For the Three Months Ended March 31, 2021

	Air Transportation	Others	Adjustments and Eliminations	Total
Identifiable assets	<u>\$ 194,406,269</u>	<u>\$ 14,752,152</u>	<u>\$ (6,051,311)</u>	\$ 203,107,110
Investments accounted for using the equity method				1,889,627
Assets				<u>65,523,034</u>
Total assets				<u>\$ 270,519,771</u> (Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE THREE MONTHS ENDED MARCH 31, 2022
 (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 Borrowed Amount	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	Yes	\$ 100,287	\$ 100,287	\$ 100,287	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 146,123	\$ 292,246	

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ 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 82.27% owned subsidiary by direct and indirect holdings	\$ 15,406,532 15,406,532	\$ 3,850,000 2,679,427	\$ 3,850,000 2,679,427	\$ 1,553,760 267,341	\$ - -	5.00 3.48	\$ 38,516,332 38,516,332	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	15,406,532	2,000,000	2,000,000	1,565,000	-	2.60	38,516,332	Yes	No	No

Note 1: Based on the Company's guidelines, 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 guidelines, the allowable aggregate amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2022

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

Holding Company Name	Marketable Security Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2022				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Shares</u>							
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	1,359,368	\$ 23,668	13.59	\$ 26,035	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	135,937	2,367	-	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	35,211	11.00	35,211	-
	China Aircraft Services Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	Jardine Air Terminal Services	-	Financial assets at FVTPL - current	12,000,000	-	15.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	4,021	-	0.02	-	-
Mandarin Airlines	<u>Shares</u>							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	55,289	-	55,289	-
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	-	10,574	5.45	10,574	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u>							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	119,662	36,002	-	36,002	-
Taiwan Airport Services	<u>Shares</u>							
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-	-
Dynasty Aerotech International Corp.	<u>Beneficiary certificates</u>							
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	349,523	4,784	-	4,784	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u>							
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	5,407,832	86,531	-	86,531	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	1,106,807	15,150	-	15,150	-
Tigerair Taiwan Co., Ltd.	<u>Government bonds</u>							
	Treasury Bill (Philippines government bond)	-	Financial assets at amortized cost	-	561	Not applicable	561	-

Note 1: The subsidiary's net asset value was \$26,035 thousand, which included ordinary shares and preference shares as of March 31, 2022.

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 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 THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Nature of 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")	Taiwan Air Cargo Terminal Taoyuan International Airport Service	Subsidiary Subsidiary	Purchase	\$ 173,797	0.06	30 days	\$ -	-	\$ (65,193)	(4.61)	-
			Purchase	280,104	0.96	40 days	-	-	(213,487)	(15.09)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

MARCH 31, 2022

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Taoyuan International Airport Service	China Airlines	Parent company	\$ 213,487	4.82	\$ -	-	\$ 121,388	\$ -

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of March 31, 2022			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				March 31, 2022	December 31, 2021	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	150,000,000	100.00	\$ 1,676,868	\$ 10,569	\$ 20,702	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,474,221	(323,325)	(313,467)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,793,819	188,815	101,966	-
	Cal-Dynasty International	Los Angeles, U.S.A.	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,221,016	11,049	11,055	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	484,066	(96,440)	(49,185)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	450,081	(333,910)	(163,616)	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	540,771	8,609	8,609	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	178,807	(12,655)	(11,887)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ -	HK\$ 58,000	-	-	-	-	-	Note 6
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	117,456	(54,362)	(25,740)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	376,493	(6,281)	(4,655)	Note 5
	Cal Hotel Co., Ltd	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	363,751	28,138	28,509	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	110,263	(19,297)	(10,613)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	154,717	7,107	7,109	Note 4
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 8,000	160	20.00	-	-	-	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	8,509	3,514	878	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	5,640,197	313,631,656	78.41	2,391,368	(725,501)	(568,839)	Note 4
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	135,000,000	100.00	530,109	(27,809)	(27,809)	-	
NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	23,927	(10,017)	(4,908)	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	117,672	(725,501)	(27,992)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,672	(54,362)	(585)	-
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	57,519	9,496	3,324	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	426,771	5,071	5,071	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,875	-	-	-

Note 1: Adopted the treasury shares 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.

Note 6: The Group lost significant influence over it during the year.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2022

(In Thousands of New Taiwan Dollars/Renminbi/U.S. 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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2022	Accumulated Repatriation of Investment Income as of March 31, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,147,349 (RMB 254,480)	Indirect (Note 1)	\$ 119,942 (US\$ 4,186)	\$ -	\$ -	\$ 119,942 (US\$ 4,186)	\$ 19,817 (RMB 4,519)	14.00	\$ 2,439 (RMB 633)	\$ 269,516 (RMB 59,778)	\$ 101,334 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	63,120 (RMB 14,000)	Indirect (Note 1)	55,801 (US\$ 1,947)	-	-	55,801 (US\$ 1,947)	19,153 (RMB 4,368)	14.00	2,523 (RMB 611)	157,719 (RMB 34,981)	44,715 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,380,803 (US\$ 83,090)	Indirect (Note 1)	61,639 (US\$ 2,151)	-	-	61,639 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	334,183 (US\$ 11,663)	Indirect (Note 1)	18,223 (US\$ 636)	-	-	18,223 (US\$ 636)	-	5.45	-	10,574 (RMB 2,345)	10,215 (US\$ 357)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$255,605 (US\$8,920)	\$623,749 (Note 3)	\$47,963,911 (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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2022	Accumulated Repatriation of Investment Income as of March 31, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,147,349 (RMB 254,480)	Indirect (Note 5)	\$ 115,139 (US\$ 4,018)	\$ -	\$ -	\$ 115,139 (US\$ 4,018)	\$ 19,817 (RMB 4,519)	14.00	\$ 2,774 (RMB 633)	\$ 268,113 (RMB 59,467)	\$ 130,119 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	63,120 (RMB 14,000)	Indirect (Note 5)	55,208 (US\$ 1,927)	-	-	55,208 (US\$ 1,927)	19,153 (RMB 4,368)	14.00	2,681 (RMB 611)	157,797 (RMB 34,999)	59,937 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$170,347 (US\$5,945)	\$170,347 (US\$5,945)	\$148,835 (Note 6)

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

Note 2: As of March 31, 2022, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

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)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2022
(In Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Taiwan Air Cargo Terminal	a	Other operating costs	\$ 173,797	The same as ordinary transactions	0.47
		Taoyuan International Airport Service	a	Accounts payable - related parties	213,487	The same as ordinary transactions	0.08
		Taoyuan International Airport Service	a	Airport service costs	280,104	The same as ordinary transactions	0.75
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	173,797	The same as ordinary transactions	0.47
2	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	280,104	The same as ordinary transactions	0.75
		China Airlines, Ltd.	b	Accounts receivable - related parties	213,487	The same as ordinary transactions	0.08

Note 1: The three directional types for transactions by business relationship between China Airlines, Ltd. and its subsidiaries are as follows:

- a. Parent to subsidiaries.
- b. Subsidiaries to parent.
- c. Subsidiaries to subsidiaries.

Note 2: Intercompany transactions were eliminated in the consolidated financial statements.

Note 3: The Company only discloses transaction amounts or balances of more than \$100,000 thousand.

TABLE 9**CHINA AIRLINES, LTD.****INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.15
National Development Fund (NDF)	519,750,519	8.67

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.