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CHINA AIRLINES

2020 ANNUAL REPORT

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(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

Letter to Shareholders

1.1 Operating Performance in 2020

1.2 Business Plan for 2021

1.3 Development Strategies

I. Letter to Shareholders

2020 was a devastating year for both China Airlines and the aviation industry around the globe. Travel restriction and disease prevention measures implemented in most of the countries greatly struck the aviation market, forcing many airline companies to step out of the market or undertake reform. Facing unprecedented upheaval, China Airlines captures the market trend and creates revenue by leveraging 18 freighters, mitigating the impacts with air cargo shipment. China Airlines has overcome the drawbacks together with our employees and the professional operation of our cargo fleet has received universal recognition.

In the epidemic prevention, China Airlines adopted the health care measures implemented by the health competent authority to provide passengers a safe and sound travel experience. This has gained passengers' higher trust for China Airlines in resuming flights in the upcoming future. To maintain normal operation, China Airlines made several financial strategies to ensure stable finance, including internal cost control, cutting flights, financial assistance from the government, and aging freights retirement, etc. For passenger flights, China Airlines cut and adjusted the flights, timely rearranging the capacity to reduce losses. For cargo flights, China Airlines utilized the belly hold of the passenger flights to carry cargo. It also provided high-value goods shipment and charter service to expand its profit.

2021 is still a challenging year. Yet as the overall economy gradually recovers, the demands for IT equipment delivery and vaccine delivery appear. Thus, air cargo is still the main operation for China Airlines. China Airlines is the only carrier in Taiwan to be certified by the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma) for temperature-controlled cold chain logistics so far. Recently introducing 18 new 747-400F aircraft and 3 new-gen 777F freighters, China Airlines will continue to leverage Taiwan's position as a transport hub to provide air cargo shipment. Passengers' safety and health are our top priority. China Airlines will closely follow the pandemic condition and properly evaluate the flight resumption. During the spread of COVID-19, China Airlines never stopped training employees and optimizing the operation procedure. Digital transformation has been what China Airlines doing, and we will make full preparation when the aviation industry gets back to normal.

In line with the six main strategies, safety, governance, fleet network, product service, group collaboration, and brand recognition, China Airlines has put the effort into the economy, environment, and society relentlessly. Since early 2020 of the COVID-19 outbreaks, China Airlines has served as the National Sky Team by giving international humanitarian assistance and delivering medical resources to countries with severe infection. China Airlines also offered special flights to carry Taiwanese stranded overseas back to the country. In the future, China Airlines will continue to bear the responsibility as a national carrier and create sustainable value for the public.

As the aviation industry has suffered from a serious downturn, China Airlines will take a discreet attitude and flexible strategies to fight together with our employees. We will timely adjust and consolidate the resources in the Group to cope with the ever-changing market. We expect the full recovery of the economy will bring China Airlines thriving performance.

1.1 Operating Performance in 2020

Operating revenue in NT dollars (same hereafter) was NT\$106.327 billion, a 27.36% decrease over the past year, and the after-tax net profit was NT\$0.14 billion (which is an increase of 1.34 billion over the last year), for a basic after-tax net profit of NT\$0.03 per share.

1.1.1 Results of the business strategy

A. Fleet:

Two 777F aircraft were introduced in the last quarter of 2020 to optimize the fleet structure. As of the end of December 2020, our fleet size was 93 vessels, including 70 passenger aircraft (including leased aircraft) and 23 cargo aircraft.

B. Passenger flights:

Revenue from passenger business was NT\$20.508 billion, a 78.68% decrease over the past year and accounting for 19.29% of total operating revenue. As of the end of 2020, the China Airlines Group flew to 23 countries and 72 passenger destinations, spanning Asia, Europe, the Americas, and Oceania.

On average, there are 352 round-trip flights per week.

C. Cargo flights:

Revenue from cargo business was NT\$81.693 billion, an 88.21% increase over the past year, accounting for 76.83% of total operating revenue. As of the end of 2020, the China Airlines Group flew 20 cargo planes in cargo operations to 17 countries and 39 destinations. On average, there were an average of 115 cargo flights per week.

D. Other operating income:

Other operating revenue included in-flight duty-free sales revenue, totaling NT\$4.126 billion, a 39.23% decrease over the past year, accounting for 3.88% of the total operating revenue.

E. Investments and earnings:

As of the end of 2020, the Company had investment in a total of 31 companies, in areas of business such as air business, ground services, logistics, aircraft maintenance, air cargo station business, etc., which contributed NT\$1.85 billion in loss over the year.

1.1.2 Business cash-flow budget and profitability analysis

A. Cash flow:

Operating revenue was NT\$106.327 billion, a reduction of 40.045 billion over last year.

Operating costs and expenses were NT\$101.442 billion, a reduction of NT\$44.85 billion over last year.

Pre-tax net profit was NT\$0.171 billion, an increase of NT\$1.358 billion over the past year.

After-tax net profit was NT\$0.14 billion, an increase of NT\$1.34 billion over last year.

B. Budget execution:

Projected operating revenue was NT\$153.045 billion, and the actual operating revenue was NT\$106.327 billion, for a 69.47% attainment; projected operating costs and fees were NT\$151.084 billion, and actual operating costs were NT\$101.442 billion, at a spending rate of 67.14%. Projected losses from non-operating activities totalled NT\$0.76 billion, with actual losses from non-operating activities at NT\$4.714 billion. Projected annual pre-tax net profit was NT\$1.201 billion, and actual pre-tax net profit was NT\$0.171 billion.

C. Profitability:

Return on assets 0.89%
Return on equity 0.25%
After-tax profit margin 0.13%
After-tax earnings per share NT\$0.03

1.1.3 Research and development

A. "Solid root first, innovation as a supplement" was the main strategy for IT development in 2020. China Airlines solidified the core business systems and reinforced the infrastructure to strengthen the risk management control of information safety. China Airlines also adopted innovative services such as robot customer service, process automation, big data analysis, mobile application, cloud computing, and VR/AR usage, etc. These applications have enhanced CAL's competency, increased revenue, cut down costs, and increased work efficiency.

B. Revenue Management System (RMS) is the core system to manage the sales of flight seats, which enhanced aviation network and competency. The new O&D (Original & Destination) RMS was implemented after evaluation and was officially operated on July 30, 2020. O&D RMS calculates the value of each seat by considering the booking information in the history and price information. Through dynamic deployment, routes and areas with high value will be highlighted, maximizing the passenger flight revenue.

C. In 2020, China Airlines continued to optimize the flight booking system and interface. The time for online booking has been extended to 80 minutes before the flight departure. For the ticket purchase on the CAL website, the 3-D secure protocol was implemented to safeguard the safety of credit card transactions for passengers around the globe; WeChat Pay was allowed for passengers in mainland China, leveling up the convenience for online ticket purchase. China Airlines established the pandemic section in response to the spread of COVID-19. Entry restrictions in Taiwan and other countries have been regularly updated, as well as schedule changes, ticket changes, ticket refunds, and other epidemic prevention measures. This was to facilitate passengers to keep up to date with the travel information and offer a friendlier experience in ticket purchases online.

D. Customer Relationship Management (CRM) project put passengers' travel experience in mind to fulfill a digitized service. By reviewing each phase in travel, from ticket purchase, preparation, check-in at the airport, and arrival, China Airlines built comprehensive, digitized, and

passenger-oriented services. The services include accessing travel information on the mobile app, enjoying more friendly airport and in-flight services, and receiving swift support for the flight change.

E.China Airlines leveraged the marketing funnel strategy and analyzed the browsing behaviors of CAL website visitors. By maximizing digital advertisement, approaching more consumers, and selecting potential target audiences using data analysis, China Airlines placed brand marketing advertisements on target consumers. Along with the promotion via EDM, app, and text messages, China Airlines displayed discount offers to potential customers, boosting customer consumption. In addition to newsletter marketing, content marketing, and social media, China Airlines continuously held physical campaigns and realized the corporate brand visions.

1.2 Business Plan for 2021

To prevent the spread of COVID-19, border lockdown and travel restrictions have been implemented in most of the countries, causing international flights to plummet and hitting hard on the aviation industry. China Airlines followed the pandemic prevention regulations in different countries and remained the normal operations of important routes to satisfy the market demand. For air cargo, as the delivery of the pandemic prevention resources and e-commerce goods remained strong, China Airlines agilely adjusted the capacity of passenger flights and cargo flights to enhance the overall capacity and increase revenue.

In 2021, it is expected that the global aviation market will recover as more people receive vaccines. China Airlines will continue to focus on the pandemic development in each area and agilely adjust its business pattern. China Airlines will push forward with its edge in air cargo and steadily recover its business.

1.2.1 Passenger Service

Other than the normal operations of important routes and flights, China Airlines will keep following the border policies around the world and the development of travel bubbles in Asia-Pacific countries to resume more passenger flights and grasp more opportunities.

After the market recovers, China Airlines will enter deep into the major markets, reinforce the role of Taoyuan International Airport as a major hub in the Asia-Pacific region, and strengthen the transfer capacity in the aviation network. China Airlines will

continue to work with other airline companies to boost overall performance. Meanwhile, China Airlines will keep track of the market trend and follow the diplomatic policies of the government to adjust aviation structure. By evaluating the market potential and adding more flights, China Airlines will remain steadfast as a leading carrier.

A. Northeast Asian Routes:

In response to the strong demand for air cargo shipment during the COVID-19 pandemic, China Airlines remains normal operations for flights between Taiwan and Japan (Taoyuan-Narita/Osaka/Fukuoka/Nagoya) The flight to Nagoya is exclusively provided by China Airlines. For flights between Taiwan and South Korea, the Taoyuan-Seoul route remains a normal operation. As border control in different countries is constantly changing, China Airlines closely oversees the changes and adjusts accordingly. China Airlines will also control the ticket prices in the appropriate range to ensure company revenue.

B. Southeast Asian Routes:

Other than major routes and flights, China Airlines offers commercial/medical chartered flight services to destinations like Hanoi, Ho Chi Minh City, Yangon, Bali, and Palau, etc. Taoyuan-Cebu route and Taoyuan-Chiang Mai route may be opened depending on the tourist demand and post-pandemic market condition.

C. Cross-Strait Routes:

Due to the epidemic prevention policies and cancellation of business travels, the demand for cross-strait flights dropped dramatically. China Airlines currently only provide services in Beijing, Shanghai, Xiamen, and Chengdu. For Hong Kong station, passengers who arrive in Hong Kong by boat can directly depart by flight without the requirement of quarantine. This offers another option for Taiwanese businesspersons to head home.

D. Long-Haul Routes:

China Airlines maintains the normal operation in North America to connect to the southeast Asia network and facilitate the transit of passengers. China Airlines takes advantage of belly hold of passenger flights to carry cargo, and creates revenue by utilizing passenger flights to deliver cargo.

E. European Routes:

The coronavirus severely attacked Europe. Yet China Airlines remains operations in key destinations like London, Amsterdam, and Frankfurt to support the traveling needs of students and family members.

F. Australia and New Zealand Routes:

China Airlines remains normal operations in Australia and New Zealand but departure/arrival time is adjusted. China Airlines also strengthens the transit service from Australia/New Zealand to Europe, North America, and Northeast Asia in the hope of improving the flight service. In winter, cargo flights to New Zealand and Auckland are added, which provide passenger seats. Cargo flight to Christchurch is also open for expanding the aviation network of Australia and New Zealand.

1.2.2 Cargo Service

China Airlines provides differentiation services by utilizing Boeing 747-400F cargo-only freighters to load large cargoes. Meanwhile, Fuel-saving Boeing 777F freighters are deployed to improve revenue management; China Airlines won many delivery opportunities by holding the CEIV Pharma certification. It will continue to provide mid-and long-term chartered flight service and provide customized regular/irregular charter service.

A. Long-Haul Routes

China Airlines arranges 40 long-haul routes every week, and adds more flights according to market change to meet the demands of high-price charter service. Through inter-airline cooperation, expanding the import and export sources of goods in Central and South America, extending aviation network services, and increasing loading capacity. After the introduction of the new 777F cargo aircraft at the end of 2020, China Airlines has prioritized flights to US West Coast destinations to improve flight payload and optimize economic efficiency.

B. European Routes:

China Airlines maintains the operation of 6 flights per week in cooperation with the pandemic prevention laws and continues to promote the potential markets of Delhi and Mumbai in India in response to the Indian market development plan, so as to achieve two-stage revenue benefits.

C. Regional routes:

China Airlines organizes 70 flights on regional routes and flexibly adds flights as demands rise; Cross-strait flights to Zhengzhou, Guangzhou, and Chongqing remain normal; The Second Freedom Rights to Ningbo was granted to expand China Airlines' aviation network.

Hong Kong route has been added to 19 flights per week. For Northeast Asia, other than the five flights per week as scheduled quarterly, cargo flights are added depending on the demand to cover charter service.

1.3 Development Strategies

1.3.1 Optimize the fleet scale and improve aircraft assets

China Airlines has been optimizing the fleet team. The next-gen passenger aircraft, Airbus A321neo, will be introduced in 2021 to replace Boeing 738 passenger aircraft. For cargo aircraft, six Boeing 777F are planned to be delivered before 2023. New aircraft feature low fuel consumption. They are more environmentally friendly as less CO₂ is emitted. Their higher quality lowers the unit cost, improves airline performance, and strengthens overall competency.

China Airlines will further decide on the treatment of aging aircraft, sell aging Boeing 738 aircraft and replace 744 passenger aircraft, to optimize airline assets and reduce operational cost.

1.3.2 Cold chain logistics certification

China Airlines has been actively discovered the pharmaceutical cold chain logistic market. In April 2019, China Airlines became the first, and so far, the only, carrier in Taiwan that passed the strict review and received certification from the IATA Center of Excellence for Independent Validations. China Airlines has gained many experiences in cold chain logistics. It can carry out vaccine delivery with internationally acknowledged service. Deliveries for cargo chilled to as low as -80°C can now be undertaken once dry ice is added. This has effectively enhanced the competency, value, and performance of China Airlines in high-price cargo delivery. The inter-airline collaboration will be carried out to help other countries deliver vaccines. This further strengthens China Airlines' leading role in air cargo service in the Asia-Pacific region.

1.3.3 Inter-airline collaboration for substantial benefits

China Airlines is the first airline in Taiwan to join the global aviation alliance. We are also the first Taiwanese airline to conduct code-sharing cooperation. Currently, we have cooperated with 23 airlines in code-sharing, ranking first among all Taiwanese airlines. In addition to self-owned routes, China Airlines actively penetrates the market through aviation alliances, providing more convenient and complete services. China Airlines will seek more airlines to work with in the future and cover more services to enhance its competency.

China Airlines will maintain cooperation with UPS, DHL, FedEx, SF Express, and other international express delivery companies to strengthen partnerships with Japanese and American airlines in the Asian region.

1.3.4 Flexible sales strategy to increase revenue

For passenger flights, China Airlines will closely follow the pandemic condition, border policy in each country, and travel agreement development. China Airlines will adjust the delivery capacity, taking on the opportunity by offering more routes. China Airlines will also utilize the belly hold of passenger aircraft to deliver cargoes, supporting cargo delivery while increasing revenue.

For cargo flights, China Airlines will increase its delivery volume, improve revenue management, and agilely adjust the capacity and pricing strategy.

1.3.5 Consolidate Group resources to enhance performance

By rearranging the fleet capacity, China Airlines provides aviation services with differentiation to target customers. China Airlines offers multiple products to customers, reinforcing its leading position in the market.

1.3.6 Digitalization for enhanced efficiency and competency

China Airlines leverages technology to do online sales in hope of enhancing the efficiency of mobile applications. Online services have been provided for greater convenience in cargo and passenger flight services. The booking system and user interface have been optimized. The website has been localized. The 3-D secure protocol has been implemented for credit card transactions, providing an easier and friendlier experience in ticket purchases.

For cargo delivery, e-AWB was adopted and became the benchmark in the industry. Through EDI (Electronic Data Interchange) system, China Airlines can exchange information with business partners, greatly enhancing operational efficiency.

1.4 Effect of external competition, the legal environment, and the overall business environment

1.4.1 External competition

As the China-US trade war continues, high uncertainty remains as the regional economy is unstable, the supply chain is reconstructing, and high liquidity financial assets are rising. Moreover, if the COVID-19 outbreak is not under control, stricter border control may be adopted.

1.4.2 Legal environment

The health and quarantine-related control in different countries may restrict cabin crew's work, which further impairs the operational efficiency and revenue.

1.4.3 Overall business environment

A. As the vaccines are feasible, IATA estimated that the aviation industry can expect a lower loss in 2021. The passenger flight demand will increase by 50.4% compared with 2020. However, if the pandemic worsens, causing tightened travel restrictions, the aviation industry may only expect a 13% rise in passenger flight demand compared with 2020.

Cargo flights will remain strong and stable in delivering vaccines. As the capacity of belly hold of passenger aircraft is limited, and as the portion of special goods (e.g., vaccines) increases, the revenue is expected to grow 5%.

The fuel price in January was benefited from the economic stimulus plan in the US. However, the impact of border control on the demand for aviation fuel remains uncertain.

B. According to IHS Markit, the growth rate of the global economy is 5.1%. Taiwan Institute of Economic Research anticipated a 4.3% rise in the domestic economy in 2021. Benefiting from the remote business opportunity, 5G network, great demand in innovative technology, and the government's encouragement in green construction that attracts foreign investment, the domestic economy may outshine others.

Facing with the pandemic that directly impacts the aviation market and changing political and economic status, China Airlines will flexibly adjust its resources to cope with the external uncertainties. China Airlines will adjust its flight capacity and utilize the new fleet team to reach higher fuel efficiency. Risk control measures and countermeasures have been made so that China Airlines can leverage its edge in air cargo service to further penetrate the market. China Airlines will keep consolidating the Group resources, enhance its competency, and become a leading carrier with sustainable operation.

Chairman: Hsieh, Su-Chien

President: Kao, Shing-Hwang

Finance Manager: Chen, I-Chieh

Company Profile

2.1 Date of Incorporation

2.2 Company History

II. Company Profile

2.1 Date of Incorporation

September 7, 1959

2.2 Company History

1959: China Airlines (CAL) was founded by 26 retired members of the Air Force with TWD 400,000 in capital. The Company flew charter flights using two rented PBY seaplanes.

1961: Provided military supply transport to Laos.

1962: Flew special cargo missions for the Vietnamese government and USARV. Inaugurated the first domestic route from Taipei to Hualien.

1966: Inaugurated the first international route from Taipei to Saigon (now Ho Chi Minh City), marking our official start in international aviation.

1967: Inaugurated Northeast Asia routes.

1970: Developed trans-Pacific routes to explore the US market.

1976: Inaugurated Middle East and Saudi Arabia routes.

1978: Invested in Taoyuan International Airport Services Co., Ltd.

1980: Invested in Dynasty Holidays, Inc.

1983: Expanded European routes.

1986: Divided the Operations Division into Passenger and Cargo Divisions to expand operations.

1988: Twenty-seven shareholders gifted shares to establish the China Aviation Development Foundation, transferring the rights of supervision and management to the society.

1989: Invested in Hwa Hsia Co., Ltd. and Tai Kong Ju Investment Co., Ltd.

1990: Added Phuket and Bali destinations. Invested in Abacus Distribution Systems (Taiwan) Ltd.

1991: Established the Hua Mei Investment Company and Mandarin Airlines. The Ministry of Finance approved the public offering of China Airlines shares.

1992: Resumed flights to Ho Chi Minh City. The Taiwan Stock Exchange approved the listing of China Airlines shares. The Company gained 100% equity interest in Mandarin Airlines.

1993: First flight to Frankfurt, Germany. Established the German Branch Office. Officially listed on the Taiwan Stock Exchange.

1994: New engine repair plant became operational and Songshan Training Minquan Building opened. Set up China Pacific Catering Services as a joint venture with the Swire Group.

1995: First flights to Switzerland and Italy. Entered into a joint venture with Pratt & Whitney and SIA Engineering Company Limited to establish Asian Compressor Technology Services Co. in Taiwan. Invested in CAL-Asia Investments Inc. Launched our "plum blossom" logo.

1996: Inaugurated the Taoyuan-Penang cargo route.

1997: Inaugurated the Kaohsiung-Hong Kong-Jakarta route. Established the first cargo-only flights between Asia and Miami. Established code share flights with Continental Airlines and American Airlines. Invested in Huasheng Investment Company and China Pacific Laundry Services Ltd.

1998: Set up our Penang Branch Office and Hanoi Branch. Began using the Third Maintenance Hangar.

1999: Inaugurated cargo flight routes to Sydney, Delhi, and Colombo. Set up Kaohsiung Airport Catering Services as a joint venture with TransAsia Airlines and Far Eastern Air Transport. Established Chung Hwa Express Corp. as a joint venture with Chunghwa Post. Established TACT Logistics through investment transfer.

2000: Launched Canada, Australia, and New Zealand routes; Taoyuan-Guam, Taoyuan-Manila, Kaohsiung-Manila, Hakodate charter, and Taoyuan-Penang passenger flights; Frankfurt cargo flights. Established the Shanghai office in Mainland China and new branch offices in Canada, Australia, New Zealand and Guam. Established YesTrip Travel Internet Technology Co.

2001: Inaugurated cargo flight routes to Seattle and Nashville. Made indirect investment in Xiamen International Airport Co., Ltd. Set up code-share flights with Delta Airlines. Introduced A340-300 passenger jets.

2002: Inaugurated passenger flight routes to Delhi and cargo routes to Manchester. Received approval to invest in China Cargo Airlines. Ordered 18 Airbus A330 passenger aircraft and 10 Boeing 747-400 cargo and passenger aircraft. Rejoined the International Air Transport Association (IATA).

2003: Inaugurated the first cross-strait Spring Festival charter flight. Inaugurated charter flights to Seoul and passenger routes to Brisbane and Hanoi and non-stop flights to Hawaii. Inaugurated cargo flight routes to Ho Chi Minh City and Delhi. Created the Paragon Card, the highest Dynasty Flyer membership tier. Received the Outstanding Service Award from the R.O.C. President.

2004: Launched sea-air transport charter flights. Inaugurated Hiroshima passenger flights and cargo routes to Milan and Prague. Introduced three A330-300 passenger jets, two Boeing 747-400 passenger jets and two Boeing 747-400 freighters.

2005: Flew the first direct charter flights to Beijing, and Spring Festival charters to Guangzhou and Shanghai. Inaugurated Vienna passenger flight route and Nagoya and Vienna cargo flight routes. Invested in China Aircraft Services Limited.

2006: Inaugurated cargo flight routes to Osaka, Hanoi, Houston and Stockholm. Flew the first cargo charter flight to Shanghai. Invested in Yangtze River Express Airlines Company. Began construction on the Taoyuan International Airport Airline Business Operation Center.

2007: Signed a letter of intent to purchase Airbus planes. Announced contract with AccorHotels for a new airport hotel. Inaugurated regularly scheduled passenger flights between Kaohsiung and Chiang Mai.

2008: Launched cross-strait humanitarian charter flights direct to Chengdu to deliver disaster relief supplies at no charge. Inaugurated cross-strait holiday charter flights, weekend charter flights to Shanghai, Beijing, Xiamen, and Guangzhou, and cross-strait direct cargo charter flights.

2009: Inaugurated the Taoyuan-Osaka-Los Angeles cargo flight route. Inaugurated scheduled cross-strait flights to Zhengzhou, Xiamen, Xi'an, Ningbo, Shenyang, and Changsha. Became an official member of IATA's e-Freight program. Inaugurated Taiwan's largest 120,000-pound power plant testing platform.

2010: New routes: Passenger routes between Taoyuan and Miyazaki, London, and Qingdao, Songshan Airport to Hongqiao and Haneda, and Kaohsiung to Xiamen and Narita, direct cargo flights to Xiamen, Nanjing and Fuzhou as well as special cargo charter flight direct to Xi'an. Established Company headquarters in China Airlines Park and won the National Building Golden Award and National First Award.

2011: New routes: Taoyuan - Brisbane - Auckland; Taoyuan - Osaka - New York; flights to and from Taoyuan and Wuhan, Sanya, Yancheng, Haikou, Nanchang and Dalian; Taicheng to Chongqing and Nanchang; Kaohsiung to Changsha, Chongqing, Beijing, and Kuala Lumpur. Officially joined SkyTeam, becoming the first Taiwanese airline member of an international airline alliance.

2012: New routes: Songshan to Wenzhou and Gimpo Airport, Taoyuan to Kagoshima, Shizuoka and Toyama, added Auckland leg to the Taoyuan-Sydney route, and Taoyuan to Seoul and Yangon. Joined the SkyTeam Cargo, becoming the first Taiwanese

airline to join an international air cargo alliance. Renovated the cabins of nine Boeing 747-400 passenger jets to install new cabin seats and video systems. Signed a Memorandum of Strategic Cooperation with Chunghwa Telecom. Signed an OnPoint Fuel & Carbon Solutions Agreement with GE Aviation. Awarded *Business Next* magazine's Super Green Jury Award and obtained the First Place in the Green Brand Awards 2012 Transportation Category, Gold Award in *Reader's Digest* Trusted Brands 2012, the Sports Activists Award from Sports Affairs Council, First Place in *Management* magazine's Consumer Brand Survey, and the 2012 Energy Conservation and Carbon Reduction Action Label Excellence Award. The China Airlines Maintenance Facility received ISO 14001 Environment Management System Certification. Launched the world's first trans-Pacific climate observation aircraft. Became the world's first airline to display carbon footprint and calories for in-flight meals.

2013: Formed Greater China Connection Partnership with China Southern, China Eastern and Xiamen Airlines. Launched code-sharing services with Russia's Transaero Airlines and Hawaiian Airlines, and expanded code-sharing services with China Southern Airlines. Launched Taoyuan-Takamatsu route, Chiayi-Shizuoka charter flights, Taoyuan-Hawaii direct flights, Taoyuan-Urumqi and Lijiang routes. Launched Taoyuan-Ishigaki, Tainan-Hong Kong, and Taoyuan-Busan routes as well as Songshan-Matsuyama charter flights. Launched the Taoyuan-Nanjing-Zhengzhou cargo route and Taoyuan-Weihai flights. Launched temperature-controlled product cargo services. Once again awarded *Business Next* magazine's Super Green Jury Award and the First Place in the Green Brand Awards 2013 Transportation Category. Awarded Top Aviation Brand in *Manager Today's* Power Brands Survey 2013 and *Reader's Digest* Trusted Brands Gold Award. Won the National Standardization Awards' Corporate Standardization Award, 3rd Taiwan Green Classics Award, Global Views Service Excellence Award 2013, and EPA's 22nd Business Environmental Award.

2014: Awarded the EPA's 23rd Business Environmental Award and the International Green Classics Award 2014; earned ISO 14001 Environment Management System Expansion Certification and ISO 50001 Energy Management System Setup Certification. Once again awarded *Business Next* magazine's Super Green Jury Award and earned First Place in the Green Brand Awards Transportation Category for the third time. Inaugurated the Songshan-Fuzhou and Taoyuan to Changchun, Hefei, Yantai, and Xuzhou routes. Won the Annual Best of Design Awards in the 2014 Golden Pin Design Award for our NextGen 777 aircraft cabin design and named the Best Airline in North Asia by Global Traveler.

2015: Launched Taoyuan-Wuxi; Kaohsiung to Changzhou, Kumamoto, and Fukuoka; Taoyuan-Melbourne with

an extension to Christchurch; and Tainan-Osaka flights. Launched social media customer services, a first for Taiwan. Established an airplane maintenance training center. Received the following awards:

- **Brand Service:**
CAA 2014 Golden Wing Awards, second place in TheDesignAir Global Passenger Choice Top 10 Airlines Awards 2015, *Reader's Digest* Trusted Brands Gold Award, three top awards in the Global Traveler reader survey.
- **Corporate Social Responsibility:**
TCSA Taiwan Corporate Sustainability Award, EPA's Business Environmental Awards.
- **Product Design:**
The NextGen 777-300ER passenger cabin design was awarded the Red Dot Design Award 2015, Family Couch design received the Global Traveler Leisure Travel Innovation Excellence Award, won the National Industry Innovation Award for NexGen Aesthetics.
- **Others:**
Centers for Disease Control Epidemic Prevention Award 2015.

2016: Launched the Taoyuan-Yangzhou route and Taoyuan-Shenzhen cargo route. Inaugurated Chinese passenger transit through Taiwan for outbound China Airlines flights. Increased free baggage allowance by 10 kg and reduced regional excess baggage charges. Took delivery of the first A350 airliner for any Taiwanese carrier. Completed the Air Passenger Transport Service-Product Carbon Footprint Category Regulations together with the Civil Aeronautics Administration. Received the following awards:

- **Brand Service:**
PAX International magazine reader survey's 2016 Outstanding Food Service by a Carrier, Best Premium Economy and Best Airline by Global Traveler; China Airlines *Dynasty* In-flight Magazine won the APEX Award of Excellence; the CAL website was named the 2016 Best Airline Website by WebAward.
- **Corporate Social Responsibility:**
Passed the third-party audits for ISO 14001 and ISO 50001 Environmental Management Systems. Received the IOSA flight safety certification and the TCSA Taiwan Corporate Sustainability Award. Selected as a Dow Jones Sustainability Indices constituent stock, the first such honor for a Taiwanese company and emerging market airline.
- **Product Design:**
Received 5 iF Design Awards for the Boeing 777-300ER passenger cabin, software user interface, tableware design, Sky Lounge design packaging, and Taiwan Taoyuan Airport Terminal 1 Lounge. A double win at TheDesignAir Awards 2016.

2017: Inaugurated the Taoyuan-London route, becoming the only airline in Taiwan to offer nonstop service to London. Partnered with Air France on a codeshare nonstop flight from Taoyuan to Paris. Added codeshares on Taiwan-Japan routes with Air Japan. Signed a memorandum of cooperation with KLM. Signed an agreement to enhance cooperation with American Airlines. Signed a letter of intent with Airbus, comprehensively strengthening cooperation on maintenance. Established a joint venture in Taoyuan with NORDAM Aerospace (USA) as "NORDAM Asia Ltd." with both parties cooperating to drive business investment and training of aerospace maintenance personnel. Signed a memorandum of cooperation with Changgeng Hospital of Linkou for air medical treatment. Obtained AS 9110 Airbus certification for the maintenance facility. Transported Taiwanese satellites to the US on four occasions. Hosted the 2017 AAPA annual conference to empower development in the Asia-Pacific airline industry. Provided the second A330-300 to work on plans for greenhouse gas observation and testing in the Pacific. Signed the Buckingham Palace Declaration against illegal wildlife shipments. Used sustainable alternative fuels and setting a milestone in carbon reduction among Taiwanese airlines. Received many awards:

- **Brand Service:**
Excellence in Global Airline Cargo Service award. *Cheers* magazine's 2017 TOP 20 Most Influential Enterprises of the New Era. Awarded the Gold Medal for reputation by *Reader's Digest* for the 19th consecutive year. Awarded the 2017 *Global Vision* magazine five-star service rating. Remained on top as *Global Traveler's* Best Airline in Northeast Asia.
- **Corporate Social Responsibility:**
Won the Taiwan Top 50 Enterprises Sustainability Report Gold Medal for Cargo Division, Climate Leader Award, and Harmony with Society award. Selected for the Dow Jones Sustainability Index for the second consecutive year.

2018: The new US destination Taoyuan-Ontario, California, route formally went into operation. Served as one of the ten major members in the IATA Nominating Committee in 2018. Launched Kaohsiung-Hong Kong-Jakarta and Taoyuan-Chongqing passenger transportation routes. Developed the cargo transport destination in Columbus, Ohio, United States. Joined hands with Japan Airlines in developing new destinations of Japan inland routes, including Sapporo-Niigata, Sapporo-Hanamaki, Fukuoka-Miyazaki, Fukuoka-Hanamaki, Fukuoka-Amami, Kagoshima-Amami and Kagoshima-Tokunoshima.

- **Brand Service:**
Selected as *Cheers* magazine's "2018 Top 20 Employers of the New Generation." China Airlines' in-flight magazine *Dynasty* received the 2018 APEX Awards for Publication Excellence in the US.

- **Corporate Governance:**
Ranked among the top 5% in the 4th Corporate Governance Review.
- **Corporate Social Responsibility:**
China Airlines Group donated NT\$10 million in disaster relief for the Hualien earthquake. The second airline worldwide to be certified by dual systems, ISO 14001 and ISO 50001, maintaining the highest standards for environmental risk management. AL Park was awarded the Diamond Level of Green Building Label, with an annual electricity savings of 23,000 kWh. Cooperated with ClimateCare, a British professional environmental facility, to launch the "ECO Travel" carbon exchange program. Selected as a constituent stock in the Dow Jones Sustainability Index (DJSI). Awarded the Taiwan Corporate Sustainability Award.
- **Product Design:**
OBH Magazine awarded it the "Best Premium Economy Class Amenities Kit" for Onboard Hospitality.

2019: Flight addition on Taoyuan-Palau route. Developed cargo transport destination in Nagoya, Japan. Signed a letter of intent with Chung Yuan Christian University to jointly develop aviation talent. Approved by the US Transportation Security Administration to join the precheck program. More evolution in digital services: non-stop, 24-hour automated customer service.

- **Brand Service:**
Won the APEX 5-Star Award. The first cold-chain transportation of pharmaceuticals in Taiwan for international certification.
- **Corporate Governance:**
Placed in Top 5% of the Corporate Governance Ranking once again.
- **Corporate Social Responsibility:**
Evaluated as the role-model company for the global airlines by the International Carbon Disclosure Project. Selected as a constituent stock in the "TW ESG Index" for the first time. Selected as a constituent stock in the DJSI for the fourth consecutive year. Selected for the Global Corporate Sustainability Awards for the first time and presented with TCSA for the sixth consecutive year.

2020: Non-stop, 24-hour automated customer service. Implemented an online check-in service for all tourists since June 22 in response to pandemic prevention. Met with a delegation headed by the President of the Senate of the Czech Republic to foster greater economic and trade between Taiwan and the Czech Republic. Carried out beach clean-up activity in Guanyin shore in response to the beach cleaning promotion by the Taoyuan Government. Aircraft livery was showcased on the new 2021 calendar to demonstrate the beauty of Taiwan. The

first 777F cargo aircraft entered service. The various awards we received:

- "The Best Entry Outside of the U.S." award at the 131st Rose Parade in 2020 for the second consecutive year.
- Ranked world's No.3 Carrier for sustainability by DJSI
- Won the award for the seventh consecutive year at the "Oscars" of Taiwan corporate sustainability
- "#What Travel Brings You" China Airlines commercial won CLIO Awards and the recognition of New York Festival.
- Won the special prize and the first procurement prize in 2020 Buying Power Social Innovation Products and Services held by MOEA
- Won the 2020 Air Cargo Executive of the Year Award

Corporate Governance Report

3.1 Organization

3.2 Directors and Management Team

3.3 Implementation of Corporate Governance

**3.4 Information Pertaining to the Company's Audit Fee
and Independence**

3.5 Replacement of CPA

3.6 Audit Independence

**3.7 Changes in Shareholding of Directors, Managers, and
Major Shareholders**

3.8 Relationships among the Top Ten Shareholders

3.9 Ownership of Shares in Affiliated Enterprises

3.1.2 Major Corporate Functions

Department	Functions
General Audit Office	Responsible for auditing the internal control system, evaluate the results of the implementation of the annual business plan.
Secretarial Office, Board of Directors	Responsible for holding Board of Directors meetings, collating and sending meeting proceedings and overseeing matters relating to resolutions, coordination channels with public stockholders, matters relating to juridical person shareholder representatives, director communications and services, and budgeting and controls for the Board and all functional committees.
Corporate Development Office	Responsible for drafting the Company's medium- and long-term strategic operating plan, fleet plan, and annual business plan; securing flying rights and building relationships between the Company and civil aviation authorities in various countries; establishing brand position and development strategies; planning medium- and long-term design and development of passenger cabins and entertainment systems; purchasing, selling, and leasing of aircraft.
Corporate Safety Office	Drafts Company safety, security, quality assurance, environmental, and emergency response policies and systems; establishes related management systems and conducts educational training; implements related investigations, analysis, and examinations; coordinates with government agencies and civil aviation authorities, manufacturers, and groups to deal with Company safety, security, quality assurance, environmental, and emergency response-related issues.
Corporate Communications Office	Responsible for external Company communications, communication links with the legislature and the media, planning social welfare activities, sponsoring charitable activities, organizing inaugural flights and other holiday or celebratory activities, publishing <i>CAL Park</i> Magazine, supervising and coordinating publication of <i>Dynasty</i> magazine, and formulating the Company's brand image and advertising strategy.
Legal & Insurance Div.	Responsible for reviewing all outside agreements and contracts, handling litigation, and management of insurance matters for Company assets, such as the fleet and aeronautical parts, personnel, and passenger and cargo transportation.
Finance Div.	Responsible for planning financing sources, managing use of funds, controlling the budget, auditing accounts receivable and payable items, preparing financial statements, managing tax-related issues, fuel purchasing, and providing accounting and cost-analysis information. Supervising of the operational performance and management of invested enterprises.
Administration Div.	Responsible for procurement of general goods, managing renovation projects and land/real estate, land transport management and vehicle maintenance, handling of company licenses, monitoring and safekeeping of Company seals, sending and receipt of prospectuses and official documents, and document management.
Cabin Crew Div.	Responsible for establishing cabin crew operating standards, managing training of cabin crew, planning for cabin crew manpower needs, and implementing assignment of cabin crew personnel.

Department	Functions
Ground Services Div.	Responsible for establishing ground services operating standards, development of the ground services operating system, planning and implementation of a full range of ground services training, supervising ground services operations at all stations, providing ground services at Taiwan Taoyuan and Songshan Airports, and overall management of ground service provider contracts.
In-Flight Service Supply Chain & Marketing Div.	Responsible for research and development, marketing and planning of various in-flight service supplies and products for sale; planning and supply management of meals and beverages in all flights of the entire route; supervising and controlling the logistics and supply management, such as purchasing, warehousing, preparation and loading of various in-flight service supplies; working on improving the quality of in-flight service products based on customer feedback and market trends.
Data Protection & Quality Management Office	Manages the personal information and quality management system, and reports implementation results and improvement measures to the top management; masters the content of laws and regulations related to the protection of personal information in various countries to ensure compliance with laws and regulation enforcement process in every country; sets up and implements the Company's ISO 9001 quality management system, and imparts service quality education, internal quality auditor training and encourages further understanding of measures pertaining to quality-related issues.
Passenger Sales & Marketing Div.	Responsible for supervising the passenger transport network planning and route management of the entire network, seat control, business promotion, digital marketing, customer relationship maintenance, membership marketing and inter-airline cooperation, cross-industry collaboration, determination of passenger transport rates and various quotas, performance evaluation, and developing and maintaining revenue management systems and passenger transport business training at all levels.
Information Management Div.	Combines information technology with business knowledge to promote computerization within the Company to upgrade operational competitiveness.
Human Resources Div.	Responsible for planning the Company organization and human resources, the establishment of a personnel management system, and setting up pay standards. Provides recruitment services, supervises personnel management, established the employee training system and oversees future updates, provides employee health management, and manages personnel assignments to associated enterprises.
Occupational Safety & Health Dept.	Prepares the Company's Occupational Health and Safety Manual and regulations; drafts, plans, supervises, and promotes health and safety matters and guides in their implementation in relevant departments to prevent occupational hazards and ensure employee health and safety. Received ISO45001:2018 and CNS45001:2018 occupational health and safety certification following SGS audit to effectively control occupational incident risk and improve occupational health and safety performance.

Department	Functions
Cargo Sales, Marketing & Services Div.	Formulates the cargo development strategy, supervises cargo operations on all routes, plans the cargo flight timetable and controls the allocation of hold space, sets cargo shipping rates and sales quotas, evaluates operating performance, drafts and oversees cargo services and operating standards, is responsible for passenger and cargo plane loading control operations, cargo equipment controls and replenishment, Taipei cargo terminal operations, and accounting of the Cargo Sales, Marketing & Services Division and Taiwan Cargo Center.
Flight Operations Div.	Responsible for cabin crew manpower requirement planning, training and management of cabin crew, developing flight operating standards, controlling fuel consumption, planning and implementation of the crew and flight assignments, and development of airplane flight manuals and maintenance of flight simulators.
System Operation Control Div.	Manages the coordination of all airports in the system, oversees flight status, coordinates and manages adjustment of flights in response to anomalies, guarantees on-time performance rates, provides real-time information to aircraft in flight, ensures flight safety, investigates causes for major delays to flights, establishes comprehensive aircraft and statistical analysis data; operates and guides crew allocation, plans and manages flight permits; responsible for safety management and liability related to business.
Maintenance Div.	Responsible for ensuring the maintenance of airplanes, client aircraft maintenance services, support and supervision of station maintenance, and development of maintenance capabilities.
Engineering Div.	Responsible for the planning and control of airplane maintenance, materials supply management, controlling of maintenance costs, and planning of the information system development strategy.
Quality Assurance Div.	Responsible for coordination and communication with other countries' civil aviation authorities; maintaining the validity of operating standards, repair facility licenses, and aircraft airworthiness certificates; authorization and management of maintenance personnel training and task assignments; formulation and implementation of quality audit system. Established and implements the aircraft quality management and on-site inspection systems, ensures introduction of new aircraft and sale or return of aircraft as stipulated in the fleet plan, and assists in aircraft incident investigations.
Technical Training Center	Develop type training and license conversion training that comply with CAA 05-02A requirements. Compose training plan and execute training in accordance with EMO (Engineering & Maintenance Organization) demands and customer requests.
Branch offices	Responsible for the development of individual branches and promotion of passenger and freight-related operations.

3.2 Directors and Management Team

3.2.1 Directors

MAR 27, 2021

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Date Ended	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
							Chairman	China Aviation Development Foundation	R.O.C.	Male	07/07/1988	06/27/2018	05/25/2021	1,867,341,935			34.13%	1,867,341,935	34.45%	
Chairman	Representative: Hsieh, Su-Chien	R.O.C.	Male	07/06/2016	06/27/2018	05/25/2021	48,517	0.00%	48,517	0.00%	0	0.00%	0	0.00%	Chairman, Taiwan Air Cargo Terminal Ltd. Senior Vice President of Marketing, China Airlines Ltd. Director, Taiwan Region and General Manager of Taipei Branch Office, China Airlines Ltd. General Manager, Australia Branch Office, China Airlines Ltd. General Manager, Indonesia Branch Office, China Airlines Ltd. General Manager, Kaohsiung Branch Office, China Airlines Ltd. Vice President, Passenger Sales Div. Chairman, Abacus Distribution Systems Taiwan Ltd. Bachelor's Degree, Department of Economics, Soochow University	Chairman, CAL Park Co., Ltd. Chairman, CAL Hotel Co., Ltd. Chairman, CAL-Asia Investment Inc. Chairman, CAL-Dynasty International, Inc.	None	None	None	None
Director	China Aviation Development Foundation	R.O.C.	Male	07/07/1988	06/27/2018	05/25/2021	1,867,341,935	34.13%	1,867,341,935	34.45%	-	-	-	-	-	-	-	-	-	-
Director	Representative: Kao, Shing-Hwang	R.O.C.	Male	03/11/2021	03/11/2021	05/25/2021	62,809	0.00%	62,809	0.00%	0	0.00%	0	0.00%	Senior Vice President (VO). Vice President, Flight Operations Div. Assistant Vice President, Flight Operations Div. Bachelor's Degree, National Cheng Kung University	President, China Airlines Ltd. Director, Mandarin Airlines, Ltd. Director, Cal Hotel Co. Ltd. Director, CAL-Dynasty International, Inc. Director, Dynasty Properties Co., Ltd. Director, CAL-Asia Investment Inc. Director, Taoyuan International Airport Services Co., Ltd. Director & President, Cal Park Co. Ltd.	None	None	None	Note1

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Date Ended	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title	
	Representative: Chen, Charles C.Y.	R.O.C.	Male	07/01/2000	06/27/2018	05/25/2021	190,166	0.00%	190,166	0.00%	155,849	0.00%	0	0.00%	Director, Wan Hai Lines Ltd. Chairman, UTAC Group, Singapore Chairman, Epistar Corp. Director, Formosa International Hotels Ltd. Director, Ascendas Pte. Ltd. Director, Ichia Technologies, Inc. Adjunct Associate Professor, National Tsing Hua University MBA, New York University, U.S.A.	Chairman, Eyon Holding Group Vice Chairman, Taiwan Air Cargo Terminal Ltd. Vice Chairman, Taian Insurance Co., Ltd. Chairman, Wan Hai International Pte. Ltd. President, Chen-Yung Foundation Vice Chairman, Wan Hai Lines (Singapore) Pte. Ltd. Director, Epistar Corp. Director, Shihlin Paper Co., Ltd.	None	None	None	None
	Representative: Ting, Kwang-Hung	R.O.C.	Male	01/28/2008	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Chairman, Central Trading & Development Corp. BA in Finance, Boston University, U.S.A.	Member, Risk Committee, China Airlines Ltd. Group Chairman, Phu My Hung Holdings Group Chairman, Phu Yung An Corp. Chairman, Hiep Phuoc Power Co., Ltd. Chairman, Macro Technologies Inc. (Vietnam) Ltd. Chairman, Phu My Hung Asia Holdings Corp. Vice Chairman, TVBS Media Inc. Director, Phu My Hung Development Corp.	None	None	None	None
	Representative: Chen, Han-Ming	R.O.C.	Male	07/26/2016	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Director, Yuan-Chin Development Co., Ltd. Member, Rotary Club of Taipei Tunhua BA (Hons) Architecture, University of Plymouth, UK MSc, Birmingham City University, UK	Chairman, Tigerair Taiwan Co., Ltd. Chairman, Prime Development Co., Ltd. Director, Chyn-Tay Bearing Co., Ltd.	None	None	None	None
	Representative: Ko, Sun-Ta	R.O.C.	Male	06/27/2018	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PT Lecturer, National Open University PT Lecturer, National Open College President, Keelung Fund for Children & Families MBA, Keio University, Japan	Chairman, K Hotels Group Chairman, The Tango Group Chairman, Kodak Trading Co., Ltd. Chairman, Kota Enterprise Co., Ltd.	None	None	None	None
	Representative: Wei, Yung-Yeh	R.O.C.	Male	06/27/2018	06/27/2018	05/25/2021	3,737	0.00%	3,737	0.00%	0	0.00%	0	0.00%	Jet Airplane Maintenance Group, Air Force Technical School	Member of Council, China Airlines Employees Union Foreman, Line Maintenance Department, Engineering & Maintenance Division, China Airlines Ltd.	None	None	None	Note1
Director	National Development Fund, Executive Yuan	R.O.C.	-	06/15/2012	06/27/2018	05/25/2021	519,750,519	9.50%	519,750,519	9.59%	-	-	-	-	-	-	-	-	-	-

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Date Ended	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark	
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title		Name
	Representative: Lin, Su-Ming	R.O.C.	Male	06/15/2012	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Member, Tax Reform Commission, Executive Yuan Member, Administration Appeals Commission, Taipei City Government Deputy Dean, College of Management, National Taiwan University Chairman, Department and Graduate Institute of Accounting, National Taiwan University Ph.D. in Accounting, Arizona State University, U.S.A.	Member, Risk Committee, China Airlines Ltd. Member, Risk Committee, China Airlines Ltd. Public Director, Taipei Exchange, R.O.C. Independent Director, Nan Shan Life Insurance Co., Ltd. Director, iPASS Corp. Professor, Department & Graduate Institute of Accounting, National Taiwan University	None	None	None	None	
	Representative: Wang, Shih-Szu	R.O.C.	Female	06/27/2018	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Deputy Mayor, Tainan City Government Director General, Tourism Bureau of Tainan City Government Chairperson, Research, Development and Evaluation Commission of Tainan City Government Director General, Ketagalan Foundation Director General, Information Department of Kaohsiung City Government Director General, Judicial Reform Foundation Director General, Taiwan Association for Human Rights Master's Degree, International Development Policy, Duke University, U.S.A.	None	None	None	None	None	
Independent Director	Chung, Lu-Min	R.O.C.	Male	06/15/2012	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Chairman, China Steel Chemical Corp. Chairman, Universal exchange Inc. Executive Vice President, China Steel Corp. Vice President of Finance, China Steel Corp. MBA, Arizona State University, U.S.A.	Chairman, Risk Committee, China Airlines Ltd. Member, Audit Committee, China Airlines Ltd.	None	None	None	None	None
Independent Director	Chang, Hsieh Gen-Sen	R.O.C.	Female	06/27/2018	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Consultant, Legislative Council Office Director, Shian CPA Firm Adjunct Associate Professor, Chinese Culture University Controller, Amagic Holographics, Inc. Senior Associated CPA, Wu, Liang, and Huang CPAs Staff Accountant, AAA (Auto Club of S. California) MBA, University of California, Irvine, U.S.A.	Chairman, Audit Committee, China Airlines Ltd. Member, Remuneration Committee, China Airlines Ltd. Member, Risk Committee, China Airlines Ltd. Member, Foundation Management Committee, Environmental Protection Administration Independent Director, K Laser Technology Inc.	None	None	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date First Elected	Date Elected	Date Ended	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are Spouses or within Two Degrees of Kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Shares	%	Title	
Independent Director	Shen, Hui-Ya	R.O.C.	Female	06/27/2018	06/27/2018	05/25/2021	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Independent Director of First Financial Holding Co., Ltd. Independent Director of Taiwan Fertilizer Co., Ltd. Committee of Securities and Futures Investors Protection Center Master of Laws, National Chung Hsing University	Chairman, Remuneration Committee, China Airlines Ltd. Member, Audit Committee, China Airlines Ltd. Member, Risk Committee, China Airlines Ltd. Consultant of Public Service Pension Fund Management Board, Ministry of Civil Service, Examination Yuan Lawyer, Lian Yung Law Office Independent Director, Formosa Advanced Technologies Co., Ltd.	None	None	None	None

Note 1: In order to avoid the concurrent appointment from influencing the objectivity and supervision of the Board of Directors, except for President Kao, Shing-Hwang and Director Wei, Yung-Yeh, who are concurrently Directors and employees, none of the other members of the 21st Board of Directors is concurrently an employee of the Company.

Note 2: The average term of the members of the 21st Board of Directors as Directors of the Company was 6 years.

Note 3: The three Independent Directors of the 21st Board of Directors have not been appointed for more than three terms.

Major shareholders from among institutional shareholders

Name of Institutional Shareholders	Major Shareholders
China Aviation Development Foundation	A non-corporate organization. In February 1988, all 27 shareholders of the Company (Note) gifted the shares held and 100% of the shareholders' equity to set up the foundation, which was reported to the Ministry of Transportation and Communications on March 2 of the same year. Its establishment was approved on July 6 of the same year.
National Development Fund, Executive Yuan	Government

Note: The source is "Charter for Donations to the China Aviation Development Foundation".

Donor	Donation	Amount
Wu, Yueh	10,977,697 common shares of China Airlines and the profits	NT\$2,530,666,534
Tsu, Jung-Chun	5,872,874 common shares of China Airlines and the profits	NT\$1,353,861,897
Tien, Hsi	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Chang, Lin-Te	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chang, Chih-Chen	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Lan, Ping-Chuan	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Fu, Jui-Yuan	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Hsu, Kang-Liang	2,026 common shares of China Airlines and the profits	NT\$467,049
Shih, Kuang-Lin	2,026 common shares of China Airlines and the profits	NT\$467,049
Liu, Chiung-Kuang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Han, Te-Hui	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yeh, Chih-Fang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Hung, Yang-Fu	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Liu, Ping-Kuan	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chang, Tang-Tien	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Li, Hsueh-Yen	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Li, Chi-Tang	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Wang, Yu-Ken	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yuan, Chin-Han	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Fan, Kuang-Hua	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Liu, Hui-Chun	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yeh, I-Fan	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Chen, Chung-Yu	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Yang, Hung-Ting	239,214 common shares of China Airlines and the profits	NT\$55,145,599
Tsai, Ming-Yung	222,205 common shares of China Airlines and the profits	NT\$51,224,474
Wang, Wei-Ming	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Huang, Jen-Sheng	515,938 common shares of China Airlines and the profits	NT\$118,938,155
Total	23,999,880 common shares and the profits	NT\$5,532,645,517

Professional qualifications and independence analysis of directors

Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years of Work Experience			Independence Criteria (Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Departments Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Hsieh, Su-Chien	-	-	✓	✓	-	✓	✓	-	✓	✓	-	✓	✓	✓	-	-
Kao, Shing-Hwang	-	✓	✓	-	-	✓	✓	-	✓	✓	-	✓	✓	✓	-	-
Chen, Charles C.Y.	✓	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Ting, Kwang-Hung	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chen, Han-Ming	-	-	✓	✓	-	✓	✓	✓	✓	✓	-	✓	✓	✓	-	-
Ko, Sun-Ta	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Wei, Yung-Yeh	-	✓	✓	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Lin, Su-Ming	✓	✓	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1
Wang, Shih-Szu	-	-	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chung, Lo-Min	-	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	-
Chang, Hsieh Gen-Sen	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1
Shen, Hui-Ya	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	1

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during their term in office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or its affiliated enterprise (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
- Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the managers listed in (1) or the personnel listed in (2) or (3).
- Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the total shares issued by the Company, is among the top five shareholders, or appointed a representative to be a director or supervisor of the Company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
- Not a director, supervisor, or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary, or a subsidiary of the same parent).
- Not a director, supervisor or employee of another company or institution with the same person or spouse as the chairman, general manager or equivalent of the company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).
- Not a director, supervisor, manager or shareholder holding more than 5% of shares of a specific company or institution that has financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent and if the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company).
- Not a professional who provides auditing-related services to the Company or its affiliates and who does not provide commercial, legal, financial, or accounting-related services to the Company or its affiliates with a cumulative amount of remuneration obtained in the last two years exceeding NT\$500,000; and is not an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Special Committee for Merger/consolidation and Acquisition who perform their functions and powers in accordance with relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- Not been a person of any conditions defined in Article 30 of the Company Act.
- Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.2 Management Team

MAR 27, 2021

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Kao, Shing-Hwang	R.O.C.	Male	03/18/2021	62,809	0.00%	0	0.00%	0	0.00%	Senior Vice President (VO). Vice President, Flight Operations Div. Assistant Vice President, Flight Operations Div. Bachelor's Degree, National Cheng Kung University	Director, Mandarin Airlines, Ltd. Director, Cal Hotel Co. Ltd. Director, CAL-Dynasty International, Inc. Director, Dynasty Properties Co., Ltd. Director, CAL-Asia Investment Inc. Director, Taoyuan International Airport Services Co., Ltd. Director & President, Cal Park Co. Ltd	None	None	None	Note 1
Auditor General, General Audit Office	Fang, Juo-Ling	R.O.C.	Female	05/11/2018	8,000	0.00%	0	0.00%	0	0.00%	Vice President, Administration Div. Deputy Auditor General, General Audit Office Master's Degree, Georgia State University, U.S.A.	Supervisor, Taiwan Airport Service Co., Ltd. Supervisor, China Pacific Catering Services Ltd. Supervisor, CAL Park Co., Ltd. Supervisor, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Supervisor, CAL Hotel Co., Ltd..	Assistant Vice President, Cabin Crew Div.	Fang, Yuan-Hua	Siblings	None
Deputy Auditor General, General Audit Office	Ho, Hui-Fen	R.O.C.	Female	02/01/2018	0	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Finance Div. General Manager, General Accounting Department, Finance Div. Master's Degree, Soochow University	Supervisor, Sabre Travel Network (Taiwan) Ltd. Supervisor, Taiwan Air Cargo Terminal Ltd.	None	None	None	None
Senior Vice President (VE)	Wang, Houng	R.O.C.	Male	08/16/2017	12,069	0.00%	0	0.00%	0	0.00%	Vice President, Maintenance Div. Vice President, Engineering Div. Bachelor's Degree, Feng Chia University	Chairman, Taiwan Aircraft Maintenance and Engineering Co., Ltd. Director, Mandarin Airlines, Ltd. Director, Taoyuan International Airport Services Co., Ltd. Vice Chairman, NORDAM Asia Ltd. Director, Cal Hotel Co. Ltd. Chairman & President, Kaohsiung Airport Catering Services Ltd.	None	None	None	None
Senior Vice President (VV)	Wang, Chen-Min	R.O.C.	Male	01/01/2019	35,621	0.00%	0	0.00%	0	0.00%	Vice President, Passenger Sales Div. & Passenger Marketing Div. General Manager, Korea Branch Bachelor's Degree, Feng Chia University	Director, CAL Hotel Co., Ltd.. Director, Mandarin Airlines, Ltd. Chairman, Taiwan Air Cargo Terminal Ltd. Director, Tigerair Taiwan Co., Ltd. Director, Taiwan Aircraft Maintenance And Engineering Co., Ltd. CAL-Asia Investment Inc.	None	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President (VF)	Chen, I-Chieh	R.O.C.	Male	03/18/2021	6,161	0.00%	0	0.00%	0	0.00%	Vice President, Finance Div. Vice President, Investment Development & Management Div. General Manager, Vietnam Branch Concurrently, General Manager, Hanoi Branch Master's Degree, National Taipei University	Director, Mandarin Airlines, Ltd. Director, Tigerair Taiwan Co., Ltd. Chairman, Taiwan Airport Services Co. Ltd. Director, Taoyuan International Airport Services Co., Ltd. Director, Kaohsiung Airport Catering Services Ltd. Director, Taiwan Aircraft Maintenance And Engineering Co., Ltd.	None	None	None	None
Senior Vice President (VO)	Lai, Ming-Hui	R.O.C.	Male	03/18/2021	19,127	0.00%	0	0.00%	0	0.00%	Vice President, Flight Operations Div. Vice President, Corporate Safety Office. Bachelor's Degree, National Cheng Kung University	Director, Mandarin Airlines, Ltd. Director, CAL Hotel Co., Ltd..	None	None	None	None
Data Protection Officer, Data Protection & Quality Management Office	Huang, Ta-Fang	R.O.C.	Female	07/31/2020	0	0.00%	0	0.00%	0	0.00%	General Manager, Honolulu Branch. Vice President, Legal & Insurance Div. MBA, Baruch College, City University Of New York.	None	None	None	None	None
Vice President, Human Resources Div.	Yeah, Shao-Ting	R.O.C.	Male	04/01/2019	868	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Human Resources Div. General Manager, Human Resources & Administration Department, Maintenance Div. Bachelor's Degree, Chinese Culture University	Director, Taoyuan International Airport Services Co., Ltd. Director, Taiwan Airport Services Co. Ltd.	None	None	None	None
Assistant Vice President, Human Resources Div.	Lee, Pei-Chen	R.O.C.	Female	04/01/2019	58,430	0.00%	7,144	0.00%	0	0.00%	General Manager, Human Resources Development Dept., Human Resources Div. General Manager, Administration Dept., Ground Services Div. Master's Degree, National Taiwan Normal University	None	None	None	None	None
Vice President, Flight Operations Div.	Chen, I-Ko	R.O.C.	Male	03/20/2021	23,541	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Safety Office. Assistant Vice President, Corporate Safety Office. Associate's Degree, United College Of Engineering	None	None	None	None	None
Assistant Vice President, Flight Operations Div.	Chen, Chwen-Der	R.O.C.	Male	08/01/2018	6,299	0.00%	0	0.00%	0	0.00%	General Manager, Flight Operations Training Dept., Flight Operations Div. General Manager, Planning & Development Dept., Flight Operations Div. Master's Degree, National Cheng Chi University	None	None	None	None	None
Assistant Vice President, Flight Operations Div.	Kang, Yi-Chuan	R.O.C.	Male	11/01/2020	241,000	0.00%	16,766	0.00%	0	0.00%	Assistant Vice President, Flight Operations Dep. Mandarin Airlines. General Manager, Crew Scheduling Dept., Flight Operations Div. Master's Degree, National Chiao Tung University.	None	None	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark	
					Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Assistant Vice President, Flight Operations Div.	Tung, Hsing-Hua	R.O.C.	Male	03/16/2018	587	0.00%	0	0.00%	0	0.00%	General Manager, Legal Affairs Department, Legal & Insurance Div. General Manager, Business Management Department, Business Development Office Master's Degree, Tunghai University	None	None	None	None	None	
Vice President, System Operation Control Div.	Chou, Jyh-Shyan	R.O.C.	Male	12/01/2017	9,171	0.00%	7,382	0.00%	0	0.00%	Assistant Vice President, Corporate Safety Office Vice President, Taiwan Airport Services Co., Ltd. Master's Degree, RMIT University, AU	None	None	None	None	None	
Assistant Vice President, System Operation Control Div.	He, Cheng	R.O.C.	Male	11/01/2019	251	0.00%	0	0.00%	0	0.00%	Control Manager , Flight Control Dept., System Operation Control Div. General Manager, Bali Branch, Indonesia Branch Master's Degree, Assumption University, Thailand	None	None	None	None	None	
Assistant Vice President, System Operation Control Div.	Huang, Hsiang-Piao	R.O.C.	Male	08/01/2017	1,000	0.00%	0	0.00%	0	0.00%	General Manager, Safety Assurance Department, Corporate Safety Office General Manager, Administration Department, Ground Services Div. Bachelor's Degree, National Sun Yat-Sen University	None	None	None	None	None	
Vice President, Passenger Sales & Passenger Marketing Div.	Peng, Pao-Chu	R.O.C.	Female	01/01/2019	8,434	0.00%	0	0.00%	0	0.00%	Vice President, Corporate Development Office Assistant Vice President, Passenger Sales Div. Bachelor's Degree, National Taiwan University	Director, Sabre Travel Network (Taiwan) Ltd. Director, Everest Investment Holdings Ltd. Director, Mandarin Airlines, Ltd.	None	None	None	None	None
Assistant Vice President, Passenger Sales & Passenger Marketing Div.	Chen, Pei-Ti	R.O.C.	Female	11/01/2018	926	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Passenger Sales & Marketing Div. General Manager, Sales Management Department Bachelor's Degree, National Taiwan University	None	None	None	None	None	
Assistant Vice President, Passenger Sales & Marketing Div.	Pan, Yun-Hau	R.O.C.	Male	05/09/2020	0	0.00%	4,999	0.00%	0	0.00%	Marketing Director, Europe. General Manager, Schedule Planning Dept., Passenger Marketing Div. Master's Degree, Concordia University Aviation Management, Canada	None	None	None	None	None	

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President, Finance Div.	Wang, Wei	R.O.C.	Female	03/18/2021	33,297	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Corporate Development Office. General Manager, Austria Branch. MBA, George Washington University, U.S.A.	Supervisor, NORDAM Asia Ltd. Supervisor, Cal Hotel Co. Ltd. Supervisor, Dynasty Aerotech International Corp. Director, Tigerair Taiwan Co., Ltd.	None	None	None	None
Assistant Vice President, Finance Div.	Yen, Yang	R.O.C.	Female	05/01/2018	0	0.00%	0	0.00%	0	0.00%	General Manager, Finance & Treasury Department, Finance Div. General Manager, Economics Analysis Department, Finance Div. Master's Degree, The City University of New York, U.S.A.	Supervisor, Taiwan Aircraft Maintenance And Engineering Co., Ltd. Supervisor, Kaohsiung Airport Catering Services Ltd. Director, Dynasty Properties Co., Ltd. Director, Dynasty Hotel of Hawaii, Inc.	None	None	None	None
Assistant Vice President, Finance Div.	Huang, Hui-Na	R.O.C.	Female	09/01/2017	16,661	0.00%	0	0.00%	0	0.00%	General Manager, Passenger Sales Revenue Audit & Control Department, Finance Div. General Manager, Accounting And Administration Department, Taipei Branch Master's Degree, Soochow University	Supervisor, Global Sky Express Ltd. Supervisor, Yestrip Co., Ltd.	None	None	None	None
Vice President, Corporate Safety Office	Li, Chih-Wei	R.O.C.	Male	03/20/2021	10,295	0.00%	0	0.00%	0	0.00%	Vice President, Quality Assurance Div. Assistant Vice President, Maintenance Div. Master's Degree, Kai-nan University.	Director, NORDAM Asia Ltd.	None	None	None	None
Assistant Vice President, Corporate Safety Office	Yu, Yueh-Han	R.O.C.	Male	12/06/2018	0	0.00%	0	0.00%	0	0.00%	General Manager, Safety Department Corporate Safety Office Vice President of Safety, Security, Quality & Environment, Tigerair Taiwan Co., Ltd. Master's Degree, National Sun Yat-sen University	None	None	None	None	None
Vice President, Legal & Insurance Div.	Chien, Feng-Nien	R.O.C.	Male	01/03/2017	0	0.00%	0	0.00%	0	0.00%	Director of Legal Office, Taiwan Financial Asset Service Corporation Head Prosecutor, Taichung Prosecutors Office Master's Degree, National Taiwan Ocean University	None	None	None	None	None
Vice President, Corporate Communications Office	Lu, Shwu-Huoy	R.O.C.	Female	10/11/2020	22,605	0.00%	0	0.00%	0	0.00%	General Manager, Malaysia Branch. Assistant Vice President, Corporate Development Office. EMBA, National Central University	None	None	None	None	None
Assistant Vice President, Corporate Communications Office	Lin, Herng-Shan	R.O.C.	Male	04/16/2019	0	0.00%	0	0.00%	0	0.00%	General Manager, Corporate Affairs Department, Corporate Communications Office General Manager, Employee Relations Department, Human Resources Div.	None	None	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Master's Degree, RMIT University, AU					
Vice President, Administration Div.	Chen, Wei-Tau	R.O.C.	Male	11/18/2019	36,165	0.00%	2,196	0.00%	0	0.00%	Vice President, Ground Services Division President, Taiwan Airport Services Co. Ltd. Bachelor's Degree, Fu Jen Catholic University	Director, Dynasty Aerotech International Corp. Director, CAL Park Co., Ltd.	None	None	None	None
Vice President, Information Management Div.	Chung, Ming-Jyh	R.O.C.	Male	11/18/2019	638	0.00%	0	0.00%	0	0.00%	Vice President, Administration Div. Deputy Auditor General, General Audit Office Master's Degree, National Taiwan University	Director, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Assistant Vice President, Information Management Div.	Liu, Duan-Shiuh	R.O.C.	Male	04/20/2017	92,608	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Ground Services Div. General Manager, Information Planning Department, Information Management Div. Master's Degree, National Taipei University of Technology	None	None	None	None	None
Vice President, Cabin Crew Div.	Hong, Tsu-Kuang	R.O.C.	Male	05/04/2017	11,816	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Flight Operations Div. General Manager, Food & Beverage Services Department, In-Flight Service Supply Div. Bachelor's Degree, Soochow University	Director, China Pacific Laundry Services Ltd. Director, China Pacific Catering Services Ltd	None	None	None	None
Assistant Vice President, Cabin Crew Div.	Fang, Yuan-Hua	R.O.C.	Male	08/04/2018	30,348	0.00%	0	0.00%	0	0.00%	President, Dynasty Hotel of Hawaii, Inc. General Manager, Qingdao Office Master's Degree, RMIT University, AU	None	Auditor General, General Audit Office	Fang, Juo-Ling	Siblings	None
Vice President, Corporate Development Office	Chang, Cheng-Hao	R.O.C.	Male	01/21/2019	131,905	0.00%	0	0.00%	0	0.00%	Vice President, Cargo Sales & Marketing Div. President, Taiwan Air Cargo Terminal Ltd. Master's Degree, Cranfield University, UK	Director, Tigerair Taiwan Co., Ltd. Director, Global Sky Express Ltd. Director, China Aircraft Services Limited. Director, Taiwan Air Cargo Terminal Ltd.	None	None	None	None
Assistant Vice President, Corporate Development Office	Yeh, Jin-Fu	R.O.C.	Male	03/18/2021	25,773	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Administration Div. General Manager, Fukuoka Branch. Master's Degree, National Cheng Kung University	None	None	None	None	None
Assistant Vice President, Corporate Development Office	Liu, Shou-Shu	R.O.C.	Female	12/01/2018	0	0.00%	0	0.00%	0	0.00%	Special Assistant of President Office, Mandarin Airlines Bachelor's Degree, National Taiwan University	None	None	None	None	None
Vice President, In-Flight Service Supply Chain & Marketing Div.	Chung, Wan-Chun	R.O.C.	Female	11/23/2019	27,687	0.00%	0	0.00%	0	0.00%	General Manager, Hong Kong Branch Vice President, Finance Div. Master's Degree, University of Illinois At Urbana-Champaign, U.S.A.	Chairman, China Pacific Laundry Services Ltd. Director, China Pacific Catering Services Ltd. Director, Kaohsiung Airport Catering Services Ltd.	None	None	None	None
Assistant Vice President, In-Flight Service Supply Chain & Marketing Div.	Chang, Hsu-Yu	R.O.C.	Male	11/30/2020	6,211	0.00%	0	0.00%	0	0.00%	General Manager, Supply Dept., Engineering Div. General Manager, Dynasty Aerotech International Corp. Master's Degree, Cranfield University.	None	None	None	None	None
Vice President, Ground Services Div.	Chu, Te-Hsiu	R.O.C.	Male	11/18/2019	43,382	0.00%	8,277	0.00%	0	0.00%	Chief Representative, East China, and Concurrently General Manager, Shanghai Office Assistant Vice President,	Director, China Pacific Laundry Services Ltd. Director, Taoyuan International Airport Services Co., Ltd.	None	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
											Flight Operations Div. Bachelor's Degree, Chinese Culture University					
Assistant Vice President, Ground Services Div.	Huang, Chin-Feng	R.O.C.	Male	10/16/2019	139,659	0.00%	589	0.00%	0	0.00%	President, Taoyuan International Airport Services Company Ltd. Senior Auditor, General Audit Office Bachelor's Degree, Soochow University	None	None	None	None	None
Assistant Vice President, Ground Services Div.	Hsu, Hsueh-Wen	R.O.C.	Male	02/01/2020	13,149	0.00%	0	0.00%	0	0.00%	Station Manager, Customer Service, Taoyuan International Airport, Ground Services Div. Station Manager, Customer Service, Songshan International Airport, Ground Services Div. Bachelor's Degree, Fengjia University	None	None	None	None	None
Vice President, Cargo Sales, Marketing & Services Div.	Liu, Der-Chuan	R.O.C.	Male	07/17/2010	172	0.00%	0	0.00%	0	0.00%	Vice President, Cargo Sales & Marketing Div. Vice President, Cargo Services & Logistics Div. Bachelor's Degree, Fu Jen University	Director, Taiwan Air Cargo Terminal Ltd. Director, Dynasty Aerotech International Corp. Director, Global Sky Express Ltd. Director, Eastern United International Logistics (Holdings) Ltd.	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Sheu, Yuh-Shy	R.O.C.	Male	01/22/2019	24,648	0.00%	0	0.00%	0	0.00%	General Manager, Cargo Sales & Services, Mainland China General Manager, Cargo Sales Management Department, Cargo Sales, Marketing & Services Div. Bachelor's Degree, Feng Chia University	None	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Mao, Li-Chung	R.O.C.	Male	12/20/2019	0	0.00%	0	0.00%	0	0.00%	Chief Representative, South China Concurrently, General Manager, Guangzhou Office. General Manager, Nanking Office. MBA, Chung Yuan Christian University	None	None	None	None	None
Assistant Vice President, Cargo Sales, Marketing & Services Div.	Hsueh, Po-Wen	R.O.C.	Male	09/18/2020	328	0.00%	0	0.00%	0	0.00%	Chief Representative, East China Concurrently, General Manager, Shanghai Office. General Manager, Cargo Sales & Services, Taiwan. Bachelor's Degree from Chinese Culture University	None	None	None	None	None
Vice President, Maintenance Div.	Sun, Jia-Min	R.O.C.	Male	09/16/2017	62,602	0.00%	0	0.00%	0	0.00%	Vice President, Engineering Div. Vice President, Corporate Safety Office Master's Degree, National Taiwan University	Chairman, Dynasty Aerotech International Corp. Director, Taiwan Aircraft Maintenance And Engineering Co., Ltd. Director, China Aircraft Services Ltd.	None	None	None	None
Assistant Vice President, Maintenance Div.	Hsiao, Jui-Fu	R.O.C.	Male	09/16/2017	0	0.00%	0	0.00%	0	0.00%	General Manager, Line Maintenance Department, Maintenance Div. General Manager, Line Operation Department, Maintenance Div. Master's Degree, Kainan University	None	None	None	None	None
Vice President, Engineering Div.	Lee, Jung-Hui	R.O.C.	Male	09/16/2017	10,298	0.00%	0	0.00%	0	0.00%	Vice President Quality, Assurance Div. Assistant Vice President, Maintenance Div. Master's Degree, Tatung University	Director, Taiwan Aircraft Maintenance And Engineering Co., Ltd. Director, Taikoo (Xiamen) Landing Gear Services Co., Ltd. Director, HAECO Composite Structures (Jinjiang) CO. LTD. Director, Dynasty Aerotech International Corp.	None	None	None	None

Title	Name	Nationality/ Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Managers Who Are Spouses or Within Two Degrees of Kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President, Taiwan	Chiu, Wei-Tuan	R.O.C.	Male	03/19/2020	4,901	0.00%	0	0.00%	0	0.00%	Assistant Vice President, Passenger Sales & Marketing Div. General Manager, Osaka Branch Bachelor's Degree, National Chung Hsing University	Director, Sabre Travel Network (Taiwan) Ltd.	None	None	None	None
Vice President, Europe	Han, Liang-Chung	R.O.C.	Male	06/12/2017	11,498	0.00%	0	0.00%	0	0.00%	Senior Vice President President, Mandarin Airlines Co., Ltd. Master's Degree, Business of Administration, University of Pittsburgh, U.S.A.	None	None	None	None	None
Vice President, Mainland China	Chang, Chih-Chieh	R.O.C.	Male	10/08/2018	96,553	0.00%	0	0.00%	0	0.00%	Senior Vice President, President Office Vice President, Passenger Sales Div. Bachelor's Degree, Tunghai University	None	None	None	None	None
Vice President, Oceania	Chen, Chung-Ming	R.O.C.	Male	05/10/2017	32,779	0.00%	0	0.00%	0	0.00%	General Manager, Fukuoka Branch Assistant Vice President, Passenger Sales Div. Bachelor's Degree, Department of Transportation & Logistics Management of National Chiao Tung University	None	None	None	None	None
Vice President, Japan	Chang, Horng-Jong	R.O.C.	Male	05/27/2020	11,820	0.00%	0	0.00%	0	0.00%	Chairman, Tigerair Taiwan Co., Ltd. General Manager, Haikou Office. Washington University In St. Louis, Doctor of Science	Director, Dynasty Holidays, Inc. Director, Infini Travel Information, Inc.	None	None	None	None

Note1: In order to prevent the concurrent appointment from influencing the objectivity and supervision of the Board of Directors, except for President Kao, Shing-Hwang and Director Wei, Yung-Yeh, who are concurrently Directors and employees, none of the other members of the 21st Board of Directors is concurrently an employee of the Company.

Note2: Company presidents, senior vice presidents, vice presidents, data protection officer, assistant vice presidents, and department and branch general managers have not worked for the Company's currently designated accounting firm or affiliated enterprises within the specified period and do not hold Company stock under the name of a different person.

3.2.3 Remuneration of Directors, President, and Vice President

Remuneration of Directors

Title	Name (Note 1)	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Loss (%) (Note 8)	
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)		CAL	Consolidated Subsidiaries of CAL (Note 7)
		CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)		
Chairman	Hsieh, Su-Chien	5,729	5,729	0	0	0	0	513	2,041	4.46%	5.55%
Director	Chen, Charles C.Y.	40	40	0	0	0	0	480	720	0.37%	0.54%
Director	Ting, Kwang-Hung	40	40	0	0	0	0	495	495	0.38%	0.38%
Director	Chen, Han-Ming	40	2,182	0	0	0	0	480	902	0.37%	2.20%
Director	Ko, Sun-Ta	40	40	0	0	0	0	480	480	0.37%	0.37%
Director	Wei, Yung-Yeh	40	40	0	0	0	0	480	480	0.37%	0.37%
Director	Lin, Su-Ming	40	40	0	0	0	0	500	500	0.39%	0.39%
Director	Wang, Shih-Szu	40	40	0	0	0	0	276	276	0.23%	0.23%
Independent Director	Chung, Lo-Min	60	60	0	0	0	0	760	760	0.59%	0.59%
Independent Director	Chang, Hsieh Gen-Sen	60	60	0	0	0	0	770	770	0.59%	0.59%
Independent Director	Shen, Hui-Ya	60	60	0	0	0	0	760	760	0.59%	0.59%

1.State the policy, system, standard and structure of independent directors' remuneration, and the association between the remuneration amount and factors, such as responsibilities, risks, and contributed time: The remuneration of the independent directors of the Company shall be handled in accordance with the Articles of Association and shall be determined by the Board of Directors with reference to the standards among related industries and listed companies, and shall be paid as fixed remuneration, transportation fees, and attendance fees.

Note 1: Aside from independent directors, all other directors are representatives of the Company's juridical person shareholders China Aviation Development Foundation, National Development Fund (Executive Yuan).

Note 2: Refers to director remuneration over the past year (includes director salary, additional compensation, various bonuses, incentive pay).

Note 3: As stipulated in the Company's Articles of Incorporation, directors are not awarded bonuses.

Note 4: Refers to relevant business expenses incurred by directors (including travel expenses, various allowances, company car). If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$912,000.

Note 5: Refers to salary, bonuses, and allowances received by directors who are also employed by the Company (including as president, vice president, other management, or regular employee) over the past year and includes salary, additional compensation, various bonuses, incentive pay, travel expenses, various allowances, and company car. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The Company didn't carry out employee stock options, employee restricted stock awards and participation in a cash capital increase.

* The content is provided for information disclosure, not tax purposes.

Unit: NT\$ thousands Dec 31, 2020

Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A + B + C + D + E + F + G) to Net Loss (%) (Note 8)		Compensation Paid to Directors from an Invested Company or Parent Company Other than the Company's Subsidiary (Note 9)
Salary, Bonuses, and Allowances (E)(Note 5)		Severance Pay (F)		Employees' Compensation (G) (Note 6)				CAL	Consolidated Subsidiaries of CAL (Note 7)	
CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL	Consolidated Subsidiaries of CAL (Note 7)	CAL		Consolidated Subsidiaries of CAL (Note 7)				
				Cash	Stock	Cash	Stock			
0	0	0	0	0	0	0	0	4.46%	5.55%	None
0	0	0	0	0	0	0	0	0.37%	0.54%	None
0	0	0	0	0	0	0	0	0.38%	0.38%	None
0	0	0	0	0	0	0	0	0.37%	2.20%	None
0	0	0	0	0	0	0	0	0.37%	0.37%	None
1,457	1,457	0	0	0	0	0	0	1.41%	1.41%	None
0	0	0	0	0	0	0	0	0.39%	0.39%	None
0	0	0	0	0	0	0	0	0.23%	0.23%	None
0	0	0	0	0	0	0	0	0.59%	0.59%	None
0	0	0	0	0	0	0	0	0.59%	0.59%	None
0	0	0	0	0	0	0	0	0.59%	0.59%	None

2.Except as disclosed in the above table, the remuneration received by the Directors of the Company for the services provided for all companies in the financial report (such as serving as a consultant who is not an employee) in the most recent year: None

Note 6: Refers to employee compensation (including stock or cash) received by directors who are also employed by the Company (including as president, vice president, other management, or regular employee) over the past year, and the amount of employee compensation approved for distribution by the Board for the most recent year must be disclosed. The Company has no distributable earnings in 2020, so it does not plan to distribute employee compensation.

Note 7: The total remuneration provided by the Company and subsidiaries to directors is disclosed per the consolidated financial statement.

Note 8: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2020 individual financial statement net profit (after tax) totaled NT\$140,000,000.

Note 9: (1) The directors of the Company do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

(2) Compensation refers to pay, bonuses (including bonuses to employees, directors, or supervisors), or expenses paid in the execution of business to Company directors who serve as director, supervisor, or manager of an invested company other than a Company subsidiary.

Note 10: (1) Aside from Chairman Hsieh, Su-Chien, all other directors received a travel allowance.

(2) Transportation subsidies for Director Ting, Kwang-Hung, and Director Wei, Yung-Yeh were partially donated to the China Airlines Employee Union.

(3) Director who also serves as an employee of the Company is Director Wei, Yung-Yeh.

President and Senior Vice President Remuneration

Title	Name	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)	
		CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)
President	Hsieh, Su-Chien (Note 1)	0	0	0	0	0	0
Senior Vice President	Kao, Shing-Hwang	2,914	2,914	0	0	5,009	5,369
Senior Vice President	Wang, Chen-Min	2,975	2,975	0	0	623	1,867
Senior Vice President	Wang, Houg	3,122	3,122	0	0	666	1,266
Senior Vice President	Chang, Young	3,169	3,169	0	0	655	2,117

Note 1: Director Hsieh, Su-Chien also served as president and did not accept president remuneration.

Note 2: Refers to president and senior vice president salaries, additional compensation, and severance pay over the past year.

Note 3: Refers to various bonuses, incentive pay, travel expenses, various allowances, and company car distributed to presidents and senior vice presidents over the past year. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$3,943,000. As stipulated in IFRS 2, Share Based Payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be calculated as remuneration.

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Unit: NT\$ thousands December 31, 2020

Employees' Compensation (D) (Note 4)				Ratio of Total Compensation (A + B + C + D) to Net Loss (%) (Note 6)		Compensation paid to the Presidents and Senior Vice Presidents from an Invested Company or Parent Company Other Than the Company's Subsidiary (Note 7)
CAL		Consolidated Subsidiaries of CAL (Note 5)		CAL	Consolidated Subsidiaries of CAL (Note 5)	
Cash	Stock	Cash	Stock			
0	0	0	0	0%	0%	None
0	0	0	0	5.66%	5.92%	None
0	0	0	0	2.57%	3.46%	None
0	0	0	0	2.71%	3.13%	None
0	0	0	0	2.73%	3.78%	None

Note 4: Refers to employee compensation (including stock or cash) approved for distribution by president and senior vice presidents over the past year. Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company has no distributable earnings in 2020, so it does not plan to distribute employee compensation.

Note 5: The total remuneration provided by the Company and subsidiaries to Company presidents and senior vice presidents is disclosed per the consolidated financial statement.

Note 6: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2020 individual financial statement net profit (after tax) totaled NT\$140,000,000.

Note 7: The President and Senior Vice President of the Company do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

Top five managers with the highest remuneration

Title	Name (Note 1)	Salary (A) (Note 2)		Severance Pay (B)		Bonuses and Allowances (C) (Note 3)	
		CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)	CAL	Consolidated Subsidiaries of CAL (Note 5)
Senior Vice President	Kao, Shing-Hwang	2,914	2,914	0	0	5,009	5,369
Senior Vice President	Wang, Chen-Min (Note 11)	2,975	2,975	0	0	623	1,867
Senior Vice President	Wang, Houng	3,122	3,122	0	0	666	1,266
Senior Vice President	Chang, Young	3,169	3,169	0	0	655	2,117
Vice President, Flight Operations Div.	Chen, I-Ko	2,553	2,553	0	0	5,130	5,130

Note 1: The "top five managers with the highest remuneration" refer to the Company's presidents, the definition of which is based on the Ministry of Finance Official Letter No. Zheng-San 0920001301 regarding the scope of managerial officers issued by the former Securities and Futures Commission, Ministry of Finance on March 27, 2003.

Note 2: Refers to the salaries, additional compensation, and severance pay to the top five managers with the highest remuneration over the past year.

Note 3: Refers to various bonuses, incentive pay, travel expenses, various allowances, and company car distributed to the top five managers with the highest remuneration over the past year. If provided with a car or other transportation, or exclusive personal expenses, the type and cost, rent (actual or fair market calculation), fuel cost, and other costs of the assets provided must be disclosed. The above figures do not include remuneration paid to drivers, which totaled NT\$3,943,000. As stipulated in IFRS 2, Share Based Payments including obtaining employee stock options and employee restricted stock awards and participation in a cash capital increase shall be treated as remuneration.

* The content is provided for information disclosure, not for tax purposes.

Unit: NT\$ thousands December 31, 2020

Employees' Compensation (D) (Note 4)				Ratio of Total Compensation (A + B + C + D) to Net Loss (%) (Note 6)		Compensation paid to the Presidents and Senior Vice Presidents from an Invested Company or Parent Company Other Than the Company's Subsidiary (Note 7)
CAL		Consolidated Subsidiaries of CAL (Note 5)		CAL	Consolidated Subsidiaries of CAL (Note 5)	
Cash	Stock	Cash	Stock			
0	0	0	0	5.66%	5.92%	None
0	0	0	0	2.57%	3.46%	None
0	0	0	0	2.71%	3.13%	None
0	0	0	0	2.73%	3.78%	None
0	0	0	0	5.49%	5.49%	None

Note 4: Refers to employee compensation (including stock or cash) approved for distribution by the top five managers with the highest remuneration over the past year. Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company has no distributable earnings in 2020, so it does not plan to distribute employee compensation.

Note 5: The total remuneration provided by the Company and subsidiaries to the top five managers with the highest remuneration is disclosed per the consolidated financial statement.

Note 6: Net income refers to net income (after tax) for the most recent year. For those already using IFRS, net income refers to net income (after tax) reported on the individual financial statement for the most recent year. The Company's 2020 individual financial statement net profit (after tax) totaled NT\$140,000,000.

Note 7: The top five managers with the highest remuneration do not receive any remuneration related to the reinvestment of enterprises other than subsidiaries.

3.2.4 Comparison of Remuneration for Directors, Presidents, and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents, and Vice Presidents

A. The ratio of the total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents, and vice presidents of the Company, to their net income (loss).

Title	2019		2020	
	CAL	Consolidated Subsidiaries of CAL	CAL	Consolidated Subsidiaries of CAL
Directors	-1.62%	-1.79%	9.74%	12.84%
Presidents and Senior Vice Presidents	-2.06%	-2.37%	13.67%	16.29%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

As stipulated in the Articles of Incorporation, the Board of Directors is authorized to set the chairman's remuneration in accordance with the Company's policies regarding manager compensation and based on the extent of his or her participation in Company operations. The travel allowances and remuneration of other directors are determined by the Board in reference to the compensation levels provided by related-industries and public companies. In accordance with Article 29 of the Company Act, president and senior vice president's remuneration is set by the Board of Directors' resolution based on Company employee salary-related regulations. Bonuses and employee compensation are calculated based on the Company's overall operating performance and the employee's individual performance achievement rate.

C. Procedure for establishing remuneration

In the case of remuneration for board members and managers, as per regulation, the Company's Salary and Remuneration Committee meets regularly to assess and set salaries and remuneration, which are implemented after submission to the Board of Directors.

D. Linkage to business outcomes

(1) The remuneration of the president has already been determined based on his professional capability and the Company's operations and financial situation; the Senior Vice Presidents are evaluated based on the work performance evaluation regulation of the Company, which include 40% of personal performance management and 60% of two times of annual work evaluation. The criteria include financial aspect, customer aspect, internal process aspect, safety aspect, growth and learning aspect, etc.

(2) Pursuant to Chapter 5, Article 25 of the Articles of Incorporation, if the Company makes profits in the year, no less than 3% of the profit shall be distributed as employee remuneration in either stock or cash. According to the internal regulations, work performance bonus is distributed based on the company's management goals in different stage. 60% accounts for personal performance and 40% account for the job title.

E. Linkage to future risk

Major decision making at operational levels of the company always takes into consideration and balances various risk factors; major decision-making performance will be reflected in the Company's profits, thereby relating salaries and remuneration to management levels; specifically, the salaries and remuneration of the chairman of the board, the president, and senior vice presidents are linked to results and managing future risk.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A. From January 1, 2020, through March 27, 2021, a total of seven meetings of the Board of Directors were held. The average attendance rate was 98%. Director attendance is detailed below:

Title	Name (Note 1)	Attendance in Person	By Proxy	Attendance Rate (%) (Note 2)	Juridical Person Shareholder Represented	Remarks
Chairman	Hsieh, Su-Chien	7	0	100%	China Aviation Development Foundation	None
Director	Kao, Shing-Hwang	1	0	100%	China Aviation Development Foundation	None
Director	Chen, Charles C.Y.	7	0	100%	China Aviation Development Foundation	None
Director	Ting, Kwang-Hung	7	0	100%	China Aviation Development Foundation	None
Director	Chen, Han-Ming	7	0	100%	China Aviation Development Foundation	None
Director	Ko, Sun-Ta	7	0	100%	China Aviation Development Foundation	None
Director	Wei, Yung-Yeh	7	0	100%	China Aviation Development Foundation	None
Director	Lin, Su-Ming	7	0	100%	National Development Fund (Executive Yuan)	None
Director	Wang, Shih-Szu	7	0	100%	National Development Fund (Executive Yuan)	None
Independent Director	Chung, Lo-Min	6	1	86%	-	On March 18, 2020, Chang, Hsieh Gen-Sen attended as a proxy.
Independent Director	Chang, Hsieh Gen-Sen	7	0	100%	-	None
Independent Director	Shen, Hui-Ya	7	0	100%	-	None

Other items deserving mention:

1. In the operation of the company by the Board of Directors, should any one of the following situations arise, the Board Meeting date, session, content of the resolution, opinions of all independent directors, and the Company's response to these comments shall be properly recorded:

(1) Matters listed under Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee, hence, this does not apply.

(2) Other matters up for decision making by the Board not listed in Article 14-3 of the Securities and Exchange Act but were opposed by independent directors or about which the said directors have reservations and their opinion has been recorded or submitted in a written statement: None.

2. Should a director recuse him or herself from a decision about which he or she has a conflict of interest, the name of the director, contents of the resolution, reasons for recusal, and the results of the vote should be noted:

Meeting Dates	Agenda content	Directors recused for conflicting interest	Reason for recusal	Participation in vote
January 13, 2020: 9th meeting of the 21st Board of Directors	Chairman and Managers' 2020 Lunar New Year Incentive	Chairman Hsieh, Su-Chien	Personal interest in this matter	Chairman Hsieh, Su-Chien, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 10 attending Directors approved the resolution.
May 7th, 2020: 10th meeting of the 21st Board of Directors	Release Director Chen, Han-Ming from non-competition restrictions	Director Chen, Han-Ming	Personal interest in this matter	Director Chen, Han-Ming, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 10 attending Directors approved the resolution.
August 6th, 2020: 12th meeting of the 21st Board of Directors	Capital increase for Tigerair Taiwan Co., Ltd.	Director Chen, Han-Ming	Personal interest in this matter	Director Chen, Han-Ming, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 10 attending Directors approved the matter.
	Distribute flight safety bonus to Chairman and Managers	Chairman Hsieh, Su-Chien	Personal interest in this matter	Chairman Hsieh, Su-Chien voluntarily gave up the bonus. The recusal was not necessary since no personal interest was involved. All attending Directors approved the matter.
January 18th, 2021: 14th meeting of the 21st Board of Directors	2021 Lunar New Year incentive for Chairman and Managers	Chairman Hsieh, Su-Chien	Personal interest in this matter	Chairman Hsieh, Su-Chien voluntarily gave up the bonus. The recusal was not necessary since no personal interest was involved. All attending Directors approved the matter.
March 18th, 2021: 15th meeting of the 21st Board of Directors	The appointment of President	Director Kao, Shing-Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.
	Distribute flight safety bonus to managers	Director Kao, Shing-Hwang	Personal interest in this matter	Director Kao, Shing-Hwang, who recused according to law due to interests involved, did not participate in the discussion or voting. The rest of the 11 attending Directors approved the resolution.

3. Board of Directors' functional improvement goals for the last year and the current year (such as forming an audit committee and improving information transparency) and implementation assessment:

(1) To strengthen the management mechanisms and oversight, three functional committees, namely, the Remuneration Committee, Audit Committee, and Risk Committee, were set up under the Board of Directors. Each is convened based on its charter, and the charters were approved by the Board. The committees meet to review and discuss relevant issues and report their conclusions and suggestions to the Board for resolution. The committees have been a success. The regulations governing functional committees passed by the Board specify the number of committee members, term of office, committee powers, rules of procedure, and resources to be provided by the Company when the committees exercise their powers.

- (2) In order to implement corporate governance and improve the functioning of the Board of Directors of the Company and establish performance objectives to enhance the efficiency of the Board of Directors, the Company has formulated the "Regulations Governing the Board Performance Evaluation," which is implemented once at the end of each year. The evaluation method is divided into performance evaluation of the entire Board of Directors, individual Board members, and the functional committees. The evaluation shall be conducted every three years by an external professional independent organization or a team of experts and scholars. The Company has conducted a performance evaluation in 2020. The self-evaluation results by the entire Board of Directors, individual Board members, and the functional committees are all excellent. Hang Seng S.D. Co., Ltd. conducted the 2020 external evaluation of the Board of Directors, and the result was excellent.
- (3) The Company regularly arranges advanced courses for directors every year, which cover corporate governance-related topics, such as finance, risk management, sales, business, legal affairs, accounting, internal control system, financial reporting responsibility, corporate social responsibility, etc., and encourages members of the Board to continue to participate in courses related to corporate governance in their new or existing term of office to enable the members of the Board to have different professional functions, and to implement the diversification policy of directors.
- (4) For more information regarding China Airlines Corporate Governance, please refer to our website (<http://www.china-airlines.com>): Corporate Social Responsibility, "Stakeholders' Area" and "Investor Information".

4. Independent director attendance record for 2020 through March 27, 2021:

Name	Dates						
	01/13/2020	03/18/2020	05/07/2020	08/06/2020	11/05/2020	01/18/2021	03/18/2021
Chung, Lo-Min	✓	○	✓	✓	✓	✓	✓
Chang, Hsieh Gen-Sen	✓	✓	✓	✓	✓	✓	✓
Shen, Hui-Ya	✓	✓	✓	✓	✓	✓	✓

Note: ✓ indicates attendance in person. ○ indicates attendance by proxy. ✗ indicates the director did not attend.

Note 1: For directors that are juridical persons, the name of the juridical person shareholder and its representatives must be disclosed.

Note 2: (1) When a director resigns before the year's end, the remark column shall have the date of resignation and actual attendance rate (%) calculated based on the number of meetings held during the period prior to resignation and the actual number of meetings attended by him/her.

(2) If there is a change of directors prior to the end of the year, both the new and old directors shall be included in the table and the remark column shall note whether the director has been reelected or newly elected and the date of the (re)election. Actual attendance rate (%) is calculated based on the number of meetings held during the period of service and the actual number of meetings attended by him/her.

B. Evaluation of the Board of Directors

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation content
(1) Engage in one internal evaluation per year.	January 1 to December 31, 2020	Covers the evaluation of the board as a whole, the individual directors, and functional committees	Evaluation by the business team of the Board of Directors, self-evaluation by the Board members, and performance evaluation by the functional committee members	<p>(1) Board of Directors' performance evaluation: 11 metrics in total, including 5 measurement parameters, i.e., the degree of participation in the Company's operations, the Board of Directors' decision-making quality, the composition and structure of the Board of Directors, the selection and continuing education of Directors, and internal control.</p> <p>(2) Individual Board members: 18 metrics in total, including 6 measurement parameters, i.e., mastery of Company's goals and tasks, recognition of Directors' responsibilities, participation in Company's operations, internal relationship management and communication, Director's expertise and continuing education, and internal control.</p> <p>(3) Evaluating Functional Committee Performance: 10 metrics in total, including 5 measurement parameters, i.e., the degree of participation in the Company's operations, functional committee responsibility awareness, decision-making quality of functional committee, composition and member selection of functional committee, and internal control.</p>
(2) An external evaluation shall be carried out every three years by an external professional independent organization or a team of experts and scholars.	January 1 to December 31, 2020	Covers the evaluation of the board as a whole, and functional committees	External evaluation form of the Functional Committees and the observation of the Board meeting	The evaluation aspects cover the engagement of company operation, decision-making improvement by the Board of Directors, the composition and structure of the Board of Directors, the selection and appointment of the Board of Directors, continuous learning, internal control, corporate governance and operating performance evaluation.

3.3.2 Audit Committee

The Audit Committee convened six meetings from January 1, 2020, through March 27, 2021. The attendance of Committee members is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Chang, Hsieh Gen-Sen	6	0	100%	None
Independent Director	Chung, Lo-Min	6	0	100%	None
Independent Director	Shen, Hui-Ya	5	1	83%	None

Other mentionable items:

1. Key functions of the Audit Committee:

The Committee consists of three Independent Directors. The key functions of the year are to assist the Board of Directors in supervising the Company on the fair presentation of the relevant financial statements, appointment (dismissal) of a CPA and its independence and performance, auditing of the Company's internal control system, compliance with related laws, regulations and rules of the Company (such as, internal control system, acquisition or disposal of assets, derivative commodity transactions, loaning funds to others, providing endorsements or guarantees for others), and other matters included in its statutory functions (appointment and dismissal of financial supervisors or internal audit executive, mergers and acquisition-related matters).

2. In the operation of the Audit Committee, should one of the below situations arise, the date of the Board Meeting, session, content of the resolution, result of the Audit Committee resolution, and the Company's response to these views be properly recorded:

(1) Matters listed under Article 14-5 of the Securities and Exchange Act:

Meeting Dates	Agenda content	Outcome of the vote by the Board of Auditors and company's handling of the Board's views	Outcome of the Board of Directors decision
March 18, 2020 7th Meeting of the Audit Committee of the 21st Board of Directors	2019 Financial Report and Consolidated Financial Report 2019 Deficit Compensation 2020 CPA Appointment and Remuneration 2019 Internal Control System Effectiveness Audit and Statement Amendment to 2020 Audit Plan	Passed to the Board of Directors on unanimous approval by all members attending.	Approved by all attending Directors in the 10th meeting of the 21st Board of Directors on March 18, 2020.
May 7, 2020 8th Meeting of the Audit Committee of the 21st Board of Directors	Disposal of 5 A330-300 aircraft through sale and leaseback transaction		Approved by all attending Directors in the 11th meeting of the 21st Board of Directors on May 7, 2020.
August 6, 2020 9th Meeting of the Audit Committee of the 21st Board of Directors	Second amendment to 2020 Audit Plan Capital increase for Tigerair Taiwan Co., Ltd. Issuing NT\$6 billion in total face value of domestic unsecured convertible corporate bonds		Approved by all attending Directors in the 12th Extraordinary meeting of the 21st Board of Directors on August 6, 2020.
November 5, 2020 10th Meeting of the Audit Committee of the 21st Board of Directors	2021 Audit Plan		Approved by all attending Directors in the 13th meeting of the 21st Board of Directors on November 5th, 2020.
March 18, 2020 12th Meeting of the Audit Committee of the 21st Board of Directors	2020 Financial Report and Consolidated Financial Report 2020 Deficit Compensation 2021 CPA Appointment and Remuneration 2020 Internal Control System Effectiveness Audit and Statement		Approved by all attending Directors in the 15th meeting of the 21st Board of Directors on March 18th, 2021.

(2) Other matters up for decision by the Board not listed in Article 14-5 of the Securities and Exchange Act that were not passed by the Audit Committee but approved by a two-thirds majority of the entire Board: None.

3. In situations where independent directors recuse themselves due to conflict of interest, the independent director's name, the content of the resolution, the reason for recusal, and his or her voting participation should be properly recorded: None.

4. Communication between independent directors and internal audit managers and auditors (regarding issues such as Company financial and operational status, procedures, and results):

(1) In addition to the independent directors of the Company receiving the audit report monthly, the audit officer submits the annual audit plan and the implementation of independent directors through the Audit Committee and the Board of Directors. The audit officer replies to the independent director's questions, provides necessary information, strengthens the audit work in accordance with his instructions, and ensures the effectiveness of internal controls. In addition, in non-routine communication, the audit value shall be continuously improved. In case of any major violation, the independent director shall be informed immediately.

(2) Before the audit committee meeting held in each quarter, the certified public accountant and the independent directors shall convene a communication meeting to report to the independent director and explain the audit plan, implementation situation, or review results of the financial statements; the certified public accountant shall provide the financial statements and relevant necessary information to the audit committee and the Board of Directors in each quarter, and attend the meeting in a nonvoting capacity.

(3) Directors shall contact the audit supervisor or accountants when needed for full communication.

• Communication between independent directors and accountants:

Means of communication	Communication matters		Communication results	
	Primary matter	Proposal by independent director	Results	Company's processing status
March 18, 2020 Audit Committee	Before the meeting, the accountant separately reported and explained	The impact of the COVID-19 pandemic on the Company's	Approved by all attending Independent	1. The managerial department provided the explanation and response forthwith

	the audit situation to the independent director. At the meeting, the financial director of the company explained the audit results of the financial report in 2019, and discussed and communicated the issues raised by the participants.	passenger revenue was addressed, and the adjustment to items of loss allocation was discussed.	Directors.	during the meeting. 1. 2. Continued to submit for the Board of Directors' approval, and completed the 2019 financial report announcement and declaration on March 31, 2020.
May 7, 2020 Audit Committee	Before the meeting, the accountant shall separately report and explain the review situation to the independent director. At the meeting, the financial director of the Company shall explain the review results of the financial report in the first quarter of 2020 and the amendment of laws and regulations, and discuss and communicate the issues raised by the participants.	The details and execution of the government financial assistance (NT\$20 billion), including the contracting, distribution, and repayment schedule, etc. The disclosed matters impacted by the COVID-19.	Noted by all attending Independent Directors.	1. The managerial department has provided the explanation and response forthwith during the meeting. 2. Continued to report to the Board of Directors, and completed the Q1 2020 financial report was completed on May 15, 2020.
August 6, 2020 Audit Committee	Before the meeting, the accountant shall separately report and explain the review situation and the auditing/key audit matters of the 2020 financial statements to the independent director. At the meeting, the financial director of the Company shall explain the review results of the financial statements in the second quarter of 2020 and the impacts of new IFRS on the financial statements, and discuss and communicate the issues raised by the participants.	An inquiry into the impacts of COVID-19 disclosing on the financial statements. Ask the Company to increase revenue and save costs, assisting affiliates to improve operation.	Noted by all attending Independent Directors.	1. The managerial department has provided the explanation and response forthwith during the meeting. 2. Continued to report to the Board of Directors, and completed the Q2 2020 financial report announcement and declaration on August 14, 2020.
November 5, 2020 Audit Committee	Before the meeting, the accountant shall separately report and explain the review situation to the independent directors. At the meeting, the financial director of the Company shall explain the review results of the financial statements in the third quarter of 2020, and discuss and communicate the issues raised by the participants.	Profit difference in the second and third quarter. The impact of Mandarin Airlines and Tigerair Taiwan on the consolidated financial statements; the countermeasures against US dollar deflation and off-season of cargo shipment; the follow-up to aircraft replacement, the reasons of hedge financial assets increase and increase of contract liability; the impact of decreased cash and cash equivalents; the meaning of decreased cash and cash equivalents caused by fluctuated currency rate.	Noted by all attending Independent Directors.	1. The managerial department has provided the explanation and response forthwith during the meeting. 2. Continued to report to the Board of Directors, and completed the Q3 2020 financial report announcement and declaration on November 16, 2020.
March 18, 2021 Audit Committee	Before the meeting, the accountant separately reported and explained the audit situation to the	Asked about the content of the financial statements regarding leased	Approved by all attending Independent	1. The managerial department provided the explanation and response forthwith during the meeting. The CPA firm agreed

	independent director. At the meeting, the financial director of the company explained the audit results of the financial report in 2020, and discussed and communicated the issues raised by the participants.	aircraft and purchased aircraft; the discussion on the dropping revenue due to COVID-19; suggested to lower the CPA commissioned fee.	Directors.	to lower the fee. 2. Continued to submit for the Board of Directors' approval, and completed the 2020 financial report announcement and declaration on March 31, 2021.
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• Communication between independent directors and internal audit supervisor:

Means of communication	Communication matters		Communication results	
	Primary matter	Proposal by independent director	Results	Company's processing status
March 18, 2020 Audit Committee	Internal audit business report for Q4 2019	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on March 18, 2020.
	2019 Internal Control System Effectiveness Audit and Statement	None	Approved by all attending members and reported to the Board of Directors.	Resolved by the Board of Directors on March 18, 2020, and the 2019 Internal Control System was shared on March 23, and mentioned in the 2019 annual report.
	Amendment to 2020 Audit Plan	None	Approved by all attending members and reported to the Board of Directors.	Resolved by the Board of Directors on March 18, 2020, and the 2020 internal audit plan was unveiled on March 24.
May 7, 2020 Audit Committee	Internal audit business report for Q1 2020	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on May 7, 2020.
August 6, 2020 Audit Committee	Internal audit business report for Q2 2020	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on August 6, 2020.
	Second amendment of 2020 audit plan	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on August 6, 2020.
May 8, 2019 Audit Committee	Internal audit business report for March 2019	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on May 8, 2019.
August 7, 2019 Audit Committee	Internal audit business report for Q2 2019	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on August 7, 2019.
November 5, 2020 Audit Committee	Internal audit business report for Q3 2020	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on November 5, 2020.
	2021 Audit plan	Member Shen: The liquidation of YesTrip Co., Ltd. has not yet been completed. It is recommended to include the management team in the audit plan. Convener Chang: CAL shall reinforce the audit of the air cargo business. It is recommended to audit the cargo business and adjust the audit in each unit.	Approved by all attending members and reported to the Board of Directors for discussion after the amendment.	Reported to the Board of Directors on November 5, 2020.
January 18, 2021 Audit Committee	Internal audit business report for Q4 2020	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on January 18, 2021.
March 18, 2021 Audit Committee	Internal audit business report for January 2021	None	Approved by all attending members and reported to the Board of Directors.	Reported to the Board of Directors on March 18, 2021.
	2020 internal control effectiveness audit and statement	None	Approved by all attending members and reported to the Board of Directors.	Resolved by the Board of Directors on March 18, 2021, and the 2020 Statement of Internal Control System was shared on March 22 and disclosed in the 2020 annual report.

3.3.3 Risk Committee

The Risk Committee convened five meetings from January 1, 2019, through April 25, 2020. Committee member attendance is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Chung, Lo-Min	5	0	100%	None
Independent Director	Chang, Hsieh Gen-Sen	5	0	100%	None
Independent Director	Shen, Hui-Ya	4	0	80%	Absence on May 8, 2020
Director	Lin, Su-Ming	4	1	80%	On March 18, 2021, Chung, Lo-Min attended as a proxy.
Director	Ting, Kwang-Hung	4	1	80%	On August 5, 2020, Lin, Su-Ming attended as a proxy;

Following are the other mentionable items:

1. Key functions of the Risk Committee:

The Committee reviews the establishment, implementation, and response measures of the Company's management strategies for overall finance, economy, flight safety, and other risks, and submits its views and recommendations to the Board of Directors for implementation.

2. Professional competence of risk management committee members:

Independent director Shen, Hui-Ya is an able legal professional; Independent directors Chang, Hsieh Gen-Sen, Chung, Lo-Min, and director Lin, Su-Ming all have the professional ability in financial accounting and practical practice and management experience; Director Ting, Kwang-Hung has the ability to make business-related judgments, leadership and decision making, operation and management, crisis handling, and has an outlook on international markets.

2. The operation of the Risk Committee:

Meeting Dates	Agenda content	Risk Committee resolution results and company action on Risk Committee's views	Results of the Board of Directors decision
March 18, 2020 7th Meeting of the Risk Management Committee of the 21st Board of Directors	Safety management report 2020Q1 Operations risk management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy	Passed to the Board of Directors on unanimous approval by all members in attendance.	Unanimously passed by all members of the Board of Directors in attendance.
May 8, 2020 8th Meeting of the Risk Management Committee of the 21st Board of Directors	Safety management report 2020Q2 Operations risk management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
August 5, 2020 9th Meeting of the Risk Management Committee of the 21st Board of Directors	Safety management report 2020Q3 Operations risk management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
November 5, 2020 10th Meeting of the Risk Management Committee of the 21st Board of Directors	Safety management report Climate control report 2020Q4 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		
March 18, 2021 11th Meeting of the Risk Management Committee of the 21st Board of Directors	Safety management report 2021Q1 Operations risk-management analysis Financial status report Operations outlook and financing, crude oil market analysis Financial risk hedging strategy Oil risk hedging strategy		

3.3.4 Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies

Evaluation Item	Status of Implementation		Brief Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and Reasons
	Yes	No		
1. Did the Company establish its Corporate Governance Best-Practice Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and did it share those Principles?	✓		The Corporate Governance Principles of the Company have been formulated in compliance with the Corporate Governance Best-Practice Principles for TSEC/TPEX-Listed Companies; its amendment has been approved at the 6th meeting of the 21st Board of Directors on May 8, 2019, and shared under the "Important Company Regulations" on the Company's website.	No Difference
2. Company ownership structure and shareholder rights (1) Did the Company establish internal operational procedures for dealing with shareholder suggestions, questions, disputes, and lawsuits and put these procedures into practice?	✓		(1) The Company's website has a portal for shareholder services and a "Method for Handling Investor Relations" has been set so that investor suggestions and concerns are dealt with by shareholder service personnel and shareholder service agents according to relevant procedures. This ensures a smooth channel of communication between the Company and its shareholders and the quality of disclosed information.	No Difference
(2) Does China Airlines maintain a list of the major Company shareholders and the ultimate owners of these shareholders?	✓		(2) The China Aviation Development Foundation is China Airlines' largest shareholder and the company is in communication and contact with it.	No Difference
(3) Did China Airlines establish and implement risk control mechanisms and firewalls at the Company and affiliated enterprises?	✓		(3) The Company has established Operational Procedures for Endorsements/Guarantees, Operational Procedures for Lending Funds to Others, and Regulations Governing Management of Invested Enterprises. All capital loans and funding, endorsements/guarantees, and operational supervision and management of Company subsidiaries are in accordance with these procedures and regulations. Audit units perform quarterly audits of Company endorsements/guarantees and capital loans/funding, which are provided to management and independent directors. The Finance Div. is responsible for overseeing implementation at invested enterprises and should any errors be noticed, a rectification deadline is set and the progress is monitored.	No Difference
(4) Did the Company establish internal standards to prevent insider trading on undisclosed information?	✓		(4) The Company established the Director's Code of Conduct, Procedures for Handling Material Inside Information, and High-Level Manager Code of Conduct to specify insider trading prevention and processing of secret stock trading and operating information as required of employees by law. Those with access to undisclosed material inside information are prohibited from engaging in securities trading.	No Difference
3. Structure and responsibilities of the Board of Directors (1) Has the Company established policies calling for diversity among	✓		(1) China Airlines advocates and respects the director's diversity policy, and is convinced that diversity can improve the overall performance of the Company. Members of the Board of Directors shall be based on personal capabilities and diversification from different aspects is also taken into consideration, including basic characteristics (e.g., age, gender and nationality, etc.), experience and skills (e.g., aviation, sea freight, transportation, finance and accounting, law and insurance, electricity, technology, and public utilities, etc.), operation and management, leadership and decision-making, and crisis management ability. In order to strengthen the Board's functions to achieve the ideal goals of corporate governance, the Company has formulated the Corporate Governance Principles, Article 20 of which specifies the overall abilities the Board of Directors is to be equipped with, which are as follows: A. The ability to make operational judgment.	No Difference

Evaluation Item	Status of Implementation		Brief Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons																																																																																																																																																																																																																																									
	Yes	No																																																																																																																																																																																																																																											
members of the Board of Directors and put said policies into practice?			<p>B. The ability to perform accounting and financial analysis. C. The ability to conduct management administration. D. The ability to manage crisis situations. E. Industrial knowledge. F. Perspective of the international market. G. The ability to lead. H. The ability to make decisions.</p> <p>The diversification policies of the current executives of the Company and their progress are as follows: MAR 27, 2021</p> <table border="1"> <thead> <tr> <th rowspan="3">Diversified Core Name</th> <th colspan="5">Basic composition</th> <th colspan="10">Industrial experience</th> <th colspan="3">Professional competence</th> </tr> <tr> <th rowspan="2">Nationality</th> <th rowspan="2">Gender</th> <th rowspan="2">Has employee status</th> <th colspan="3">Age</th> <th rowspan="2">Length of office of independent director</th> <th rowspan="2">Airlines</th> <th rowspan="2">Transport</th> <th rowspan="2">Professional services and marketing</th> <th rowspan="2">Financial and Finance</th> <th rowspan="2">Construction and engineering</th> <th rowspan="2">Banking, insurance and real estate</th> <th rowspan="2">Business and supply</th> <th rowspan="2">Information and technology</th> <th rowspan="2">Metal and machinery</th> <th rowspan="2">Law</th> <th rowspan="2">Accounting</th> <th rowspan="2">Risk management</th> </tr> <tr> <th>40-50</th> <th>51-60</th> <th>61-70</th> <th>Less than 3 years</th> <th>Six to nine years</th> </tr> </thead> <tbody> <tr> <td>Hsieh, Sir-Chien</td> <td>R.O.C.</td> <td>Male</td> <td>-</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>✓</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>○</td> <td>✓</td> </tr> <tr> <td>Kao, Shing-Hwang</td> <td>R.O.C.</td> <td>Male</td> <td>✓</td> <td>-</td> <td>✓</td> <td>-</td> <td>-</td> <td>✓</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>✓</td> <td>○</td> <td>-</td> <td>-</td> <td>○</td> <td>✓</td> </tr> <tr> <td>Chen, Charles C. 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			Shen-Hui-Ya		R.O.C.	Female	-	-	✓	-	✓	-	-	-	-	-	-	-	-	-	-	✓	○
			<p>Note: ✓ Indicates the director has the capability; ○ indicates the director has some capability.</p> <p>a. The 11 directors (including 3 independent directors) of the 21st Board of Directors of the Company have business judgment, leadership decision-making, operation and management, international market outlook, crisis management, and other capabilities, as well as industrial experience, and professional ability, among which, those with experience in transportation and tourism industry are Chairman Hsieh, Su-Chien, director Chen, Charles C.Y., director Ko, Sun-ta, and Director Wei, Yung-Yeh. Those who are good at marketing are Chairman Hsieh, Su-Chien, director Charles C.Y. Chen, director Ting, Kwang-Hung, director Chen, Han-Ming and director Ko, Sun-ta; Director Chen, Charles C.Y., who have made significant contributions to the public welfare; Independent director Shen, Hui-Ya is competent in legal affairs; Director Wang, Shih-Szu, a previous politician (vice mayor of Tainan City); Independent director Chang, Hsieh Gen-Sen, independent director Chung, Lo-Min, director Lin, Su-Ming and director Ting, Kwang-Hung have the professional ability of accountancy or finance and have practical practice, management, or teaching experience.</p> <p>b. The average term of office of the company's directors is 6 years, among which two independent directors Chang, Hsieh Gen-Sen and Shen, Hui-Ya have tenure of fewer than three years. The term of office of independent director Chung, Lo-Min is eight years, and the consecutive term of office of all independent directors does not exceed three terms.</p> <p>The directors are all local citizens, and three independent directors constitute 27% of the board; there is one director who is also an employee (9%). The age distribution range of directors includes two directors aged 40-50, five directors aged 51-60, and four directors aged 61-70.</p> <p>In addition, the Company also pays attention to gender equality in the composition of the Board. The current board of directors consists of three female members (two of whom are independent directors), and the proportion of female directors is high, at 27%. In the future, the Company will remain committed to improving the proportion of female directors.</p> <p>c. Diversity, complementarity, and implementation of directors comply with and exceed the standards specified in Article 20 of the Corporate Governance Principles of China Airlines. In the future, the board of directors will continue to update its diversified policies according to board operations, operation style, and development needs, including but not limited to the standards of basic conditions and values, professional knowledge and skills, so as to ensure that board members generally have the necessary knowledge, skills, and literacy to perform their duties.</p>																				
(2) In addition to the establishment of the Remuneration Committee and Audit Committee as required by law, did the Company establish committees with other functions of its own accord?	✓		(2) In addition to setting up the Audit Committee and the Remuneration Committee according to law, to improve the risk management of the Company, the Company has voluntarily set up a Risk Management Committee, with five directors (including three Independent Directors) as members. Meetings are held on a quarterly basis according to the organization regulations approved by the Board of Directors. The Committee responds to the Board of Directors and assists it in reviewing the establishment, implementation outcomes, and response measures of the Company's management strategies for overall finance, economy, flight safety, and other risks, and submits its conclusions and recommendations to be resolved by the Board of Directors. Good operational effectiveness has been achieved.																				No Difference
(3) Has the Company formulated performance evaluation guidelines and evaluation methods for the Board of Directors and does it evaluate its performance regularly each year and, furthermore, does it report the evaluation outcomes to the Board of Directors and use them as references for deciding on the remuneration of individual directors and nomination for continuing terms as directors?	✓		(3) The Company approved the "Regulations Governing the Board Performance Evaluation" in the 8th meeting of the 21st Board of Directors on November 7, 2019. An internal evaluation of the Board's performance is made at the end of each year. The evaluation is divided into the performance evaluation of the entire Board of Directors, individual Board members, and functional committees. The evaluation shall be completed by the end of January of the following year, the outcomes of which shall be submitted by the Human Resources Department to be reported at the Board meeting held by the end of March. The evaluation shall be conducted every three years by an external professional independent organization or a team of experts and scholars. The results will be referred to in deciding directors' remuneration and nomination while renewing their performance.																				No Difference
			<p>The Company completed the 2020 Board Performance Evaluation in accordance with the above regulations, which has been reported at the 15th meeting of the 21st Board of Directors on March 18, 2021, and disclosed on the Company's official website. The self-evaluation results are as follows:</p> <p>A. Entire Board of Directors</p> <p>a. Evaluation items: Ten items in total, including five major aspects, i.e., the degree of participation in the Company's operations, improvement of Board of Directors' decision-making quality, composition and structure of the Board of Directors, continuing education of Directors, and internal control.</p> <p>b. Results of self-evaluation: Above standards.</p> <p>B. Individual Board members</p> <p>a. Evaluation items: Eighteen items in total, including six major aspects, i.e., mastery of Company's goals and tasks, recognition of Directors' responsibilities, participation in Company's operations, internal relationship management and communication, Director's expertise and continuing education, and internal control.</p> <p>b. Results of self-evaluation: Above standards.</p> <p>C. Functional Committees</p> <p>a. Evaluation items: Ten items in total, including the degree of participation in the Company's operations, functional committee responsibility awareness, improvement to functional committees' decision-making quality, composition and member selection of functional committee, and internal control.</p> <p>b. Results of self-evaluation: Above standards.</p> <p>In addition, the implementation of the performance evaluation of the Board of Directors of the Company will be performed by an external professional independent institution or a team of external experts and scholars every three years.</p> <p>External evaluation result:</p> <p>1. Evaluation period: January 1 to December 31, 2020</p> <p>2. Criteria: The engagement of company operation, decision-making improvement by the Board of Directors, the</p>																				

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			<p>composition and structure of the Board of Directors,</p> <p>the selection and appointment of the Board of Directors, continuous learning, internal control, corporate governance and operating performance evaluation.</p> <p>3. Result and suggestions: The evaluation result of the China Airlines 2020 Board of Directors and Functional Committee was excellent; It is suggested to add one extra independent director to enhance the diversity of the Board.</p>																															
(4) Does the Company periodically assess the independence of external CPAs?	✓		<p>(4) The Audit Committee and the Board of Directors of the Company regularly assess the independence and competence of the accountants each year in accordance with the Company's Corporate Governance Principles, completing the "Accountant Independence Evaluation Form," and acquiring the "Accountant Independence Declaration." The evaluation results are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Item Assessed</th> <th colspan="2">Assessment Results</th> <th rowspan="2">Conforms to independence</th> </tr> <tr> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. Issued an accountant independence declaration</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>2. Has not gone seven continuous years without changing accountants</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>3. Not served as Company director or manager</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>4. Not a shareholder of the Company and has never been on the payroll</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>5. The accounting firm for which they work is not a Company-affiliated enterprise</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>6. Has not provided any non-auditing services to the Company that could affect complete independence</td> <td>✓</td> <td></td> <td>Yes</td> </tr> </tbody> </table> <p>After assessment by the Company, accountants Huang, Jui-Chan and Cheng, Shih-Ran of Deloitte & Touche both conform to the above assessment standards for independence, and are suitable to act as CPAs for this company. After the 12th meeting of the 21st Audit Committee on March 18, 2021, a report will be made to the 15th meeting of the 21st Board of Directors on the appointment of accountants.</p>	Item Assessed	Assessment Results		Conforms to independence	Yes	No	1. Issued an accountant independence declaration	✓		Yes	2. Has not gone seven continuous years without changing accountants	✓		Yes	3. Not served as Company director or manager	✓		Yes	4. Not a shareholder of the Company and has never been on the payroll	✓		Yes	5. The accounting firm for which they work is not a Company-affiliated enterprise	✓		Yes	6. Has not provided any non-auditing services to the Company that could affect complete independence	✓		Yes	No Difference
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4. Does the TWSE/TPEx-listed company have in place an appropriate number of qualified corporate governance officers, and a designated chief corporate governance manager to be responsible for corporate governance-related matters (including but not limited to providing directors and supervisors with the information required to conduct business, assist directors and supervisors in legal compliance, handling matters related to board meetings and shareholders' meetings in accordance with law, and preparing minutes of the board and shareholders' meetings)?	✓		<p>(1) The Company approved the establishment of the Chief Corporate Governance Officer at the 6th meeting of the 21st Board of Directors on May 8, 2019, which is served by the Vice President Chien, Feng-Nien, who has professional qualifications and conducts legal-related matters as head of the department for more than three years. The Chief Corporate Governance Officer's main duties include handling relevant meeting affairs of the Board of Directors and Shareholders Meetings in accordance with law, generating minutes of the Board meetings and Shareholders' Meetings, assisting Directors in assuming their positions and continuing education, providing Directors with the information required to perform their duties, assisting Directors in complying with laws and regulations, and other matters provided in laws, regulations, the Company's Articles of Incorporation, or contracts.</p> <p>(2) The Chief Corporate Governance Officer supervises concerned units implementing corporate governance matters:</p> <p>A. The Chief Corporate Governance Officer concentrates on the following matters which are handled by the personnel of the Board of Directors Business Task Force when handling matters related to the Board of Directors and Committees (including preparing the meeting minutes), assisting Directors in handling their positions, legal compliance and continuing education, and providing Directors with the information required to conduct business:</p> <p>a. Notifying respective members of meetings seven days prior to the convening of meetings of Board of Directors and Committees, with cause(s) or subject(s) of the meeting and sufficient meeting materials attached; having the minutes of each meeting signed or sealed by the Chairman and recorder of each meeting, and be distributed to the members of the meeting within 20 days of the meeting.</p> <p>b. Providing new Director training to first-time Directors, introducing the Company's business, organization and other matters needing attention, and providing newly elected Directors with regulatory guidance manuals regarding insiders and directors to assist Directors in taking office and ensure legal compliance; also, assisting Directors in completing annual training courses in accordance with the Company's business characteristics and Directors' requirements.</p> <p>c. Providing necessary Company information to the Directors, maintaining cordial communication and exchange between the Directors and supervisors, and assisting in arranging communication meetings between Independent Directors and chief audit executive, CPAs, or other internal units to facilitate the conduct of business by independent Directors.</p> <p>d. Amending internal regulations related to corporate governance in cooperation with the latest laws and regulations relevant to the Company's field of business and corporate governance, and submitting amendments to the Board of Directors for resolution.</p> <p>B. In relation to the Company's registration and change of registration, the Administration Division is responsible for completing the relevant registration with the competent authority in time limit for matters requiring registration or changes to registration matters of the Company.</p> <p>C. In addition, the Finance Division is responsible for the handling of matters related to shareholders' meetings (planning and convening of shareholders' meetings, the preparation of meeting minutes and other stock affairs-related business). It also provides sufficient information to the shareholders to ensure that the shareholders' rights and interests are well protected.</p> <p>(3) From January 1, 2019 through April 25, 2020, the Chief Corporate Governance Officer has attended the following courses:</p> <table border="1"> <thead> <tr> <th>Sponsoring Organization</th> <th>Course</th> <th>Date(s)</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Taiwan Corporate Governance Association</td> <td>Technology and Information Safety Risk in the 5G and IoT Era</td> <td>2020/05/07</td> <td>3hr</td> </tr> <tr> <td>Taiwan Corporate Governance Association</td> <td>Trends of Digital Technology and Artificial Intelligence and Risk Management</td> <td>2020/08/06</td> <td>3hr</td> </tr> </tbody> </table>	Sponsoring Organization	Course	Date(s)	Training hours	Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era	2020/05/07	3hr	Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management	2020/08/06	3hr	No Difference																		
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5. Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers) and set up an area dedicated to stakeholders on the	✓		<p>The Company identifies stakeholders in accordance with the five principles of the AA1000 Stakeholder Engagement Standard (SES). To fully and effectively communicate with stakeholders, a spokesperson and "Stakeholders Section" have been created on the Company's official website to provide contact information of the units associated with various issues, so as to facilitate stakeholders' interaction with respective personnel working on relevant issues (including contact personnel, e-mails, and telephone numbers); also, a webpage for communication with stakeholders has been created on the corporate social responsibility website, explaining stakeholders' issues of concern, communication channels, response frequency and communication results. The communication situation with various stakeholders is also reported to the Board of Directors every year. The outcomes from its implementation since 2020 have been reported at the 14th meeting of the 21st Board of Directors on January 18, 2021. Relevant content and frequency of the actual implementation show proper responses to various issues that include corporate social responsibility. See the following for details:</p> <p>(1) Company website -- stakeholders section: https://www.china-airlines.com/tw/en/about-us/stakeholder</p> <p>(2) Company Corporate Social Responsibility (CSR) website -- stakeholder engagement: http://calec.china-airlines.com/csr/en/management_interested.html</p>	No Difference																														

Evaluation Item	Status of Implementation		Brief Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons				
	Yes	No						
Company website? Does the Company respond appropriately to corporate social responsibility issues that stakeholders consider important?			(3) Explanatory table:					
			Item Category	Focus of Communication	Contact Person	Channel of Communication	Frequency	Result of Communication
			Employees	<ul style="list-style-type: none"> Public health and safety Flight safety management Risk and hazards management Labor/management relations and engagement 	Human Resource Div. Miss Chi Tel: +886(0)-3-3998917	Labor-Management Conference	Four to six times per year	Employee satisfaction surveys are conducted once every two years; the score in 2019 was 6.4 (Note: the highest score is 10) Due to COVID-19, the survey was postponed to 2021 to avoid the survey result is distorted.
						Union	Real time	
						Employee concerns mailbox (Wecare listens mailbox, Speak Out employee communication mailbox, Team+ real-time information platform)	Real time	
Website for retired employees and those who have left employment	Real time							
Customers	<ul style="list-style-type: none"> Public health and safety Flight safety management Passenger service management Privacy and Information Security 	Passenger Service Passenger dedicated phone line: +886(0)-2-412-9000	Customer satisfaction surveys	Real time	2020: 1. Passenger satisfaction rate was 88.60% 2. Cargo satisfaction rate was 88.5% 3. Maintenance factory satisfaction score was 8.57 (Note: highest score is 10)			
			Global business meetings	Annually				
		Cargo Service Mr. Lin Tel: +886(0)-3-3998262	Taiwan district business meetings	Twice per year				
			Discussions with travel agencies	Occasional				
		Aircraft Maintenance Mr. Chou Tel: +886(0)-3-3987215	Company website, industry social responsibility network, Facebook, e-mail, and message	Real time				
			Customer-service hotline	Real time				
Investors	<ul style="list-style-type: none"> Public health and safety Flight safety management Operating and financial performance Risk and hazards management 	Vice President, Corporate Communications Office and spokeswoman: Lu, Shwu-Huoy email: tpeprci@china-airlines.com Vice President, Finance Div.: Wang, Wei email: tpeaf@china-airlines.com Finance Div. Mr. Yang Tel: +886(0)-3-3998331 Finance Div. Mr. Lin Tel: +886(0)-3-3998361	Shareholders' meeting	Annually	Continues to announce and respond with operation-related results according to laws, regulations, and investors' demand			
			Shareholder hotline/mailbox	Real time				
			Corporate customer hotline	Real time				
			Corporate customer hotline	Annually				
Partners (Suppliers)	<ul style="list-style-type: none"> Public health and safety Flight safety management Operating and financial performance Governance and business integrity 	General Products Administration Div. Miss Xiao Tel: +886(0)-3-3999143 Aircraft Parts Engineering Div. Mr. Tsai Tel: +886(0)-3-3834251 Ext.7507 e-Shopping/Duty-Free In-Flight Service Supply Chain & Marketing Div.	Telephone, e-mail	Occasional	A general supplier meeting was held at the end of 2020			
			Consultative conferences	Occasional				
			Business visits	Occasional				
		Site inspections	At least once every 6 months					

Evaluation Item	Status of Implementation			Brief Explanation	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No			
				<p>Miss Tseng Tel: +886(0)-3-3993913</p> <p>Corporate Development Office Mr. Zhong Tel: +886(0)-3-3998530</p> <p>Corporate Communications Office Mr. Lee Tel: +886(0)-3-3998639</p> <p>Hold activities for the public good, participate in societal activities</p> <p>Press releases and messages</p> <p>Network mailbox</p> <p>Occasional</p> <p>Monthly Occasional</p> <p>Occasional Daily</p> <p>A total of 355,459 individuals benefited in 2020</p>	
6. Has the Company appointed a professional shareholder services agent to handle shareholders' meeting matters?	✓			The Company's professional services organization is CTBC Bank, which has been assigned the task of handling shareholder meeting matters.	No Difference
7. Information disclosure (1) Has the Company created a public website to disclose financial, operational, and corporate governance information?	✓			(1) Dedicated units within the Company provide information to be disclosed on the China Airlines corporate website (http://www.china-airlines.com) regarding marketing, operations, finance, administration, aircraft operations, human resources, training, shareholders' meetings, and the annual report, prospectus, and any material information. Through this easily available information, consumers, suppliers, and investors can better understand China Airlines' operations.	No Difference
(2) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?	✓			(2) The Company has set up an English language website, the China Airlines Corporate Website (https://www.china-airlines.com/tw/en), with the Office of Public Relations as the spokesperson responsible for gathering and disclosing company information monthly and for posting corporate information to the outside world, including press releases, new interviews, and press conferences.	No Difference
(3) Does the Company publicly announce and register the annual financial report within two months of the end of the fiscal year, and publicly announce and register the first, second, and third quarter financial reports and the monthly operating status earlier than the prescribed time limit?		✓		(3) The Company publicly does not announce and register the annual financial report within two months of the end of the fiscal year, nor publicly announce and register the first, second, and third quarter financial reports and the monthly operating status earlier than the prescribed time limit.	Even though the Company didn't publicly announce/register the annual financial report and the monthly operating status earlier than the prescribed time limit, yet all the work has been done within the time regulated.

Evaluation Item	Status of Implementation			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Brief Explanation	
8. Does China Airlines have other important information to facilitate better understanding of the Company's corporate governance practices (including, but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training regimes, risk management policies, and risk measurement standards as well as the implementation of client policies and the Company's purchase of liability insurance for its directors and supervisors)?	✓		<p>(1) Employee rights: In addition to obeying the Labor Standards Act, in 2002 the Company signed a collective agreement that remains in force today. Salaries and remuneration, benefits and insurance are adjusted annually based on the remuneration policy and revenue, and there are also procedures for merit pay and higher pay for promotions to select and promote outstanding employees.</p> <p>(2) Employee care: Primarily in three areas:</p> <p>A. Information:</p> <p>a. China Airlines has set up a China Airlines electronic bulletin board on the Company's internal information webpage to announce welfare information of the Company (such as childcare measures, various welfare subsidies, complimentary/discounted tickets and employee stock ownership trust). We have also set up a retirement/resignation section to thoroughly explain various procedures for handling retirement/resignation. In addition, a mailbox for all employees and the Team+ real-time messaging platform has been established to inform employees of important messages.</p> <p>b. We care listens mailbox, Speak Out employee communication mailbox, Team+ real-time messaging platform, etc. have been established to provide employees with two-way channels to fully express personal opinions and demands.</p> <p>B. Organizational:</p> <p>Based on the scale and dependencies of each unit in the Company, employee relations departments or dedicated personnel have been established to be responsible for good communication channels and overall management of relations, assisting in publicizing various beneficial policies of the Company and eliminating misunderstandings by improving internal employee satisfaction, cohesiveness, feeling of identification with the Company, and work achievements at appropriate times.</p> <p>C. Systematic:</p> <p>Periodically hold labor-management conferences and supervisor-employee communication meetings and have employee benefits committee members participate in meetings with various types of unions and employee representatives to tell employees about related governance actions at appropriate moments; each resolution gives full respect to employee opinions and interests.</p> <p>(3) Investor relations:</p> <p>The Company has established Rules for Handling Investor Relations by which it handles all investor concerns or opinions. A total of 1 were handled in 2020, and the company will continue to announce and respond with operation-related results according to laws, regulations, and investors' demand.</p> <p>(4) Supplier relations:</p> <p>In accordance with the Company's Regulations Governing the Procurement and Inspection of General Items, except for patents and emergency procurement, all procurement shall be processed through open tendering and the tender announcement shall be disclosed on the Company's website to establish a transparent, open, fair, and competitive trading environment. At the same time, the Company requires suppliers to issue a "Tenderer Declaration" before bidding, which regulates that suppliers must comply with the integrity and ethical requirements including the principle of conflict of interest avoidance, anti-bribery regulations, and supplier integrity, as well as requiring suppliers to abide by relevant local laws and regulations.</p> <p>(5) Stakeholder interests:</p> <p>The Company website has a "Stakeholder Contact" and other diverse communications channels and platforms to address all manner of stakeholder complaints and wishes appropriately and effectively.</p> <p>(6) Continuing education for directors and supervisors: see P.67-69 for details.</p> <p>(7) Status of implementation for risk management policy and risk balance standards:</p> <p>The Company's operations are enormously impacted by both the domestic and international environment. So as to further improve the risk management system mechanism and reduce the effect created by interplay among risks, the Company has established a Risk Committee answering directly to the Board of Directors. The committee meets once per quarter and issues periodic reports to the Board of Directors, assisting the Board in oversight of the setting, and results and adaptive measures related to company risk management strategies. See P.42 for operation details.</p> <p>Moreover, to establish a solid internal governance system, the Company has additionally set up the China Airlines Procedures for Handling Important Internal Information, Ethical Code of Conduct for Directors, Ethical Code of Conduct for Senior Supervisors and Rules for Employee Conduct in the Course of Work.</p> <p>(8) Implementation of customer policies:</p> <p>The Company takes the initiative to send service satisfaction questionnaires to members' mailboxes (non-members can also fill out the questionnaire on the official website) to obtain passenger experience satisfaction with the Company's passenger flights and their suggestions; A total of 53,801 effective customer satisfaction questionnaires were completed in 2020, with a satisfaction rate of 88.60%. After compiling and analyzing statistics, the above data have been reviewed and the products and services will be improved, where necessary, to comprehensively enhance customer satisfaction.</p> <p>(9) Company purchases of liability insurance for directors and supervisors:</p> <p>The Company purchased liability insurance for all Directors in 2021 to reduce and diversify the Directors' legal liability risks. Important contents, such as Directors' liability insurance insured amount, coverage and premium rate, have been reported in the 15th meeting of the 21st Board of Directors on March 18, 2021.</p>	No Difference
<p>9. Please explain improvements that have been made in response to the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:</p> <p>(1)The Company's annual report and website have fully disclosed the specific management goals, current achievements, and other information of the Board members' diversification policy, providing detailed descriptions of the diversification policy and implementation situation; it has also been disclosed that the selection of Board members is based on the their abilities while also considering diversity, including basic components (for example: age, gender and nationality, races, birth, or cultural background, etc.), experience and skills (for example: aviation, sea freight, transportation, finance and accounting, law and insurance, academics, electricity, technology, and public utilities, etc.), as well as business judgment, business management, leadership and decision-making, and crisis management capabilities-sufficient to fully demonstrate that the existing Directors have a high degree of cross-industry, diversified, and complementary capabilities.</p> <p>(2)The Company has set up a Chief Corporate Governance Manager to be responsible for corporate governance related matters, and has explained in the Company's annual report its functions and powers, and the operation and execution situation of its key businesses.</p> <p>(3)The Company has, by the resolution of the Board of Directors in January 2019, approved the "Regulations Governing the Board Performance Evaluation," and completed the 2018 to 2020 performance self-evaluation of the Board of Directors and external evaluation of 2020 Board of Director and Functional Committee. The evaluation results have been published in the annual report and on the website of the Company; in addition, on the Company's website and the corporate social responsibility website, the communication situation between the Independent Directors and the chief audit executive and accountants; the operation status of functional committees other than those required by laws; the implementation status of ethical corporate management; and the information relevant to stakeholder communication, etc., have also been disclosed.</p>				

3.3.5 Composition, Responsibilities, and Operations of the Remuneration

Committee

The objective of the Remuneration Committee is to assist the Board in implementing and assessing the Company's overall compensation and benefits policy and director and manager remuneration.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title (Note 1)	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note 1)										Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks	
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or another professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent Director (Chairman)	Shen, Hui-Ya	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent Director	Chang, Hsieh Gen-Sen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Other	He, Jyun-Huei	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note 1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during their term(s) in office.

- Not an employee of the Company or any of its affiliates.
- Not a director or supervisor of the Company or its affiliated enterprise (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).
- Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the manager listed in (1) or the personnel listed in (2) and (3).
- Not a director, supervisor or employee of a corporate shareholder who directly hold more than 5% of the total issued shares of the company, is within the top five shareholders, or appointed a representative to be a director or supervisor of the company in accordance with Article 27, Paragraph 1 or 2 of the Company Act (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).
- Not a director, supervisor or employee of another company controlled by the same person who holds more than half of the Company's director seats or voting shares (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company or its parent company, its subsidiary or a subsidiary of the same parent).
- Not a director, supervisor or employee of another company or institution with the same person or spouse as the chairman, general manager or equivalent of the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent).
- Not a director, supervisor, manager or shareholder holding more than 5% of shares of a specific company or institution that has financial or business dealings with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent company, its subsidiary or a subsidiary of the same parent and if the specific company or institution holds more than 20% but less than 50% of the total issued shares of the Company).
- Not a professional who provides auditing related services to the Company or its affiliates and did not provide commercial, legal, financial or accounting related services to the Company or its affiliates with the cumulative amount of remuneration obtained in the last two years exceeding NT\$500,000; and is not an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this does not apply to the members of the Remuneration Committee, the Public Takeover Review Committee or the Special Merger and Acquisition Committee who perform their functions and powers in accordance with the relevant laws and regulations of the Securities and Exchange Act or the Business Mergers and Acquisitions Act.
- Not a person of any of the conditions defined in Article 30 of the Company Act.

Note 2: The Remuneration Committee is composed of four members. For the Remuneration Committee Charter, please refer to the Company website: <https://www.china-airlines.com/tw/en/investor-relations/important-company-regulations>

B. Attendance of Members at Remuneration Committee Meetings

The Company's Remuneration Committee has a total of 3 members, and the term of the current Committee members: June 27, 2018, to June 26, 2021.

The Remuneration Committee convened four meetings over the past year (from January 1, 2020, through March 27, 2021). Committee member attendance is detailed below:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remarks
Independent Director (Chairman)	Shen, Hui-Ya	4	0	100%	None
Independent Director	Chang, Hsieh Gen-Sen	4	0	100%	None
Other	He, Jyun-Huei	4	0	100%	None

Other mentionable items:

- The members of the Committee shall exercise the due care of a good administrator, perform the following functions and duties faithfully, and shall be responsible to the Board of Directors and submit their recommendations to the Board of Directors for discussion:
 - Establishment and regular review of policies, systems, standards, and structures for performance evaluation and salary and compensation for Directors and managers.
 - Regular evaluation and setting up of salary and compensation for Directors and managers.
 - Regular review of matters related to the organization regulations for the Board of Directors' revision.
 - Other matters handed over for discussion by the Board of Directors.
- If the Board of Directors declines to adopt or modifies a recommendation of the Remuneration Committee, the date of the meeting, session, the content of the motion, resolution by the Board of Directors, and the Company's response to the Remuneration Committee's opinion (e.g., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be recorded): None.
- Resolutions of the Remuneration Committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, the content of the motion, all members' opinions and the response to members' opinion should be specified:

Meeting Dates	Agenda content	Resolution	Handling of members' opinions by the Company
January 13, 2020 7th Meeting of the Remuneration Committee of the 21st Board of Directors	Chairman and Managers' 2020 Lunar New Year Incentive	Approved by all attending members to be reported to the Board of Directors for discussion.	No further business
July 21, 2020 8th Meeting of the Remuneration Committee of the 21st Board of Directors	1. Amendment to the Charter of Remuneration Committee 2. Flight safety bonus to Chairman and managers	Approved by all attending members to be reported to the Board of Directors for discussion.	No further business
January 18, 2020 9th Meeting of the Remuneration Committee of the 21st Board of Directors	Chairman and Managers' 2021 Lunar New Year Incentive	Approved by all attending members to be reported to the Board of Directors for discussion.	No further business
March 18, 2021 10th Meeting of the Remuneration Committee of the 21st Board of Directors	1. Resignation pay for the former Senior Vice President Chang, Young 2. Flight safety bonus to managers	Approved by all attending members to be reported to the Board of Directors for discussion.	No further business

3.3.6 Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons								
	Yes	No	Brief Explanation									
1. Does the Company, based on the materiality principle, conduct risk assessments on environmental, social and corporate governance issues related to the Company's operations and formulate relevant risk management policies or strategies?	✓		Our risk management framework is based on the materiality principle to identify both traditional risks and medium-term/long-term strategic risks. All impacts and countermeasures are analyzed and proposed through Risk Identification, Risk Analysis, Risk Assessment, and Risk Control, then followed up on and reviewed by the Risk Management Committee under the Board of Directors. The Committee assists the Board of Directors to inspect the strategies, execution results and countermeasures of each risk management strategy. A responsible unit will be required to control the risks. Among which, safety and operation risks are cross-unit operational risks and shall be handled by the Company's management level. The "Corporate Safety Committee" and the "Corporate Sustainability Committee" have been established under the President of the Company to be responsible for such risks and report the environmental and energy management performance to the top management on a quarterly basis. In addition, through the routine "Sustainability Committee" and "Board of Directors and Risk Management Committee" meetings, reports have been made to the Directors on environmental and climate risks, opportunity issues, and various responding control operations and development plans.	No Difference								
2. Has the Company designated full- (or part-) time personnel to implement corporate social responsibility policy with senior management authorized by the Board of Directors to manage them, and do they give status reports to the Board of Directors?	✓		The Company has set up a Corporate Sustainability Committee in 2014, which is solely responsible for the promotion of sustainability and is the highest governance organization for sustainability governance promotion, with the President sitting as its Chairman. There are six major task forces in the Committee, based on different aspects of sustainability, which are "Trust Value Team, Manpower Value Team, Joint Creation Value Team, Environmental Value Team, Social Value Team, and Sustainable Development Foundation Team." Their main responsibilities are strategy formulation, business planning, and promotion of different aspects of sustainability; the teams report the implementation status to the Board of Directors on a regular basis every year in accordance with the Corporate Social Responsibility and Sustainable Development Best-Practice Principles. The results of the 2020 CSR operation and the 2021 CSR operation plan were reported in the 14th meeting of the 21st Board of Directors on January 18, 2021.	No Difference								
3. Environmental issues (1) Has China Airlines established an environmental management system that is specifically designed with the Company's operations in mind?	✓		<p>(1) Environmental management organization and system</p> <p>A. In 2012, the Company was the first in Taiwan's industry to establish a "Corporate Environmental Committee," in which the President serves as the representative of the top management, and the Corporate Safety Office serves as the executive secretary. According to the business attributes, five major environment management committees were established to respectively control and carry out aviation, maintenance and cargo transport service, headquarters and branch administration, environmental, energy, climate change and other risk and opportunity management related affairs of the operational activities, fully covering the corporate business scope. The Corporate Environmental Committee coordinates and integrates various environmental, energy, and climate change risk and opportunity response strategies and management resources through quarterly management meetings. Related important resolutions are also reported to the Directors through routine Board meetings and Risk Management Committee meetings.</p> <p>B. In order to integrate environmental protection operations into the daily operational risk management operations of the enterprise, China Airlines has introduced a number of international standard management systems since 2009, and has established and improved the environmental management operation mechanism of the enterprise, covering risk issues such as greenhouse gases, environmental management, and energy management. The Company has formulated management strategies and action measures for relevant risks and opportunities identified in various aspects of the environment. Beginning in 2017, the Company has introduced life cycle thinking and completed control over every link of the organization's operations; also, considering the issues of interest to stakeholders, the Company has further improved the level and perspective of environmental and energy risk management, and become comprehensively in line with the standard thinking of international enterprises' sustainable development governance. System standards covered by China Airlines' environmental management mechanism:</p> <table border="1"> <thead> <tr> <th>Standard</th> <th>ISO 14064-1 Greenhouse gas inventory and management system</th> <th>ISO 14001 Environmental management system</th> <th>ISO 50001 Energy management system</th> </tr> </thead> <tbody> <tr> <th>Time of introduction</th> <td>2009</td> <td>2012 (Note1)</td> <td>2013 (Note2)</td> </tr> </tbody> </table>	Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system	Time of introduction	2009	2012 (Note1)	2013 (Note2)	No Difference
Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system									
Time of introduction	2009	2012 (Note1)	2013 (Note2)									

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons												
	Yes	No	Brief Explanation													
			<table border="1"> <thead> <tr> <th>Standard</th> <th>ISO 14064-1 Greenhouse gas inventory and management system</th> <th>ISO 14001 Environmental management system</th> <th>ISO 50001 Energy management system</th> </tr> </thead> <tbody> <tr> <th>Scope</th> <td>(1)Global aviation fuel (2)Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.</td> <td>(1)Aircraft/engine maintenance operation (2)Flight operation and management (3)Cargo transport service (4)Passenger transport service</td> <td>(1)Aircraft/engine maintenance operation (2)Flight operation and management</td> </tr> </tbody> </table> <p>Note 1: The ISO 14001: 2015 version transferring operation was completed in 2017, and the certificate is valid through March 28, 2022. Note 2: The ISO 50001:2018 version transferring operation was completed in 2019, and the certificate is valid through April 11, 2022.</p>	Standard	ISO 14064-1 Greenhouse gas inventory and management system	ISO 14001 Environmental management system	ISO 50001 Energy management system	Scope	(1)Global aviation fuel (2)Ground operations in Taiwan, including CAL Park, maintenance facility, Taipei branch (floors B1, 1, 2, and 9), Songshan Park, and Kaohsiung branch.	(1)Aircraft/engine maintenance operation (2)Flight operation and management (3)Cargo transport service (4)Passenger transport service	(1)Aircraft/engine maintenance operation (2)Flight operation and management					
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(2)Has the Company endeavored to make more efficient use of resources and use renewable materials that have a lower impact on the environment?	✓		<p>(2)The Company's implementation of environmental and energy performance management mainly promotes various resource conservation and reuse strategies and practices based on the "Environmental and Energy Management Policies," as follows:</p> <table border="1"> <thead> <tr> <th>Concepts</th> <th>Policies</th> <th>Promotion strategies</th> <th>Plans of action</th> </tr> </thead> <tbody> <tr> <td>Complying with environmental laws and regulations</td> <td>Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.</td> <td> <ul style="list-style-type: none"> Understanding environmental protection trends in Taiwan and abroad, and improving the negotiation channel and platform for stakeholders. Actively participating in international cooperation and understanding mainstream issues. Perfecting management/supervision and evaluation mechanism </td> <td> <ul style="list-style-type: none"> Regular regulatory requirements checks and self-commitment reviews Actively participating in domestic and foreign industry and government meetings to grasp the trends of regulations. Implementation of checking mechanism for management system compliance obligation Participation in DJSI, CDP, and other leading international evaluations </td> </tr> <tr> <td>Conserving the Earth's resources</td> <td>Establishing environmental and energy management systems, and management performance indicators.</td> <td> <ul style="list-style-type: none"> Continuously improving the operational quality of the corporate environmental and energy management system Developing and implementing environmental performance and carbon reduction targets </td> <td> <ul style="list-style-type: none"> Understanding updates to ISO standards, implementing and perfecting the improvement of enterprise Environmental Management System, EMS. Improving the checking, oversight and evaluation mechanism for environmental, energy, and carbon emission risks </td> </tr> </tbody> </table>	Concepts	Policies	Promotion strategies	Plans of action	Complying with environmental laws and regulations	Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.	<ul style="list-style-type: none"> Understanding environmental protection trends in Taiwan and abroad, and improving the negotiation channel and platform for stakeholders. Actively participating in international cooperation and understanding mainstream issues. Perfecting management/supervision and evaluation mechanism 	<ul style="list-style-type: none"> Regular regulatory requirements checks and self-commitment reviews Actively participating in domestic and foreign industry and government meetings to grasp the trends of regulations. Implementation of checking mechanism for management system compliance obligation Participation in DJSI, CDP, and other leading international evaluations 	Conserving the Earth's resources	Establishing environmental and energy management systems, and management performance indicators.	<ul style="list-style-type: none"> Continuously improving the operational quality of the corporate environmental and energy management system Developing and implementing environmental performance and carbon reduction targets 	<ul style="list-style-type: none"> Understanding updates to ISO standards, implementing and perfecting the improvement of enterprise Environmental Management System, EMS. Improving the checking, oversight and evaluation mechanism for environmental, energy, and carbon emission risks 	No Difference
Concepts	Policies	Promotion strategies	Plans of action													
Complying with environmental laws and regulations	Performing compliance obligations and fulfilling environmental protection and energy conservation responsibilities.	<ul style="list-style-type: none"> Understanding environmental protection trends in Taiwan and abroad, and improving the negotiation channel and platform for stakeholders. Actively participating in international cooperation and understanding mainstream issues. Perfecting management/supervision and evaluation mechanism 	<ul style="list-style-type: none"> Regular regulatory requirements checks and self-commitment reviews Actively participating in domestic and foreign industry and government meetings to grasp the trends of regulations. Implementation of checking mechanism for management system compliance obligation Participation in DJSI, CDP, and other leading international evaluations 													
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Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
				<ul style="list-style-type: none"> Establishing and implementing various energy conservation, carbon reduction and environmental performance targets Implementing internal audit and management review mechanisms and conducting third party verification. Establishing a Task Force on Climate-Related Financial Disclosures (TCFD) system Establishing a corporate "Environmental Management Information System" to understand and document historical environmental performance.
			<p>Improving eco-efficiency</p> <p>Implementing environmental and energy conservation education to foster employees' environmental awareness.</p>	<ul style="list-style-type: none"> Creating diversified guidance and communication channels Establishing incentive programs to motivate colleagues to practice and develop environmental protection ideas. Implementing environmental and energy-saving education for all employees Organizing an annual "environmental protection education seminar" and "environmental protection competition" Establishing a platform to promote new knowledge of environmental protection and energy conservation from time to time Establishing a reward system for proposals
			<p>Implementing green supply chain management to enhance overall eco-efficiency.</p>	<ul style="list-style-type: none"> Establishing a supply chain risk assessment and management system Establishing environment and energy management capacity for companies of the Group Cultivating the Group's and key suppliers' environmental talent Holding value chain environmental protection and energy saving education and training Performing supply chain risk assessment operation

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<ul style="list-style-type: none"> Organizing conferences and regular meetings for suppliers to communicate China Airlines' sustainability and environmental protection requirements. 	
			<p>Fulfilling social responsibility</p> <p>Creating a low-carbon operating environment to establish continual improvement of energy and environmental performance.</p> <ul style="list-style-type: none"> Optimizing devices performance Promoting energy-saving education and establishing corporate energy-saving culture. Introducing low-carbon and renewable energy facilities 	<ul style="list-style-type: none"> Checking and optimizing energy equipment and management measures Establishing and implementing energy conservation management and educational programs Mastering technology and regulatory trends, and introducing renewable energy equipment in a timely manner.
			<p>Supporting green design and procurement to promote environmental sustainability.</p> <ul style="list-style-type: none"> Deepening the awareness of planners in environmental protection and energy conservation Promoting green procurement and green consumer culture 	<ul style="list-style-type: none"> Incorporating service process into the operation scope of the Environmental Management System (EMS) and strengthening personnel training. Including environmental protection and energy saving effects as the key considerations for procurement Establishing and promoting "Green Fares - Carbon Exchange Service" Using environment-friendly certified on-board spare products and selling environment-friendly duty-free products Diversifying the promotion of green consumer awareness
(3) Does the Company assess the potential corporate risks and opportunities created by climate change now and in the future and does it take measures to deal with climate related issues?	✓		<p>(3)The Company's climate change risk and opportunity management is as follows:</p> <p>A. Climate risk and opportunity management mechanism</p> <p>With respect to specific issues, the Company has established functional task forces under the corporation's Environmental Committee, including the following task forces: Carbon management task force, aircraft alternative fuel research task force, TCFD work task force, among others, to facilitate cooperation among units and flexible allocation of required resources.</p> <p>B. Climate risk and opportunity response measures</p> <p>Through the carbon management and the TCFD work task forces, the Company</p>	No Difference

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			<p>identifies its environmental risk opportunity matrix, considers the identification and adjustment of changes in external specifications and technological development environmental conditions, brings the top nine topics into the scope of corporate environmental risk management and actively controls the response. Other issues have also been continuously improved through the operation of the corporate Environmental Management System (EMS).</p> <table border="1"> <thead> <tr> <th>Potential risks</th> <th>Potential opportunities</th> <th>Response measures</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Poor weather conditions lead to flight delays, cancellations, etc., and increase business operational costs. The maintenance frequency and quality assurance requirements are increased, meaning increased costs. The operational efficiency of related equipment is reduced, and operational costs are increased. 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			<ul style="list-style-type: none"> Sign long-term contracts with relevant supply partners to maintain stable services. 	<ul style="list-style-type: none"> adjust raw materials used in meals to adapt to climate change trends, understand the compliance of goods carried, and strive for new market opportunities.
		<ul style="list-style-type: none"> Investors reduce their willingness to invest Capital investment is required to promote the consideration of highly efficient aircraft/sustainable fuel investment. 	<ul style="list-style-type: none"> Work with stakeholders to adapt to the climate and capture business opportunities by using innovative solutions. 	<ul style="list-style-type: none"> Discuss across departments, develop new routes and services. Develop a travel mode to save fuel and time Continue to research and analyze new technologies, facilities, and services, and introduce feasibility evaluation.
		<ul style="list-style-type: none"> The risk of infectious diseases has increased, reducing the demand for tourism and changing the demand for cargo transport. The consumer market attaches great importance to low-carbon and environmental protection of corporations, both of which affect brand trust and reduce revenue. Improvements in the awareness of carbon reduction changed the demand for air transport (such as changing to cruise lines, high-speed rail, etc.). 	<ul style="list-style-type: none"> Plan to promote low-carbon services and thereby enhance consumer support for our brand. Master the market model of low-carbon economy/transportation issues and create business opportunities and increase competitiveness. 	<ul style="list-style-type: none"> Cooperate with the governments of all countries to manage the disease properly, strengthen self-protection and response, and reduce the degree of impact. Develop all kinds of new products/services, improve service efficiency, and meet market demand. Launch environmentally friendly travel service ECO TRAVEL, invite passengers to participate in carbon reduction and enhance green/low-carbon business opportunities. Continuous research and development of new market channels or customer groups Develop diversified green and low-carbon activities and strengthen customer communication.
		<ul style="list-style-type: none"> Does not meet the expectations of stakeholders, affects brand reputation. Failure to properly manage supply chain issues, affecting operations. 	<ul style="list-style-type: none"> Strengthen the prediction system mechanism, maintain the rights and interests of customers, and stabilize revenue. We deal with emergency situations properly, increasing the public's confidence in us. Promote supply chain cooperation and enhance corporate sustainable competitiveness. Cooperate with and support the government's environmental protection policies, enhance industrial cooperation opportunities, and promote industrial competitiveness. 	<ul style="list-style-type: none"> We continue to strengthen communication between external stakeholders, support scientific research, participate in international environmental sustainability comparison assessments, and enhance the corporate sustainable image. Strengthen employee education and training, hold environmental protection and energy conservation activities, and improve employee awareness. Strengthen cooperation with domestic and overseas suppliers of low-carbon products to enhance the sustainable value of the supply chain.

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(4) Has the Company compiled statistics on the past two years of GHG emissions, water usage, and waste amounts, and has it devised policies for energy conservation and carbon emissions reduction, GHG emissions reduction, water conservation, and other waste management?	✓		<p>(4)The Company's environmental/carbon/energy performance management is as follows:</p> <p>A. Greenhouse gas inventory and verification</p> <p>Since 2009, the Company has actively implemented ISO14064-1 greenhouse gas management, conducted and organized inventory of greenhouse gas emissions generated by operations, and carried out third-party verification.</p> <table border="1"> <thead> <tr> <th colspan="4">Greenhouse gas emissions</th> </tr> <tr> <th>GHG Emissions Category</th> <th>Type</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Category 1</td> <td>Aviation operations</td> <td>7,059,083</td> <td>5,787,751</td> </tr> <tr> <td>Ground operations</td> <td>4,981</td> <td>3,051</td> </tr> <tr> <td>Category 2</td> <td>Ground operations</td> <td>18,169</td> <td>17,572</td> </tr> <tr> <td colspan="2">Total (Tons of CO₂e)</td> <td>7,082,233</td> <td>5,808,374</td> </tr> </tbody> </table> <p>B. Greenhouse gas management and reduction strategy</p> <p>The Company's greenhouse gas management and reduction strategy consider the international industrial carbon reduction targets, strategy implementation and benchmarking technology of the same and different industries. It combines its corporate financial operation plan and technical feasibility to formulate air and ground carbon-reduction targets. In the future, it will continue to incorporate the Science-Based Target (SBT) concept to carry out rolling inspection of corporate carbon reduction objectives and management paths through the corporate risk management mechanism and platform.</p> <table border="1"> <thead> <tr> <th colspan="2">Carbon reduction goals</th> <th>Target description</th> <th>2020 Achievement rate</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Aviation</td> <td>2020</td> <td>To increase aviation fuel efficiency by 1.5% every year on average</td> <td rowspan="3">Failed to achieve due to the impact of COVID-19 on the global market</td> </tr> <tr> <td>2025</td> <td>Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSIA CNG2020)</td> </tr> <tr> <td>2030</td> <td>(the carbon emission in 2050 will be reduced to 50% of those in 2005)</td> </tr> <tr> <td rowspan="3">Ground</td> <td>2020</td> <td>38% reduction in carbon emissions</td> <td rowspan="3">Achieved the target</td> </tr> <tr> <td>2025</td> <td>40.43% reduction in carbon emissions</td> </tr> <tr> <td>2030</td> <td>42.34% reduction in carbon emissions</td> </tr> </tbody> </table> <p>Aviation operations were the first phase carbon reduction target to be achieved for the airlines industry: "By 2020, fuel consumption efficiency will be increased by 1.5% every year." The Company will continue to strengthen fuel consumption efficiency countermeasures, and has formulated four major fuel saving strategies, including "promoting green energy flights," "improving ground service controls," "continuous regular maintenance" and "fuselage weight reduction," as well as several specific implementation measures. However, due to the COVID-19, the total fuel consumption decreased by 2.4% compared to the last year. The total flight reduced by 38%, and RTK reduced by 22%. Thus the total fuel consumption efficiency was 0.2583 ton/thousand RTK, unable to reach the 2020 goal (0.2349 ton/thousand RTK).</p> <p>For ground operations, 61 environmental management KPIs and 13 fuel saving measures were promoted in 2020, which resulted in a total annual carbon reduction of 115 tons of CO₂e; among which, carbon reduction in ground operations amounted to 466.48 metric tons of CO₂e. Various data are as follows:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Savings</th> <th>Unit</th> <th>Carbon reduction (Tons of CO₂e)</th> </tr> </thead> <tbody> <tr> <td>Aircraft fuel savings</td> <td>19,131</td> <td>Kiloliter</td> <td>48,421</td> </tr> <tr> <td>Ground fuel conservation</td> <td>119</td> <td>Kiloliter</td> <td>307</td> </tr> <tr> <td>Energy conservation</td> <td>2,691</td> <td>1,000 kilowatt hours</td> <td>143</td> </tr> <tr> <td>Water conservation</td> <td>3</td> <td>1,000 kilowatt hours</td> <td>0.48</td> </tr> <tr> <td>Paper conservation</td> <td>3.78</td> <td>Tons</td> <td>16</td> </tr> </tbody> </table>	Greenhouse gas emissions				GHG Emissions Category	Type	2019	2020	Category 1	Aviation operations	7,059,083	5,787,751	Ground operations	4,981	3,051	Category 2	Ground operations	18,169	17,572	Total (Tons of CO ₂ e)		7,082,233	5,808,374	Carbon reduction goals		Target description	2020 Achievement rate	Aviation	2020	To increase aviation fuel efficiency by 1.5% every year on average	Failed to achieve due to the impact of COVID-19 on the global market	2025	Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSIA CNG2020)	2030	(the carbon emission in 2050 will be reduced to 50% of those in 2005)	Ground	2020	38% reduction in carbon emissions	Achieved the target	2025	40.43% reduction in carbon emissions	2030	42.34% reduction in carbon emissions	Item	Savings	Unit	Carbon reduction (Tons of CO ₂ e)	Aircraft fuel savings	19,131	Kiloliter	48,421	Ground fuel conservation	119	Kiloliter	307	Energy conservation	2,691	1,000 kilowatt hours	143	Water conservation	3	1,000 kilowatt hours	0.48	Paper conservation	3.78	Tons	16	No Difference
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It completed the installation of 99kW solar photovoltaic facilities on the roof of the simulator training building for parallel power generation to support Taiwan's renewable energy through practical actions. In 2019, the Company received National Renewable Energy Certificate (T-REC) and was awarded the Bureau of Energy's (MOEA) Conservation Benchmark - Silver Award, Taipei Energy Conservation Leadership Award, supporting renewable energy with real actions. As of December 31, 2020, the Company received 117 certificates, and the total power generated was 215 thousand kW. 115 tonnes of CO2e were reduced.</p> <p>E.Water resource utilization increase</p> <p>The total water consumption of the Company in 2020 was 126,774 kWh, which is about 13.46% less than that in 2019. Among which, the China Airlines headquarters park is in a specific area of the airport. The airport management unit collectively applies for and obtains tap water from the water supply unit and pays the sewage treatment fee. The domestic sewage is collected and sent to the domestic sewage treatment plant for treatment. The maintenance facility, Songshan Park, and Taipei branch apply directly for water supply from the water company.</p> <p>In order to reduce the risk associated with water resources, the Company has successively set up water meters at important water line nodes, and it tracks and analyzes the direction of water resource flow and water consumption hot spots, and promotes water reduction and recycling measures, including: Purchasing water conservation label products, promoting water conservation advocacy, setting up a rainwater recovery system, recycling cooling water and introducing Eco-shine, etc.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Unit</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Tap water use volume</td> <td>Kilotons</td> <td>146.49</td> <td>126.77</td> </tr> <tr> <td>Recycled water use volume</td> <td>Kilotons</td> <td>17.41</td> <td>8.64</td> </tr> </tbody> </table>	2020 total carbon reduction	48,887.48	Goals		Description	Aviation	2023	Improving annual aviation fuel efficiency by 1.5% and achieving carbon-neutral growth (CORSIA CNG2020) (the carbon emission in 2050 will be reduced to 50% of those in 2005)	2025	2030	Ground	2023	41% reduction in carbon emissions	2025	44% reduction in carbon emissions	2030	50% reduction in carbon emissions	Item	2020 targets	Achievements	2021 expected targets	Aviation fuel efficiency	Improvement of 1.5% over 2019	Did not meet target (Note)	Improvement of 1.5% over 2020	Ground carbon emissions	Reduction of 38% over 2009	100%	Reduction of 39% over 2009	Water resources	Reduction of 1.5% over 2018	100%	Reduction of 2.2% over 2018	Domestic waste	Reduction of 2% over 2018	100%	Reduction of 3% over 2018	Hazardous industrial waste	Recycling ratio reached 40%	100%	Recycling ratio reached 41%	Photocopy paper	Reduction of 5% over 2018	100%	Reduction of 5% over 2018	Item	Unit	2019	2020	Tap water use volume	Kilotons	146.49	126.77	Recycled water use volume	Kilotons	17.41	8.64	
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			Recycling percentage % (recycled volume/water use total volume)	%	11.88%	6.8%	11.88%																																													
			<p>F. Waste Management</p> <p>The Company processes waste management in accordance with the five following principles: Refuse, Reduce, Reuse, Recycle, Repair. We have set a goal for 100% resource reclamation of waste and have annually increased the waste reuse rate.</p> <table border="1"> <thead> <tr> <th>Waste Management Principles</th> <th>Strategies and goals</th> <th>Actions</th> </tr> </thead> <tbody> <tr> <td>Refuse</td> <td rowspan="2">Through green design and procurement, reduce resource consumption and waste disposal demand at the source.</td> <td>Support suppliers to develop and purchase non-disposable plastic products (such as: wooden cocktail stir rods); Increase green procurement.</td> </tr> <tr> <td>Reduce</td> <td>Accurately plan business and service supplies to reduce consumption; improve maintenance processes and reduce end waste; Implement electronic teaching materials and operations, conserve paper arising from training and communication.</td> </tr> <tr> <td>Reuse</td> <td rowspan="3">Through improvement of operation processes, improve the reuse rate of waste and reduce the opportunities where waste would be generated.</td> <td>Improve the reuse ratio (e.g., plastic waste bucket) of hazardous industrial waste.</td> </tr> <tr> <td>Recycle</td> <td>Working with the environmental protection agency's plastic film recycling platform, improving the recycling ratio of packaging plastics.</td> </tr> <tr> <td>Repair</td> <td>Continue to use passenger and freight equipment (such as pallets or containers/netting) after repair.</td> </tr> </tbody> </table> <p>In 2020, the production of ground operation and domestic waste was 454,279 kg, which is about 35.4% less than that of 702,966 kg in 2019. In 2020, the amount of business waste also decreased by 21.7% compared with that in 2019.</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Handling method</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Ground Operational</td> <td rowspan="2">Domestic waste</td> <td>Non-recyclable Incineration</td> <td>381,626</td> <td>327,728</td> </tr> <tr> <td>Recyclable: Resources recycled</td> <td>321,340</td> <td>126,552</td> </tr> <tr> <td rowspan="2">Hazardous industrial waste</td> <td>Non-toxic: Entrust qualified organization to remove/dispose</td> <td>233,018</td> <td>184,420</td> </tr> <tr> <td>Toxic: solidification and burial/chemical treatment</td> <td>18,815</td> <td>12,657</td> </tr> <tr> <td rowspan="2">In the air Service</td> <td rowspan="2">General industrial/ domestic waste</td> <td>Non-recyclable Incineration</td> <td>3,052,461</td> <td>943,952</td> </tr> <tr> <td>Recyclable: Resources recycled</td> <td>1,116,396</td> <td>341,366</td> </tr> <tr> <td colspan="2">Total waste (kg)</td> <td>5,123,656</td> <td>1,936,675</td> </tr> </tbody> </table>				Waste Management Principles	Strategies and goals	Actions	Refuse	Through green design and procurement, reduce resource consumption and waste disposal demand at the source.	Support suppliers to develop and purchase non-disposable plastic products (such as: wooden cocktail stir rods); Increase green procurement.	Reduce	Accurately plan business and service supplies to reduce consumption; improve maintenance processes and reduce end waste; Implement electronic teaching materials and operations, conserve paper arising from training and communication.	Reuse	Through improvement of operation processes, improve the reuse rate of waste and reduce the opportunities where waste would be generated.	Improve the reuse ratio (e.g., plastic waste bucket) of hazardous industrial waste.	Recycle	Working with the environmental protection agency's plastic film recycling platform, improving the recycling ratio of packaging plastics.	Repair	Continue to use passenger and freight equipment (such as pallets or containers/netting) after repair.	Item	Handling method	2019	2020	Ground Operational	Domestic waste	Non-recyclable Incineration	381,626	327,728	Recyclable: Resources recycled	321,340	126,552	Hazardous industrial waste	Non-toxic: Entrust qualified organization to remove/dispose	233,018	184,420	Toxic: solidification and burial/chemical treatment	18,815	12,657	In the air Service	General industrial/ domestic waste	Non-recyclable Incineration	3,052,461	943,952	Recyclable: Resources recycled	1,116,396	341,366	Total waste (kg)		5,123,656	1,936,675
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4. Social issues (1) Has the Company established management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	✓		(1) In the area of comprehensive management systems and organizational capacity, the Company not only abides by the Employee Code of Conduct and Employee Work Standards set forth in various labor laws, but also refers to the Universal Declaration of Human Rights, the United Nations Global Compact, the International Labor Organization's basic compact on core labor standards, the UN Guiding Principles on Business and Human Rights, and local laws and regulations. The company has established a Human Rights Policy based on the aforementioned norms as guiding principles for the Company's management.			No Difference																																														

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
(2) Does the company establish and implement reasonable employee welfare measures (including compensation, vacation, and other benefits) that appropriately reflect the operating performance or results through employee compensation?	✓		(2) Employees are the most important assets of a company. In addition to improved planning and setting standards for the implementation of salary, work bonuses, flight-safety bonuses, vacation, preferential air tickets, and several welfare measures, the Company offers performance bonuses, annual bonuses, year-end bonuses, promotions, and employee compensation with reference to the performance of employees at the end of each fiscal year and based on the Company's annual profit status. The Company takes this opportunity to care for its employees and treat them as the core of its sustainable operations. The average salary for all employees of the Company increased by about 1.67% in 2020.	No Difference
(3) Does the Company provide employees with a safe and healthy work environment and regularly implement health and safety education programs for employees?	✓		<p>(3) In order to protect the rights of employees, provide a healthy and safe working environment, and create a friendly workplace, the Company has established internal rules and regulations related to "employee complaint measures" and "employee safety report reward operation measures," and provides multiple communications channels, such as a speaking area, regularly scheduled labor-management consultation meetings, and special e-mails for complaints in various cases (including WeCare, workplace sexual harassment, professional ethics). Such channels are made accessible to all employees, and complaints are accepted in accordance with the operational procedures.</p> <p>A. Keep pace with international double certification in this new era of workplace safety</p> <p>To adapt to trends of global international labor development, improve the efficiency of safety and health management, and promote systematic management measures, the Company established an independent safety and health management system and obtained ISO45001:2018 and TOSHMS certification on April 20, 2019, which serve as the management basis of occupational safety and health management system certification.</p> <p>Self-management and preventive measures based on the PDCA cycle mode are used to effectively control occupational disaster risk, improve occupational disease preventive management, improve occupational safety and health management performance, and actively implement occupational safety policies; Provide a safe, healthy, and comfortable working environment for employees, and promote industry competitiveness.</p> <p>B. Occupational safety and health committee for two-way effective communication</p> <p>The Company has established an Occupational Safety and Health Committee in accordance with law. The committee is tasked with the objective of preventing occupational hazards and protecting the safety and health of all employees by reviewing, coordinating, and making recommendations pertaining to safety and health related matters. The position of chairman is served by the president. There is one vice chairman and one executive secretary under the chairman. The committee consists of the first-level management of designated units, occupational safety and health personnel, engineering and technical personnel, medical personnel, and labor representatives appointed by the labor union as members. A meeting is held once every three months to gather statistics and analyze the Company's occupational accidents and report and follow up on subsequent safety and health management plans. A total of 14 safety and health proposals were reviewed, coordinated, and provided with suggestions in the meetings in 2019, and all proposals have been concluded; relevant meeting minutes have been announced on the Company's internal website.</p> <p>C. Full AQD for comprehensive risk assessment</p> <p>Using China Airlines' Aviation Quality Database (AQD) of all personnel to reflect hidden hazards of the operating environment and implement risk assessment to reduce occupational accidents; the improvement rate of the safety and health related cases was 100%, indicating a safe, healthy, and comfortable working environment for China Airlines employees.</p> <p>D. Strengthen occupational safety and pandemic prevention</p> <p>To cope with the pandemic, China Airlines actively equips itself with the ability to deal with infectious diseases. Cross-unit control mechanisms and procedures were built to consolidate the efforts from each unit. The Company constantly reminds employees to keep full alert and quickly makes responses based on the condition of the epidemic. For employees who are exposed to high risks</p>	No Difference

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>(cabin crews), a health report system was built to track any abnormality. Ground service staff were asked to work remotely and business travels were restricted. Relevant health management policies have been strictly adopted. Cross-function collaboration system was built to provide various communication channels. The Company also strengthened employees' knowledge on the prevention of biological pathogen hazards through health promotion lectures and education training. The Company also makes good management, utilization and storage of the pandemic prevention resources to provide a safe, healthy and comfortable working environment for employees.</p> <p>E. The Company values employees' health, and has been dedicated to creating a healthy workplace. Regular health checkup has been conducted with more inspecting items as prescribed by law and with higher frequency. Employees who are listed in the high-risk group are followed up and guided by doctors to realize the early inspection and precaution. Meanwhile, every year the Company makes clear direction for health promotion and approves a sufficient budget. The occupational health promotion plan is made by combining the resources from the health authority and community. Health promotion courses are held to create a positive and healthy workplace. Topics cover cancer screening, prevention of infectious disease, and vaccination, etc. In 2020, cardiovascular disease and coronavirus prevention were included in the training content. The Company also provides employees in Taiwan with a free vaccination. 2,108 people were vaccinated in 2020. To allow female employees to be able to do breastfeeding, breastfeeding rooms are established in compliance with the breastfeeding policy of the Health Promotion Administration, Ministry of Health and Welfare as well as the Act of Gender Equality in Employment.</p>	
(4) Has the Company established an effective career skill development training program for employees?	✓		(4) In order to nurture the Company's human resources, it has a Training Advisory Committee, which is responsible for the planning of annual education and training for all colleagues, including strategic occupational training, management occupational training, and job training. Simultaneously, in accordance with the Company's operational development strategy, and to deepen the Company's various levels of management professionals and broaden the horizon of potential talents, strategic and management occupational training was held on a regular basis to sharpen employees' necessary knowledge and skills. In addition, since 2009, the Company has established a Management Talent Training and Development System to nurture talents with international vision and management capabilities, and to strengthen the management knowledge of management professionals through job experience, management course training, and rigorous assessment systems. As of today, more than 100 outstanding management professionals have been trained and are now serving in key units in Taiwan and foreign branches. In 2019, a total of NT\$253 million was invested in the training and development. The total number of training hours exceeded 52,865 hours.	No Difference
(5) Regarding customer health and safety, customer privacy, marketing and labeling of the products and services, does the Company follow relevant regulations and international standards, and formulate relevant policies and complaint procedures for consumer rights protection?	✓		(5) In addition to stipulating service commitments, transportation terms and conditions, and disclaimer clauses in accordance with the law, regarding the consumer rights policies, the Company has also posted and shared on the Company's website the information security policy with its "privacy protection policy" and "privacy protection statement." It is committed to protecting the privacy of all customers' personal information. Also, to protect the rights and interests of the passengers, reservation and ticket-related rules for flight changes have been clearly mentioned in the FAQs on the official website. Furthermore, the Company has in place consumer complaint procedures to provide consumers with complaint channels for products and services, including company website (including stakeholders section, customer feedback, and service satisfaction survey), Facebook fan page, customer service e-mail, and global branches' addresses and phone numbers; consumers may also send letters to the Company directly. All complaints will be replied to after processing.	No Difference
(6) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health or labor human rights, and their implementation status?	✓		(6) The Company has formulated the "Supplier Code of Conduct" which specifies that suppliers shall provide a healthy and safe working environment and shall ensure that workers respect each other, enjoy dignity and fairness, and abide by professional ethical standards; in any case, when providing products and services, suppliers shall strictly comply with the legal, ethical requirements and their commitment to be responsible to the society and environment; if the Code is violated, the Company may terminate the business relationship between the two	No Difference

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>parties.</p> <p>Moreover, the Company evaluates the supplier's past credit history, and reviews the supplier's quality, delivery date, and whether there are any negative reports before dealing with the supplier. In 2020, a total of 48 suppliers were reviewed.</p> <p>In accordance with the "Sustainable Supply Chain Management Policy Statement" of the Company, we have requested that every supplier sign the "Supplier Code of Conduct" when making a tender, jointly undertaking to create a sustainable industrial environment since 2016. We have also continued to promote the procurement of Green Mark certified products. By the end of 2020, we have completed green procurement of approximately NT\$1.47 million in total.</p> <p>Therefore, the Company has been promoting sustainable supply chain management since the beginning of 2014. Subsequently, we established a Joint Value Creation Team for important procurement categories, including "aviation materials, aviation fuel, in-flight meals, service procurement, and general business affairs," and formulated long-term sustainability goals based on the United Nations' Sustainable Development Goals (SDGs), establishing China Airlines' Sustainable Supply Chain Management Policy Statement and Supplier Code of Conduct with reference to the Global Reporting Initiative (GRI), ISO 26000, United Nations Global Compact (UNGC), International Labour Organization (ILO), and other international standards. In addition, the Company has also established a risk investigation mechanism, performed audit operations, organized supplier meetings to enhance the effectiveness of engagement, and set up other management measures, and has regularly reported the management results to the Corporate Sustainability Committee for follow-up inspection on a quarterly basis.</p>	
5. Does the Company refer to internationally accepted report preparation standards or guidelines to prepare its Corporate Social Responsibility (CSR) Report and other reports that disclose the Company's non-financial information? Has the aforementioned report been assured, verified, or certified by a third-party verification unit?	✓		The Company follows the GRI Standards - Core option issued by the Global Sustainability Standards Board and refers to the UN Global Compact when preparing its CSR Report. In May 2021, the Company's limited level report verification will be completed by KPMG based on the GRI Standards and ISAE3000 Assurance Standard, and a third-party verification statement was issued, which has been disclosed on the Company's "Corporate Social Responsibility" section on its website.	No Difference
6. If the Company has drawn up a code for CSR based on the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between said code and the Best-Practice Principles:			In order to fully implement the scope of corporate social responsibility, comply with the government's direction of CSR promotion, and accord with international practice, the Company has added to and amended the Company's Corporate Social Responsibility and Sustainable Development Best-Practice Principles on November 5 th , 2020 based on the revised Corporate Social Responsibility Best-Practice Principles for TWSE/GTSM Listed Companies; through this CSR's highest guiding principle, we have comprehensively reviewed the Company's operational constitution, reflected the management and execution aspects, and striven to fulfill corporate social responsibility in three major aspects: environmental, social, and governance (economic) (ESG); there was no operational difference this year. For related information, please refer to the Company's corporate social responsibility website. No deviations were found this year.	
7. Other important information for facilitating the understanding of CSR and its implementation:			<p>As the global aviation industry was fundamentally impacted by the coronavirus, China Airlines continued to fulfill its commitment to corporate sustainable development. Based on "promoting the local education internationalization," "enhancing international visibility of local brands in Taiwan" and "helping disadvantaged groups to obtain equal opportunities in society," China Airlines looks forward to enhancing the education quality in Taiwan, strengthening Taiwan's visibility on the world stage, helping the vulnerable group to overcome difficulties, and giving back to society for sustainable development.</p> <p>(1) Promoting the internationalization of local education:</p> <p>Strengthening education: 46,017 persons benefited in 2020</p> <p>Corporate visit: Every year, China Airlines invites colleges and universities to visit the company, and provides designated personnel to introduce corporate culture and training facilities for cabin crew, emergency training, and aviation training. Through real practices, it is hoped to cultivate students' knowledge of the aviation industry. In 2020, nine sessions of visits were paid by colleges and universities, benefiting 320 students.</p> <p>Lecture by volunteers: China Airlines Volunteering Club was established in 2001. Every year, the volunteers offer lectures to nearby schools. Through demonstration, the volunteers teach students relevant knowledge in the aviation industry, and enhance students' global perspective and growth. In 2020, 8 lectures in schools such as Xihai Elementary School, Zhuwei Elementary School, Shanfeng Elementary School, and Kuolin Elementary School in Dayuan District were held. In total, there were 50 participating volunteers and 24 hours of service, benefiting 604 students. Upholding the spirit of mutual support and spreading love, the China Airlines Volunteers Club gives back to the society and community with actions.</p> <p>Knowledge platform for elementary school students: Since 2014, China Airlines has been working with the Global Views Educational Foundation to collaborate on the "Common Knowledge Platform Public Welfare Project" sponsorship plan and to donate subscriptions to the "Global Kids Junior Monthly" to students in various elementary schools in Taoyuan City, Taitung County, Nantou County, and Hualien County to help students develop reading habits and to contribute to the cultural education of children. In 2020, 102 schools and about 44,472 students benefited.</p> <p>Little cabin crew dream project: China Airlines organizes the "Little Cabin Crew Dream Project" by utilizing the aviation resources to let people have another kind of travel experience. The activity attracted more than one hundred participants. With the professional guidance by a professional cabin crew mentor, participants got to learn basic knowledge of aviation; Flying simulation activity was provided to let participants to observe the in-flight operation. In 2020, 2</p>	

Evaluation Item	Implementation Status			Deviations from the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Brief Explanation	
			<p>sessions were held with 239 participants.</p> <p>Co-exist with the environment: 350 people participated.</p> <p>Beach cleanup activity: The activity is one of the key projects for China Airlines. This year, in response to the Taoyuan Government's promotion of beach cleanup, 350 employees including their family members and friends cleaned up Guanyin beach to eliminate the hazards in the ocean. 2,082 kg of garbage were collected, among which 318 kg were discarded fishnets. Fishnets being recycled can be further reused to realize a circular economy.</p> <p>Enhancing international visibility of local brands in Taiwan:</p> <p>International rescue: 2,278 items were sent in 2020, with 1,224 people benefited.</p> <p>2020 was heavily impacted by COVID-19. China Airlines integrated the resources to carry out the international rescue. In response to the policy of the central government, medical resources were delivered by charter flights to countries around the world including Europe, Northeast Asia, and Southeast Asia. 10 flights were operated that sent 2,278 items, equivalent to 73,343 kg. Moreover, China Airlines took on the great mission to send Taiwanese travelers abroad home from areas with serious infections via charter flights. 9 flights were made, including Wuhan charter flight, the Japanese Diamond Princess cruise ship charter flight, and Shanghai charter flight. 1,223 people benefited. China Airlines stood in the front line and fought against the disease, improving Taiwan's visibility on the international stage.</p> <p>Sports sponsor: In 2020, 29,589 people benefited</p> <p>China Airlines has been supporting local sports teams to cultivate more athletes to win pride for Taiwan. In 2020, a charity basketball camp and baseball camp were held that invited players from Formosa Dreamers, Chen, Wei-Yin and Wang, Wei-Chung, both well-known professional baseball pitchers to teach young players. The campaigns have prepared these young dreamers to realize their dreams.</p> <p>Sports event sponsored in 2020: 2020 Standard Chartered Taipei Charity Marathon</p> <p>Sports teams and athletes sponsored in 2020: Formosa Dreamers, professional baseball players Chen, Wei-Yin and Wang, Wei-Chung, Rising Star Gymnastic Association</p> <p>Equal opportunity for the disadvantaged: In 2020 241,679 people benefited.</p> <p>Disadvantaged Students and Communities:</p> <p>CAL's Love All Around team consists of CAL employees who volunteer to provide care for schoolchildren in remote areas, and teach children aviation knowledge during employees' days off. Since 2014, it has covered 15 counties and cities in Taiwan, including 27 townships, 53 junior high and elementary schools and social welfare groups, and cared for 3,207 students. Another volunteering group headed to schools in remote area in Taitung. In 2020, the group was invited to join the event called "Foresee the Future" held by Shan-Shuei Primary and Junior School, the first school incorporating alternative education based in Taichung. Aviation knowledge was designed into fun games to let students learn and explore. 382 students participated. In 2020, the cabin crews organized four donation events, offering spare items on flights to the disadvantaged group. A total of 240,158 people benefited.</p> <p>Disadvantaged Seniors:</p> <p>China Airlines has long cooperated with Huashan Social Welfare Foundation, visiting the local seniors in Taoyuan regularly on three main festivals. In 2020, three charity events were held: Dragon Boat Event, Mid-Autumn Event, and Have Fun with Grandchild. By gathering the social effort, China Airlines helped the elderly who are disabled, demented and live alone. China Airlines also cooperated with Taoyuan Fishermen's Association to hold the 2020 Lunar New Year Gathering. Mushiang Orphanage, White Orphanage and senior fishermen were invited to join the gathering. 550 seniors were benefited.</p> <p>Happiness Bus 2.0 in Pingtung: Due to COVID-19, the Ministry of Transportation and Communications initiated relief program for the aviation industry. In compliance with the regulations of trust fund relief operation, China Airlines sponsored the Happiness Bus 2.0 in Pingtung to improve the traffic quality in Manzhou township, Pingtung and enhance the local residents' living quality. A total of 7,500 people benefited from this project.</p>	

3.3.7 Ethical Corporate Management and Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reason	
	Yes	No		
<p>1. Establishment of ethical operation policies and programs</p> <p>(1) Has the Company formulated an ethical management policy approved by the Board of Directors, and expressly stated in the regulations and external documents the policies and practices of ethical management, as well as the Board of Directors and senior management’s commitment to actively implement the management policy?</p>	✓		(1) CAL has established Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct, which were passed in 2016 at the 5th meeting of the 20th Board session. These guidelines and principles clearly spell out the Company’s ethical operating policies, methods, and commitments. They are published on the CAL website and the Taiwan Stock Exchange Market Observation Post System.	No Difference
<p>(2) Has the Company established an assessment mechanism for the risk of unethical behaviors, regularly analyzed and evaluated business activities with a higher risk of being unethical within the business scope, and formulated a plan accordingly to prevent unethical behaviors, which covers at least the preventive measures provided in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?</p>	✓		(2) The Company’s Ethical Corporate Management Best Practice Principles sets out various business activities with a higher risk of being unethical to be prevented within the business scope to strengthens relevant preventive measures, which include behaviors provided in the subparagraphs under Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies.	No Difference
<p>(3) Has the Company specified the operating procedures, behavioral guidelines, disciplinary penalties, and grievance system in its plan for unethical conduct prevention, and has it implemented the said program while also periodically reviewing and revising it?</p>	✓		(3) The Company’s Procedures and Guidelines of Conduct for Ethical Management clearly set out all unethical and prohibited conduct, the whistleblowing system, and the disciplinary system. These procedures and guidelines are implemented in the operations of all units.	No Difference
<p>2. Implementing ethical corporate management</p> <p>(1) Does the Company evaluate the ethical records of the businesses with which it has dealings and include clear ethical corporate behavior provisions in contracts with such counterparties?</p>	✓		(1) In the process of business dealings with other companies, CAL employees explain our ethical management policy and related regulations to counterparties and expressly refuse to provide directly or indirectly, promise, demand, or accept any form of gratification. When signing contracts with others, CAL fully reviews the counterparty’s ethical corporate behavior and includes complying with our ethical corporate management policies as a provision in contracts.	No Difference
<p>(2) Has the Company set up a special unit affiliated to the Board of Directors to promote corporate ethical management that periodically (at least once per year) reports to the Board of Directors on the status of the implementation of ethical management policies, the plan for unethical conduct prevention, and its supervision?</p>	✓		<p>(2)A. The Company’s Human Resources Management Division, which is the dedicated unit for ethical management, is responsible for consolidating the ethical management implementation status in relevant units of the Company and reporting periodically to the Board of Directors once per year. The 2020 implementation status has been reported at the 13th meeting of the 21st Board of Directors on November 5, 2020. In addition, the Company encourages the reporting of unethical conduct and misconduct. An independent reporting mailbox has been set up and announced. The General Audit Office reports the received cases, handling methods, and follow-up review and rectification to the Board of Directors.</p> <p>B. Relevant status of the Company’s implementation of ethical management policies in 2020:</p> <ul style="list-style-type: none"> a. An E-learning training course was held to raise awareness of service principles and code of conduct. b. Whistleblowing channels such as the following have been notified: chairman’s mailbox, General Audit Office’s confidential mailbox, the Speak Out area, and the WeCare listens mailbox. These facilitate employees’ immediate reporting to management and the Human Resources Management Division. c. "Employee Workplace Code of Conduct", "Employee Job Specifications", and relevant reward and disciplinary procedures have been established; clear standards and an effective disciplinary system have been set out. d. Ethical management principles are followed through scheduled and unscheduled annual inspection mechanisms to prevent fraud and corruption. 	No Difference

Evaluation Item	Implementation Status		Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and Reason	
	Yes	No		Brief Explanation
(3) Has the Company formulated and implemented policies to prevent conflicts of interest and provide appropriate ways to record any potential conflicts found?	✓		(3) CAL Procedures for Ethical Management and Guidelines for Conduct expressly state that should a conflict of interest arise in the execution of Company duties, employees shall report the situation to their direct supervisor, who should provide appropriate guidance.	No Difference
(4) Has the Company established an effective accounting system and an internal control system in efforts to implement ethical management? Has the Company's internal audit unit used the results of ethical management risk assessments to draw up relevant audit plans and examined compliance with the plan for unethical conduct prevention or entrusted an accountant to perform such an audit?	✓		(4) The Company has established effective systems, including an accounting system and internal control system. Annual audit plans are formulated every year based on risk assessments to examine the Company's accounting and internal control systems. The systems are continuously inspected to implement ethical management.	No Difference
(5) Does the Company periodically hold internal and external ethical corporate behavior training?	✓		(5) The Company promotes ethical behavior and corporate ethics when new employees assume office, and conducts E-Learning online courses for supervisors posted in Taiwan and abroad. The Ethical Corporate Management Best-Practice Principles, the Procedures and Guidelines of Conduct for Ethical Management, and other documents have been disclosed on the Company's internal and official website for the reference of internal and external personnel. In order to strengthen employees' understanding of the Company's corporate culture of ethical management, employees have been receiving training since 2017 through the E-learning system. The training situation for the last two years is as follows: A. 2019: Trainee(s): Taiwanese and foreign cabin crew members (excluding personnel on leave of absence during training). Number of trainees: 1,293 persons. Number of completions: 1,293 persons. Completion rate: 100% B. 2020: Trainee(s): [Retraining] Domestic and overseas personnel who didn't complete the training in 2017/2018. Number of trainees: 212 persons. Number of completions: 212 persons. Completion rate: 100%	No Difference
3. Operation of the Company's Violation Reporting System (1) Has the Company established a concrete violation reporting and rewards system, set up convenient reporting channels, and appointed suitable personnel to handle these cases?	✓		(1) Article 20 of the Company's Procedures and Guidelines of Conduct for Ethical Management expressly provides and discloses the rules of reporting, the reporting channel, and the processing procedures; the reporting mailbox auditor@china-airlines.com is notified on the Company's website and internal website for the use of Company's internal and external personnel. The reported cases will be handled by the General Audit Office of the Company and the circumstances of the report, its handling methods, follow-up review, and improvements made will be reported to the Board of Directors.	No Difference
(2) Has the Company established the standard operating procedures for the investigation of received reports, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism?	✓		(2) According to CAL Procedures for Ethical Management and Guidelines for Conduct, all reports of violations and related follow-up investigations are kept strictly confidential and CAL has clear and effective awards and punishments, an appeals system, violation reporting confidentiality mechanism, and investigation SOP. In addition, the Company also incorporates ethical management into employee performance evaluation and human resources policies. A clear and effective reward and disciplinary system, grievance system, and the standard operating procedures for the investigation of reports have also been established.	No Difference
(3) Does the Company have any measures in place to protect individuals from possible mistreatment arising from reporting violations?	✓		(3) Employees who process violation reports must sign a written statement pledging to maintain confidentiality of the reporters and details of the case. CAL also promises to protect the whistleblower from improper punishment due to reporting.	No Difference
4. Strengthening information disclosure Does the Company disclose the content of our Ethical Corporate Management Best-Practice Principles and their effectiveness on our website and the TWSE Market Observation Post System?	✓		CAL's Ethical Corporate Management Best-Practice Principles and Procedures for Ethical Management and Guidelines for Conduct are shown on the China Airlines website and the Taiwan Stock Exchange Market Observation Post System, along with the effectiveness of ethical operations and fair trade principles.	No Difference
5. If the Company has established a code of ethical corporate management based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any differences between said code and the Best-Practice Principles: No Differences.				
6. Other information that will assist in the understanding of Company ethical corporate management practices: None.				

3.3.8 Corporate Governance Guidelines and Regulations

The Company has established a Corporate Charter, Rules for Discussions of Official Business at Shareholder Meetings, Rules for Discussions of Official Business by the Board of Directors, Ethical Code of Conduct for Directors, Election of Directors, Rules for Corporate Governance, Guiding Principles for Operational Integrity, Guide to Integrity in Management and Business Procedures and Conduct, Practical Guidelines for Corporate Social Responsibility and Sustainable Development, Ethical Code of Conduct for Directors, Ethical Code of Conduct for Senior Supervisors, Employee Workplace Rules of Conduct, China Airlines Group Rules of Conduct, Supplier Code of Conduct, and Human Rights Policy; it has formed three committees under the Board of Directors for audit, remuneration, and risk, and has formulated various organizational rules. The relevant rules listed above are all made public on the Company's website (<http://www.china-airlines.com>) and the Company's social responsibility network (<https://calec.china-airlines.com/csr/en/index.html>).

3.3.9 Summary table of the resignation and dismissal of relevant persons of the Company :

None

3.3.10 Other Important Information Regarding Corporate Governance

A. The organization and operations of the Company's internal auditing

The Company's internal audit operations are handled by the General Audit Office. In compliance with Article 11 of the "Regulations Governing Establishment of Internal Control Systems by Public Companies," the General Audit Office is under the jurisdiction of the Board of Directors. The main internal audit operation methods are announced via the quality document management system in the Company's corporate internal information network. Information announced includes the manual of "Detailed Rules for Internal Audit Implementation" and relevant operational methods. A summary is provided as follows:

- (1) Day-to-day audit (pre-incident audit and post-incident audit).
- (2) Annual audit (on-site inspection of the head office, branch units, and subsidiaries).
- (3) Project audit.
- (4) Supervision of construction, maintenance, and procurement.
- (5) Financial inventory.
- (6) Self-assessment of the internal control system.
- (7) Periodical audit required by the Financial Supervisory Commission.
- (8) Other units that need unscheduled audits.

B. Certifications of the personnel related to the Company's internal audits

R.O.C. Certified Public Accountant License: 1 person, R.O.C. Futures Specialist: 1 person.

C. Company financial staff certifications and licenses: Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate

Institute of Internal Auditors-Chinese Taiwan Internal Auditor Certificate: 4 people, International Internal Auditor Certificate: 3 people, R.O.C. Certified Public Accountant License: 2 people, R.O.C. Securities (Senior) Specialist: 5 people, R.O.C. Securities Investment Trust and Consulting Professional: 4 people, R.O.C. Futures Specialist: 4 people, R.O.C. Financial Planning Personnel Proficiency Test Passing Certificate: 4 people, R.O.C. Stock Affairs Specialist Proficiency Test Passing Certificate: 8 people, USA Certified Public Accountant License: 1 person, R.O.C. Basic Enterprise Internal Audit Proficiency Test Passing Certificate: 5 people.

D. Company Director Continuing Education

From January 1, 2020, through March 27, 2021

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Chairman	Hsieh, Su-Chien	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Director	Ting, Kwang-Hung	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Director	Ko, Sun-Ta	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Director	Wei, Yung-Yeh	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Director	Lin, Su-Ming	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Director	Wang, Shih-Szu	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Independent Director	Chang, Hsieh Gen-Sen	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Independent Director	Chung, Lo-Min	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
Independent Director	Shen, Hui-Ya	3hr	08/06/2020	Training by: Taiwan Corporate Governance Association	Trends of Digital Technology and Artificial Intelligence and Risk Management
		3hr	11/27/2020	Training by: Taiwan Corporate Governance Association	The Role of Institutional Investors in Improving Corporate Governance
		3hr	11/27/2020	Training by: Securities and Futures Institute	2021 Global Economic Prospect and Industry Trends
Director	Chen, Charles C.Y.	3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era
		3hr	09/18/2020	Training by: Taiwan Institute of Directors	2020 Board of Directors Annual Conference: Strategic Alteration for Growth and Momentum
Director	Chen, Han-Ming	3hr	01/15/2020	Training by: Taiwan Corporate Governance Association	Compliance with Company Regulations and Directors' Monitoring Obligations
		3hr	03/13/2020	Training by: Taiwan Corporate Governance Association	Practical Problems of Irregular Transaction that Directors and Supervisors Shall Pay Attention
		3hr	05/07/2020	Training by: Taiwan Corporate Governance Association	Technology and Information Safety Risk in the 5G and IoT Era

E. Corporate Governance Related Training Attended by Company Managers

From January 1, 2020 through March 27, 2021

Title	Name	Training hours	Date(s)	Sponsoring Organization	Course
Vice President, Finance Div.	Chen, I-Chieh	12hr	09/10/2020-09/11/2020	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
Assistant Vice President, Finance Div.	Yen, Yang	12hr	01/09/2020-01/10/2020	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
		12hr	10/29/2020-10/30/2020	Accounting Research and Development Foundation	Continued Education for Principal Accounting Officers of Issuers, Securities Firms, and Securities Exchanges
Deputy Auditor General, General Audit Office	Fang, Juo-Ling	6hr	05/15/2020	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Professional Courses-Audit Practices and Discussion of Ethics
		6hr	10/15/2020	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Professional Courses-Labor Incident Act Case Analysis
Deputy Auditor General, General Audit Office	Ho, Hui-Fen	6hr	08/11/2020	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Professional Courses-Fraud Prevention and Case Study
		6hr	10/27/2020	Institute of Internal Auditors-Chinese Taiwan	Internal Audit Professional Courses-Common Contract Terms and Implementations - Case Study of Delegation of Authority

Note: Mr. Chen, I-Chieh was promoted as Senior Vice President on March 18, 2021.

F. Succession plan for the Board of Directors and key management of the Company

The selection and nomination of China Airlines' directors are carried out in accordance with the Company Act, Securities and Exchange Act, China Airlines' Rules Governing the Election of Directors, and Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. All elections of directors are conducted in accordance with the candidate nomination system. Shareholders may nominate director candidates; through shareholders' voting in the annual general meeting, directors (including independent directors) are elected from the list of candidates nominated by shareholders. The term of office of a director is 3 years.

As for the selection of directors' successors, the director representative successors should generally have the required abilities stated in the chapter in China Airlines' "Corporate Governance Principles" describing competencies required by the Board of Directors. As required by law, independent directors must have certain professional qualifications and work experience. Professionals who are experienced in the industry, including government and academic fields, are the main direction of selection that forms the basis of succession planning (please refer to P.44-45 for diversification). In addition, the independence of all Board members is ensured in accordance with law, and the results of its annual evaluation are an important reference for whether continued nomination is needed.

To improve the directors' ability to exercise powers empowered in them by virtue of their posts and ensure that the Board's effectiveness is up to date, scheduled advanced courses are arranged every year to help elevate their professional competencies. The courses cover corporate governance-related topics, including finance, accounting, business, commerce, legal affairs, information, risk

management, internal control systems, and corporate social responsibility. To ensure that the succession plan is comprehensive, the contents are aligned with the latest regulations and conditions of internal and external environments, as well as topics applicable to future development needs. Furthermore, in relation to succession planning for important management personnel, in addition to having excellent professional management ability, one's behavior, ethics, and instructions will be based on the resolutions of the Board of Directors, and handled in accordance with the "China Airlines Executives Code of Ethical Conduct" and related laws and regulations in the best interests of the Company, employees, and shareholders.

In the training plan for the Company's senior management, regular senior management lectures are held every year, where experts from the fields of industry, public sector, and academia are invited to deliver special lectures on the state of the global market and the development of the aviation industry to enable the Company's supervisors better understand the state of the market and their breadth of professional competence development may be improved. Periodic inter-agency transfers are made according to the Company's rules to create diversified management capabilities among important management personnel. In addition, to deepen the knowledge of the Company's management professionals at various levels and broaden the horizon of potential talent, strategic and management occupational training sessions are held on a regular basis and talent training programs conducted to refine knowledge and skills of mid-level supervisors, cultivate talent with international vision and management capabilities, and strengthen the management knowledge of management professionals through job experience, management course training, and rigorous assessment systems. As of today, more than 100 outstanding management professionals have thus been nurtured and are now serving in key units in Taiwan and foreign branches.

- G. On December 6, 2012, after approval by the Board of Directors, the Company has formulated the China Airlines Ltd. Procedures for Handling Material Insider Information. In addition to notifying the new procedures to the Board, management, and employees, they were also published under Important Company Regulations on the Investor Relations section of the CAL website for reference at any time to avoid violations and prevent the occurrence of insider trading.

3.3.11 Internal Control Systems

A. Internal Control Statement



China Airlines Co., Ltd.

Internal Control Statement



Date: March 18, 2021

The Company states the following with regard to our internal control system during the period of fiscal year 2020 based on the self-assessment result :

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are responsibilities of the management and the Board of Directors. The Company has established such a system. The goal of the system is aimed at the operation efficiency and effectiveness (including profits, performance, and assets safeguarding), and to provide reasonable assurance on producing reliable, timely and transparent reports in compliance with the governing law and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company, however, contains self-monitoring mechanisms which will take corrective actions upon detecting deficiency.
3. The Company should evaluate the effectiveness of the design and execution of its internal control system based on judgment criteria set by "the Regulation Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred as "The regulations"). The regulations adopt the criteria, and divide the managerial control process into five key elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and Communications, and 5. Monitoring. Each element contains detailed items. Aforementioned items please refer to The regulations.
4. The Company has conducted an effectiveness evaluation on its internal control system by adopting the above mentioned internal control system judgment criteria.
5. Based on the preceding assessment result, the Company believes that its internal control system (with subsidiaries supervision and management) on the date of December 31, 2020 includes the awareness of operation



effectiveness and target achievement efficiency, reports are reliable, timely, and transparent in compliance with the governing law and regulations. The design and execution of the internal control system are effective which can reasonably assure the accomplishment of the aforementioned objectives.

6. This Statement will become the major part of the Company's annual report and prospectus, which will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement has been approved by the Board of Directors Meeting of the Company held on the date of March 18, 2021, where none of the twelve attending directors expressed dissenting opinions, and unanimously affirmed the content of this Statement.

Chairman: J. C. Kuo

President: S. H. Fan

B. If the Company has commissioned external auditors to review the Company's internal control system, the external auditor's report should be disclosed: None.

3.3.12 Any disciplinary measures taken against the Company or its internal staff due to violations of legal requirements or taken by the Company against its own staff due to violations of the internal control system. The details of the disciplinary measures, major faults, and improvement measures should be noted

Date of penalty	Penalty official letter number	Penalty	Deficiency	Improvement
February 25, 2020	2020 Labor Inspection No. 1090032769	A fine of NT\$20,000.	The Company was under inspection by the Ministry of Labor on January 9, 2020. Due to business need, the Company rejected the annual leave application by the cabin crew, which violated Article 38, Paragraph 2 of the Labor Standards Act.	(1) The communication with the cabin crew on the date of the annual leave was insufficient. The internal communication process shall be improved. (2) The job of cabin crews contains the work specialty. The Company rejected the leave application due to the company operation. According to law, the Company negotiated with the employee and the leave was granted, so the labor's rights were not harmed. (3) The Company has proposed an administrative relief.
February 22, 2021.	2021 Labor Inspection No. 1100036610	A fine of NT\$1,000,000.	On August 28, 31, 2018, the Company was inspected by the Ministry of Labor and was fined NT\$1,000,000 due to cabin crew overworking. The case was originally annulled, yet identical events were found in other flights. Thus NT\$1,000,000 was fined.	(1) The investigation authority improperly identified the reasons for flight delay stated in the verdict. The fine was directed given without further investigation. The main reason for the flight delay was waiting for the aviation personnel to give the apron instruction, which was a force majeure. Thus, the administrative appeal has been submitted. (2) If the administrative appeal was dismissed, administrative relief will be taken.

In addition, from 2020 to the printing of the annual report, the Company was fined NT\$30,000 by the Ministry of Labor by the ruling in the case of an unfair labor practice dispute with the Taoyuan Flight Attendants Union, and we continue to seek administrative remedies. The relevant data of cases and content of the disputes are as follows:

Date of penalty	Penalty official letter number	Main dispute	Total amount of fines
February 1, 2021	2021 Labor Imposition No. 41 court verdict for inappropriate labor	(1) Dispute regarding granting of leave for union related business of the union's cadre. (2) Dispute regarding assigning representative on labor/management meeting (3) Dispute regarding employee performance evaluation	NT\$30,000

3.3.13 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Major Resolutions of Shareholders' Meeting in 2020

Item	Major resolutions	Execution
1. Business Report and Financial Statements for the year 2019	This resolution was passed as proposed upon voting.	Announcement was made after resolution of Shareholders' Meeting on June 23, 2020.
2. 2019 Deficit Compensation	This resolution was passed as proposed upon voting.	Announcement was made after resolution of Shareholders' Meeting on June 23, 2020.
3. Amendment to the Articles of Incorporation	This resolution was passed as proposed upon voting.	Announcement was made after resolution of Shareholders' Meeting on June 23, 2020, and has been complied with since that day.
4. Amendment to Rules of Procedure for Shareholders' Meetings	This resolution was passed as proposed upon voting.	Announcement was made after resolution of Shareholders' Meeting on June 23, 2020, and has been complied with since that day.
5. Proposal to release the non-competition restriction of holding concurrent positions on Director Chen, Han-Ming	This resolution was passed as proposed upon voting.	The non-competition restriction on Director Chen, Han-Ming was lifted based on the resolution of Shareholders' Meeting on June 23, 2020, which was subsequently announced.

B. Major Resolutions of Board Meetings (January 1, 2020 to March 27, 2021)

Date	Item	Opinions of independent directors	Handling of Independent Directors' opinions by the Company
January 13, 2020 21st Board of Directors 9th Meeting	<ol style="list-style-type: none"> Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Four Financial Institutions, Including DBS Bank (Taiwan) 2019 Year-end Bonus and 2020 Lunar New Year Incentive Matters Regarding the Signing of Agreement with the CAL Employees Union on Issues of "13th Month Full Salary (Flight Safety Bonus)" and "Working Hours Rearrangement and Female Employees' Nighttime Work" on December 31, 2019 2020 Employee Salary Adjustment Chairman and Managers' 2020 Lunar New Year Incentive Lifting of Non-competition Restriction on Holding Concurrent Posts for Senior Vice President Report on the Company's Lease on Real Estate with a Subsidiary 	Approved by all attending Independent Directors	None
March 18, 2020 21st Board of Directors 10th Meeting	<ol style="list-style-type: none"> Amendment to 2020 Audit Plan 2019 Internal Control System Effectiveness Audit and Statement New Branch Unit in Response to Route Launch Change in Personnel and Position 2020 Annual Shareholders' Meeting 2019 Financial Report and Consolidated Financial Report 2019 Business Report 2019 Deficit Compensation 2020 CPA Appointment and Remuneration Offering of Unsecured Ordinary Bonds Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Three Financial Institutions, Including First Commercial Bank Amendments to the Company's Article of Incorporation Rules and Procedures of the Shareholders' Meeting Amendment to the Rules of Procedures for Board of Directors' Meetings Amendments to the Charter of Audit Committee 	Approved by all attending Independent Directors	None
May 7, 2020 21st Board of Directors 11th Meeting	<ol style="list-style-type: none"> Disposal of 5 A330-300 aircraft through sale and leaseback transaction Venue alteration for 2020 Annual Shareholders' Meeting Lifting of Non-competition Restriction on Holding Concurrent Posts for Director Chen, Han-Ming Pursuant to Measures for the Relief of Industries and Businesses Affected by the Coronavirus Disease Issued by the Ministry of Transportation and Communication, the Bank of Taiwan offered NT\$20 billion syndicated loan to 	Approved by all attending Independent Directors	None

Date	Item	Opinions of independent directors	Handling of Independent Directors' opinions by the Company
	China Airlines. 5. A350 passenger aircraft mortgage loan by First Commercial Bank, Hua Nan Commercial Bank, Ltd., and Land Bank of Taiwan 6. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Five Financial Institutions, Including First Commercial Bank		
August 6, 2020 21st Board of Directors 12th Meeting	1. Second amendment to 2020 Audit Plan 2. Amendment to the Charter of Remuneration Committee 3. Distribute flight safety bonus to Chairman and Managers 4. Capital increase for Tigerair Taiwan Co., Ltd. 5. Issuing NT\$6 billion in total face value of domestic unsecured convertible corporate bonds 6. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Five Financial Institutions, Including CTBC Bank 7. Liquidation of Yestrip Co., Ltd.	Approved by all attending Independent Directors	None
November 5, 2020 21st Board of Directors 13th Meeting	1. 2021 Audit Plan 2. 2021 Business Plan and Budget Plan 3. Assign a custodian for the Company's seal for signing warranty/endorsement. 4. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Five Financial Institutions, Including Taishin International Bank. 5. Amendment to the Corporate Social Responsibility and Sustainable Development Best Practice Principles	Approved by all attending Independent Directors	None
January 18, 2021 21st Board of Directors 14th Meeting	1. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by Three Financial Institutions, Including Crédit Agricole CIB 2. 2021 Employee Lunar New Year Incentive 3. 2021 Employee salary adjustment 4. Chairman and Managers' 2020 Lunar New Year Incentive 5. 2021 Annual Shareholders' Meeting 6. Election of 22nd term of Board of Directors 7. Report on the Company's Lease on Real Estate with a Subsidiary	Approved by all attending Independent Directors	None
March 18, 2021 21st Board of Directors 15th Meeting	1. Appointment of President 2. Appointment of Senior Vice President (VF) and position adjustment for Financial Vice President 3. Appointment of Senior Vice President (VO) 4. Distribute managers' flight safety bonus 5. Resignation fee for the former Senior Vice President (VF) Chang, Young 6. Manager adjustment in Taichung Branch 7. 2020 Internal Control System Effectiveness Audit and Statement 8. 2020 Financial Report and Consolidated Financial Report 9. 2020 Business Report 10. 2020 Deficit Compensation 11. 2021 CPA appointment and remuneration 12. Provision of General Financing Limit and Financial Commodity Trading Risk Limit by First Commercial Bank and Mega Bills	Approved by all attending Independent Directors	None

3.3.14 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting with Important Resolutions Passed by the Board of Directors: None.

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Huang, Jui-Chan	Cheng, Shih-Ran	01/01/2020-12/31/2020	None

Unit: NT\$ thousands

Fee Range	Fee Items	Audit Fee	Non-audit Fee	Total
1	Under 2,000			
2	2,000 - 3,999			
3	4,000 - 5,999		✓	
4	6,000 - 7,999	✓		
5	8,000 - 9,999			
6	Over 10,000			✓

3.4.2 Audit and Non-Audit Fees Paid to CPAs, the Certified Accounting Firm to Which Said CPAs Belong and Any Affiliated Enterprises and Details Regarding Non-Audit Fees. See Below:

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche	Huang, Jui-Chan Cheng, Shih-Ran	7,350	-	-	-	4,044	4,044	01/01/2020-12/31/2020	Others include the business tax audit fee of dual-status business entities adopting direct deduction, the transfer pricing report service fee, the related accountant certification fee for issuance of corporate bond, the US airport Passenger Facility Charge (PFC) tax collection and audit fee, and the consulting fee of General Data Protection Regulation (GDPR).

3.4.3 Changed audit firms and the audit fee paid was less than the audit fees paid in the previous year prior to the change: Not Applicable.

3.4.4 Those with audit fees amounting to a reduction of 15% or more compared to the previous year: None.

3.5 Replacement of CPA:

3.5.1 On the previous accountant

Date of change	March 20, 2019		
Reason and explanation for change	Due to internal reorganization at the CPA firm, the resolution was passed at the 5th meeting of the 21st Board of Directors on March 20, 2019 that from the financial report for Q1 of 2019, the CPAs would be switched to Huang, Jui-Chan and Cheng, Shiu-Ran.		
Explanation was termination of the person or accountant appointed or refusal of appointment	Involved party	Accountant	Appointee
	Situation	None.	
	Proactive termination of appointment		
Did not accept further (continuing) appointment			
Newest check report within two years other than one signed and issued without disclaimer and reason	None.		
Objection from issuer	Yes		Accounting principles or customary practice
			Financial report disclosure
			Scope of check or steps
			Other
	None		✓
Explanation			
Other items disclosed (for which disclosure is required under Article 10, Clause 6, items 1d through 1g)	None.		

3.5.2 On successor accountants

Name of firm	Deloitte & Touche
Accountant Name	Huang, Jui-Chan; Cheng, Shiu-Ran
Date of appointment	March 20, 2019
Pre-appointment consultations for opinions on the method of accounting or accounting principles for specific transactions and consultation on the possibility of signing and results of the same	None.
Written opinions of successor accountants at odds with those of previous accountants	None.

3.5.3 Former Accountant's Reply to Disclosures under Items 1 and 2-3,

Subparagraph 6, Article 10 of the Guidelines:

None.

3.6 The Company's Chairman, Presidents, or Accounting Officers hold any positions in the Company's independent auditing firm or its affiliates during 2019: None.

3.7 Changes in Shareholding of Directors, Managers, and Major Shareholders

Unit: Shares

Title	Name	2020		The current year through March 27, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Major Shareholder	China Aviation Development Foundation (Note)				
Chairman	China Aviation Development Foundation Representative: Hsieh, Su-Chien	0	0	0	0
Director	China Aviation Development Foundation Representative: Chen, Charles C.Y.; Ting, Kwang-Hung; Chen, Han-Ming; Ko, Sun-Ta; Wei, Yung-Yeh, Kao, Shing-Hwang				
Director	National Development Fund, Executive Yuan Representative: Lin, Su-Ming; Wang, Shih-Szu	0	0	0	0
Independent Director	Chung, Lo-Min	0	0	0	0
Independent Director	Chang, Hsieh Gen-Sen	0	0	0	0
Independent Director	Shen, Hui-Ya	0	0	0	0
President	Kao, Shing-Hwang	0	0	0	0
Senior Vice President	Wang, Chen-Min	0	0	0	0
Senior Vice President	Wang, Houg	0	0	0	0
Senior Vice President	Chen, I-Chieh	0	0	0	0
Senior Vice President	Lai, Ming-Hui	0	0	0	0
Auditor General	Fang, Juo-Ling	0	0	0	0
Data Protection Officer	Huang, Ta-Fang (Assumed post on 07/31/2020)	0	0	0	0
Vice President	Chien, Feng-Nien	0	0	0	0
Vice President	Li, Chih-Wei				
Vice President	Chen, I-Ko	0	0	0	0
Vice President	Peng, Pao-Chu	0	0	0	0
Vice President	Liu, Der-Chuan	0	0	0	0
Vice President	Lu, Shwu-Huoy (Assumed post on 10/11/2020)				
Vice President	Yeah, Shao-Ting	0	0	0	0
Vice President	Chen, Wei-Tau	0	0	0	0
Vice President	Wang, Wei	4,000	0	0	0
		(15,000)	0	(10,000)	0
Vice President	Hong, Tsu-Kuang	0	0	0	0
Vice President	Chung, Wan-Chun	0	0	0	0
Vice President	Chou, Jyh-Shyan	0	0	0	0
Vice President	Chu, Te-Hsiu	0	0	0	0
Vice President	Chang, Cheng-Hao	120,102	0	0	0

Title	Name	2020		The current year through March 27, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Chung, Ming-Jyh	0	0	0	0
Vice President	Sun, Jia-Min	0	0	0	0
Vice President	Lee, Jung-Hui	0	0	0	0
Deputy Auditor General	Ho, Hui-Fen	0	0	0	0
Assistant Vice President	Yu, Yueh-Han	0	0	0	0
Assistant Vice President	Chen, Chwen-Der	0	0	(13,000)	0
Assistant Vice President	Tung, Hsing-Hua	0	0	0	0
Assistant Vice President	Kang, Yi-Chuan (Assumed post on 11/01/2020)	0	0	0	0
Assistant Vice President	Huang, Hsiang-Piao	0	0	0	0
Assistant Vice President	He, Cheng	0	0	0	0
Assistant Vice President	Chen, Pei-Ti	0	0	0	0
Assistant Vice President	Pan, Yun-Hau (Assumed post on 05/09/2020)	0	0	0	0
Assistant Vice President	Mao, Li-Chung	0	0	0	0
Assistant Vice President	Sheu, Yuh-Shy	0	0	0	0
Assistant Vice President	Hsueh, Po-Wen (Assumed post on 09/18/2020)	0	0	0	0
Assistant Vice President	Lin, Heng-Shan	0	0	0	0
Assistant Vice President	Lee, Pei-Chen	0	0	0	0
Assistant Vice President	Yen, Yang	0	0	0	0
Assistant Vice President	Huang, Hui-Na	0	0	0	0
Assistant Vice President	Fang, Yuan-Hua	0	0	0	0
Assistant Vice President	Chang, Hsu-Yu (Assumed post on 11/30/2020)	0	0	0	0
Assistant Vice President	Huang, Chin-Feng	0	0	0	0
Assistant Vice President	Hsu, Hsueh-Wen (Assumed post on 02/01/2020)	0	0	0	0
Assistant Vice President	Liu, Shou-Shu	0	0	0	0
Assistant Vice President	Yeh, Jin-Fu (Assumed post on 11/12/2020)	0	0	0	0
Assistant Vice President	Liu, Duan-Shiuh	0	0	0	0
Assistant Vice President	Hsiao, Jui-Fu	0	0	0	0
Senior Vice President	Chang, Young (Dismissed on 01/31/2020)	0	0	0	0
Data Protection Officer	Wu, Hsiao-Sui (Dismissed on 07/31/2020)	0	0	0	0

Title	Name	2020		The current year through March 27, 2021	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Liu, Tsao-Yang (Dismissed on 08/17/2020)	0	0	0	0
Assistant Vice President	Chen, Jo-Ching (Dismissed on 04/01/2020)	0	0	0	0
Assistant Vice President	Kao, Shu-Chuan (Dismissed on 04/01/2020)	0	0	0	0
Assistant Vice President	Shann, Da-Sin (Dismissed on 09/18/2020)	0	0	0	0
Assistant Vice President	Chiu, Wei-Tuan (Dismissed on 03/19/2020)	0	0	0	0
Assistant Vice President	An, Long-Chi (Assumed post on 04/01/2020) (Dismissed on 11/30/2020)	0	0	0	0

Note: Refers to major shareholders holding more than 10% of company shares.

3.7.1 Shares Trading with Related Parties: None.

3.7.2 Shares Pledge with Related Parties: None.

3.8 Relationships among the Top Ten Shareholders

March 27, 2021

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
China Aviation Development Foundation (Representative: Wang, Kwo-Tsai)	1,867,341,935	34.45%	0	0%	0	0%	None	None	None
National Development Fund of The Executive Yuan (Representative: Dr. Kung, Ming-Hsin)	519,750,519	9.59%	0	0%	0	0%	None	None	None
New Labor Pension Fund	76,934,000	1.42%	NA	NA	0	0%	None	None	None
China Airlines Ltd. Employee Stock Ownership Trust Plan	63,331,761	1.17%	NA	NA	0	0%	None	None	None
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	35,905,146	0.66%	NA	NA	0	0%	None	None	None
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	35,231,442	0.65%	NA	NA	0	0%	None	None	None
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank	28,888,821	0.53%	NA	NA	0	0%	None	None	None
Arrowstreet Capital Global All Country Alpha Extension Fund (Cayman) Limited	26,889,000	0.50%	NA	NA	0	0%	None	None	None
Reasonable Deal Co., Ltd. (Representative: Li, Chuan-Zhe)	24,325,000	0.45%	0	0%	0	0%	None	None	None
Wan Hai Lines Ltd. (Representative: Jiu Fu Garden Co., Ltd.)	23,753,862	0.44%	NA	NA	0	0%	None	None	None

3.9 Ownership of Shares in Affiliated Enterprises

Dec 31, 2020

Unit: shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
1. CAL-Dynasty International, Inc.	2,614,500	100.00	-	-	2,614,500	100.00
1A Dynasty Properties Co., Ltd.	-	-	5,000	100.00	5,000	100.00
1B Dynasty Hotel of Hawaii, Inc.	-	-	400,000	100.00	400,000	100.00
2. CAL-Asia Investment Inc.	7,172,346	100.00	-	-	7,172,346	100.00
2A Eastern United International Logistics (Holdings) Ltd.	-	-	1,050,000	35.00	1,050,000	35.00
2B Airport Air Terminal (Xiamen) Co., Ltd.	-	-	(Note 1)	28.00 (Note 2)	(Note 1)	28.00 (Note 2)
2C Airport Air Cargo Service (Xiamen) Co., Ltd.	-	-	(Note 1)	28.00 (Note 2)	(Note 1)	28.00 (Note 2)
2D Taikoo (Xiamen) Landing Gear Services Co., Ltd.	-	-	(Note 1)	2.59	(Note 1)	2.59
2E Haeco Composite Structures (Jinjiang) Co., Ltd.	-	-	(Note 1)	5.45	(Note 1)	5.45
3. Dynasty Aerotech International Corp.	77,270	100.00	-	-	77,270	100.00
4. Yestrip Co., Ltd.	1,600,000	100.00	-	-	1,600,000	100.00
5. CAL Park Co., Ltd.	150,000,000	100.00	-	-	150,000,000	100.00
6. CAL Hotel Co., Ltd.	46,500,000	100.00	-	-	46,500,000	100.00
7. Taiwan Aircraft Maintenance And Engineering Co., Ltd.	135,000,000	100.00	-	-	135,000,000	100.00
8. Mandarin Airlines, Ltd.	188,154,025	93.99	-	-	188,154,025	93.99
9. Sabre Travel Network (Taiwan) Ltd.	13,021,042	93.93	-	-	13,021,042	93.93
10. Tigerair Taiwan Co., Ltd.	212,420,046	75.86	15,433,000	5.51	227,853,046	81.37
11. China Pacific Laundry Services Ltd.	13,750,000	55.00	-	-	13,750,000	55.00
12. Taiwan Air Cargo Terminal Ltd.	135,000,000	54.00	12,500,000	5.00	147,500,000	59.00
13. Kaohsiung Airport Catering Services	21,494,637	53.67	-	-	21,494,637	53.67
13A Delica International Co., Ltd.	-	-	1,020,000	51	1,020,000	51
14. Dynasty Holidays, Inc.	160	20.00	-	-	160	20.00
15. China Pacific Catering Services Ltd.	43,911,000	51.00	-	-	43,911,000	51.00
16. Taoyuan International Airport Services Co., Ltd.	34,300,000	49.00	-	-	34,300,000	49.00
17. Taiwan Airport Service Co., Ltd.	20,626,644	47.35	469,755	1.08	21,096,399	48.43
17A Taiwan Airport Service (Samoa) Co., Ltd.	-	-	(Note 1)	100.00	(Note 1)	100.00
18. NORDAM Asia Ltd.	3,797,500	49.00	-	-	3,797,500	49.00
19. Global Sky Express Ltd.	250,000	25.00	-	-	250,000	25.00
20. China Aircraft Services Ltd.	28,400,000	20.00	-	-	28,400,000	20.00
21. Jardine Air Terminal Services Ltd.	12,000,000	15.00	-	-	12,000,000	15.00
22. Everest Investment Holdings Ltd.	(Note 4)	13.59	-	-	(Note 4)	13.59
23. Chung-Hwa Express Co., Ltd.	1,100,000	11.00	-	-	1,100,000	11.00

Note 1: This company has not issued shares.

Note 2: CAL-Asia Investments Inc. directly holds 14% stake, Taiwan Airport Service (Samoa) Co., Ltd. directly holds 14% stake.

Note 3: Yestrip Co. Ltd. was dissolved on October 26, 2020 by Taipei City Government, and it is in the procedures for Liquidation.

Note 4: Includes 1,359,368 shares of common stock and 135,937 shares of preferred stock.

Capital Overview

4.1 Capital and Shares

4.2 Corporate Bonds

4.3 Other Depository Receipts

4.4 Financing Plans and Implementation

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

MAR 27, 2021 Unit: shares; NT\$

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Approval Date and Document No. by Ministry of Economic Affairs
02/2012	10	5.2 billion	52 billion	5.2 billion	52 billion	Cash increase NT\$5,683,776,490	Jing Shou Shang No. 10101028630, February 20, 2012
05/2015	10	6 billion	60 billion	5.24 billion	52.4 billion	Corporate debt for equity swap NT\$491,665,650	Jing Shou Shang No. 10401079310, May 7, 2015
05/2015	10	6 billion	60 billion	5.37 billion	53.7 billion	Corporate debt for equity swap NT\$1,208,413,350	Jing Shou Shang No. 10401096840, May 28, 2015
09/2015	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap NT\$1,000,652,560	Jing Shou Shang No. 10401186200, September 17, 2015
12/2015	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap NT\$8,169,930	Jing Shou Shang No. 10401250360, December 8, 2015
12/2017	10	6 billion	60 billion	5.47 billion	54.7 billion	Corporate debt for equity swap, NT\$945,010	Jing Shou Shang No. 10601158980, December 4, 2017
12/2018	10	6 billion	60 billion	5.42 billion	54.2 billion	Treasury Stock Retired NT\$500,000,000	Jing Shou Shang No. 10701157330, December 18, 2018
05/2019	10	7 billion	70 billion	5.42 billion	54.2 billion	Adjustment of authorized capital in accordance with the Articles of Incorporation	Jing Shou Shang No. 10801043180, May 8, 2019

Note 1: The Company didn't use properties other than cash to return share prices, nor issued special shares.

Note 2: In March 2021, six shareholders applied to transfer shares with a total of 7,936 shares. The number of outstanding shares became 5,420,992,586 shares (including common shares 5,420,984,650, and 7,936 shares which haven't received the approval of MOE).

B. Type of Stock:

MAR 27, 2021 Unit: Thousand shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Stock Inscribed	5,420,993	1,579,007	7,000,000	Listed Stocks

4.1.2 Status of Shareholders

MAR 27, 2021 Unit: shares

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Treasury Stock	Total
Number of Shareholders	2	27	289	645	244,336	0	245,299
Shareholding	519,750,520	73,454,329	2,267,579,709	479,258,277	2,080,949,751	0	5,420,992,586
%	9.59%	1.35%	41.83%	8.84%	38.39%	0.00%	100.00%

4.1.3 Shareholding Distribution Status

MAR 27, 2021 Unit: shares

Class of Shareholding	Number of Shareholders	Shareholding	Percentage
1-999	37,340	11,235,728	0.21%
1,000-5,000	144,869	329,812,301	6.08%
5,001-10,000	30,913	259,243,177	4.78%
10,001-15,000	8,665	111,957,123	2.07%
15,001-20,000	7,359	139,757,464	2.58%
20,001-30,000	5,641	148,602,474	2.74%
30,001-40,000	2,645	96,169,114	1.77%
40,001-50,000	2,144	102,238,728	1.89%
50,001-100,000	3,324	248,517,333	4.58%
100,001-200,000	1,328	194,566,873	3.59%
200,001-400,000	565	159,259,857	2.94%
400,001-600,000	163	81,546,904	1.50%
600,001-800,000	85	59,726,844	1.10%
800,001-1,000,000	64	58,918,295	1.09%
1,000,001 or over	194	3,419,440,371	63.08%
Total	245,299	5,420,992,586	100.00%

4.1.4 List of Major Shareholders

MAR 27, 2021 Unit: shares

Shareholder's Name	Shareholding	Shares	Percentage
China Aviation Development Foundation		1,867,341,935	34.45%
National Development Fund of The Executive Yuan		519,750,519	9.59%
New Labor Pension Fund		76,934,000	1.42%
China Airlines Ltd. Employee Stock Ownership Trust Plan		63,331,761	1.17%
Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International		35,905,146	0.66%
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds		35,231,442	0.65%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Norges Bank		28,888,821	0.53%
Arrowstreet Capital Global All Country Alpha Extension Fund (Cayman) Limited		26,889,000	0.50%
Reasonable Deal Co., Ltd.		24,325,000	0.45%
Wan Hai Lines Ltd.		23,753,862	0.44%

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Thousand shares; NT\$

Items	Year	2019	2020	2021	
		(Distributed in 2020) (Note 10)	(Distributed in 2021) (Note 11)	(As of MAR 27) (Note 9)	
Market Price per Share (Note 1)	Highest Market Price	11.25	13.15	15.75	
	Lowest Market Price	9.00	5.50	10.10	
	Average Market Price	9.69	9.46	13.34	
Net Worth per Share (Note 2)	Before Distribution	10.44	10.62	-	
	After Distribution	10.44	10.62	-	
Earnings per Share	Weighted Average Shares	5,418,096	5,418,776	-	
	Diluted Earnings Per Share (Note 3)	(0.22)	0.03	-	
Dividends per Share (Note 8)	Cash Dividends	-	-	-	
	Stock Dividends	Dividends from Related Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)	-	-	-	
Return on Investment	Price / Earnings Ratio (Note 5)	NA	284.33	-	
	Price / Dividend Ratio (Note 6)	NA	NA	-	
	Cash Dividend Yield Rate (Note 7)	NA	NA	-	

*If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Annual Average Market Price=Annual Turnover Value/Trading Volume.

Note 2: Based both on the number of issued shares at the end of the year, and on the distribution decided on at the Shareholders' Meeting the following year.

Note 3: For those requiring retroactive adjustment due to stock grants, both the pre-and post-adjustment EPS should be listed.

Note 4: In issuing equity securities, provisions may be made to accumulate undistributed dividends for the year and postpone distribution until a year when profit is made. The dividends accumulated over the period ending in the year of distribution should be disclosed.

Note 5: P/E Ratio=Average market price of a share in the current year/EPS.

Note 6: P/D Ratio=Average market price of a share in the current year/cash dividend per share.

Note 7: Cash dividend yield=cash dividend per share/average market price of a share in the current year.

Note 8: In accordance with Taiwan Stock Exchange regulations, treasury share effects have already been considered.

Note 9: Net worth per share and EPS are calculated based on the financial statement for the most recent quarter that has been verified by an accountant. All other fields are based on the current year data through the publication date of the annual report.

Note 10: The Company's EPS for 2019 was negative and thus it will not distribute earnings; it has been decided by the 10th meeting of the 21st Board of Directors on March 18, 2020, that the Company will not pay dividends for 2019, thus this does not apply.

Note 11: The Company does not have distributable earnings for 2020. It has been decided by the 15th meeting of the 21st Board of Directors on March 18, 2020, that the Company will not pay dividends for 2020.

Note 12: The Company's 2020 final daily closing price was NT\$12.05.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

The CAL Articles of Incorporation outlines the following dividend policy:

If the Company makes a profit over the year, an amount of no less than 3% of the profit must be distributed as employee compensation. If the Company has accumulated losses, funds must be retained to offset the deficit.

The aforementioned employee compensation is primarily disbursed as stock or cash and the resolution must be approved at a meeting of the Board of Directors with two-thirds of directors in attendance and must receive support from half of participating members.

Should the Company make a profit over the year, said profit must first be used to pay all taxes and offset accumulated losses, then 10% of the remaining amount is to be set aside as a legal reserve. After setting aside or reversing a special reserve, any remaining amount along with accumulated undistributed earnings shall be distributed as shareholder dividends and bonuses according to a resolution drawn up by the Board:

- (1) Not less than 50% of the amount shall be distributed as shareholder dividends and bonuses. After pretax profits are deducted as outlined above, should the amount left not be sufficient for distribution, the difference will be made up by accumulated undistributed profit.
- (2) In the event of a yearly loss, depending on the financial, operation, and management considerations, all or part of the legal reserve may be distributed as new stock or cash as prescribed by law and competent authority regulations.
- (3) Dividends and bonuses are distributed as stock or cash, with cash dividends making up no less than 30% of the total distributable dividends.

B. Proposed Distribution of Dividend

The Company does not have distributable earnings for 2020. It has been decided by the 15th meeting of the 21st Board of Directors on March 18, 2020, that the Company will not pay dividends for 2020.

C. No significant change in expected future dividend policy.

4.1.7 Impact of Stock Dividends Issuance on Company's Business Performance and Earnings per Share: Not Applicable.

4.1.8 Employees' Compensation and Directors' Remuneration

A. Articles of Incorporation regulations: See 4.1.6 Dividend Policy and Implementation Status.

B. The basis for estimating the amount of employee compensation and director bonuses, for calculating the number of shares to be distributed as stock bonuses, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period

The Company has not allocated employee compensation for this period. In addition, in accordance with the Articles of Incorporation, it will not pay remuneration to the directors.

C. Board approved employee compensation and director bonus proposal

- (1) Amount of employee bonuses (including stock and cash) and director bonuses distributed. If the actual amount distributed differs from the original estimated amount, the difference, reason, and how this was handled is to be disclosed:

It has been decided by the 15th meeting of the 21st Board of Directors on March 18, 2021, that the Company will not pay dividends for 2020.

- (2) The amount of any proposed distribution of employee stock bonuses and the size of such an amount as a percentage of the sum of the net income for the current period and total employee bonuses: Not Applicable.

D. The actual employee compensation and director bonuses distributed for the previous year (2018) (including the number of shares distributed, value, and stock price). Should there be a discrepancy with the proposed amount of employee compensation and director bonuses, the difference, reason, and how this was handled should be stated

- (1) Employee compensation: None.
- (2) Director bonuses: Not Applicable.

4.1.9 Buyback of Treasury Stock: None.

4.2 Bonds

4.2.1 Corporate Bonds

MAR 27, 2021

Corporate Bond Type	Domestic Unsecured Straight Bond (2016-1)	Domestic Unsecured Straight Bond (2016-2)	Domestic Unsecured Straight Bond (2017-1)	Domestic Unsecured Straight Bond (2017-2)
Issue date	05/26/2016	09/27/2016	05/19/2017	10/12/2017
Denomination	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location	Republic of China	Republic of China	Republic of China	Republic of China
Issue price	Par	Par	Par	Par
Total price	NT\$5,000,000,000	NT\$5,000,000,000	NT\$2,350,000,000	NT\$3,500,000,000
Coupon rate	1.19% per annum.	1.08% per annum	Tranche A: 1.20% per annum Tranche B: 1.75% per annum	Tranche A: 1.14% per annum Tranche B: 1.45% per annum
Tenor	5 year (May 26, 2016 to May 26, 2021)	5 year (September 27, 2016 to September 27, 2021)	Tranche A: 3 years (May 19, 2017 to May 19, 2020); Tranche B: 7 years (May 19, 2017 to May 19, 2024)	Tranche A: 3 years (October 12, 2017 to October 12, 2020); Tranche B: 5 years (October 12, 2017 to October 12, 2022)
Guarantee agency	Not applicable	Not applicable	Not applicable	Not applicable
Consignee	Huanan Commercial Bank	Huanan Commercial Bank	Huanan Commercial Bank	Huanan Commercial Bank
Underwriting institution	YuanTa Securities Ltd.	Masterlink Securities Ltd.	Masterlink Securities Ltd.	Fubon Integrated Securities Ltd.
Certified lawyer	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney At Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney At Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney At Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney At Law
CPA	Huang, Jui-chan (Deloitte & Touche)	Yang, Chen-Hsiu (Deloitte & Touche)	Yang, Chen-Hsiu (Deloitte & Touche)	Yang, Chen-Hsiu (Deloitte & Touche)
Repayment method	Repayment of 50% of the principal in the fourth year and the remaining 50% in the fifth year	Repayment of 50% of the principal in the fourth year and the remaining 50% in the fifth year	One-time repayment of capital upon maturity.	Tranche A: one-time payment upon maturity; Tranche B: return of 50% of capital 4 and 5 years from the start date, respectively.
Outstanding principal	NT\$2,500,000,000	NT\$2,500,000,000	NT\$1,000,000,000	NT\$2,600,000,000
Terms of redemption or advance repayment	None	None	None	None
Restrictive clause	None	None	None	None
Name of the credit rating agency, rating date, rating of corporate bonds	None	None	None	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities Issuance and conversion (exchange or subscription) method	Not applicable	Not applicable	Not applicable
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	Not applicable	Not applicable	Not applicable	Not applicable
Transfer agent	None	None	None	None

MAR 27, 2021

Corporate Bond Type	Domestic Unsecured 6 th Convertible Bond	Domestic Unsecured Ordinary Corporate Bonds (2018-1)	Domestic Unsecured Ordinary Corporate Bonds (2019-1)
Issue date	01/30/2018	10/30/2018	06/21/2019
Denomination	NT\$100,000 per unit	NT\$1,000,000 per unit	NT\$1,000,000 per unit
Issuing and transaction location	Republic of China	Republic of China	Republic of China
Issue price	Issued at 100.2% of par value	Par	Par
Total price	NT\$6,012,000,000	NT\$4,500,000,000	NT\$3,500,000,000
Coupon rate	0.00% per annum	Tranche A: 1.32% per annum Tranche B: 1.45% per annum	Tranche A: 1.10% per annum Tranche B: 1.32% per annum
Tenor	5 years (January 30, 2018, to January 30, 2023)	Tranche A: 5 years (November 30, 2018, to November 30, 2023) Tranche B: 7 years (November 30, 2018, to November 30, 2025)	Tranche A: 5 years (June 21, 2019, to June 21, 2024) Tranche B: 7 years (June 21, 2019, to June 21, 2026)
Guarantee agency	Not applicable	Not applicable	Not applicable
Consignee	Chinatrust Commercial Bank Trust Department	Huanan Commercial Bank	Taishin International Bank
Underwriting institution	Taishin Integrated Securities Ltd.	Fubon Integrated Securities Ltd.	Fubon Integrated Securities Ltd.
Certified lawyer	Handsome Attorney-at-Law Chiu, Ya-Wen, Attorney At Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney At Law	Ture Honesty International Law Office Kuo, Hui-Chi, Attorney At Law
CPA	Not applicable	Yang, Cheng-Hsiu (Deloitte & Touche)	Huang, Jui-chan (Deloitte & Touche)
Repayment method	According to the offering of Domestic Unsecured 6 th convertible bond section 6	Tranche A: Repayment of 50% of the principal at the end of the fourth year and the remaining 50% at the end of the fifth year; Tranche B: Repayment of 50% of the principal at the end of the sixth year and the remaining 50% at the end of the seventh year	Tranche A: Repayment of 50% of the principal at the end of the fourth year and the remaining 50% at the end of the fifth year; Tranche B: Repayment of 50% of the principal at the end of the sixth year and the remaining 50% at the end of the seventh year
Outstanding principal	NT\$5,999,900,000	NT\$4,500,000,000	NT\$3,500,000,000
Terms of redemption or advance repayment	According to the offering of Domestic Unsecured 6 th convertible bond section 18 and 19	None	None
Restrictive clause	None	None	None
Name of the credit rating agency, rating date, rating of corporate bonds	None	None	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs, or other securities	Not applicable	Other rights attached
	NT\$100 thousand converted		
	Issuance and conversion (exchange or subscription) method as per the 5th issue of domestic unsecured convertible bonds	According to the offering of Domestic Unsecured 6 th convertible bond section 8 and 9	
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	(Note)	Not applicable	Not applicable
Transfer agent	None	None	None

Note: As of March 27, 2021, according to the conversion price NT\$12.60 of the sixth unsecured convertible bonds, and assuming the convertible bonds have been fully converted, the shareholdings percentage of the three major shareholders, namely China Aviation Development Foundation, National Development Fund, and Chunghwa Telecom, will be reduced from 48.90% to 44.95%, but there will be no significant change in the shareholding structure, thus it has little effect on shareholder equity.

4.2.2 Corporate Bonds Undergoing Private Placement

- A. At the 12th meeting of the 21st Board of Directors on August 6, 2020, the Company's seventh issuance of 60,000 domestic unsecured convertible corporate bonds was approved, each with a face value of NT\$100,000, to be issued at 100% - 100.5% of the face value. The total issuance amount was capped at NT\$6,030,000 thousand. It has been reported and put into effect by the approval of the Financial Supervisory Commission letter Jin-Guan-Zheng-Fa-Zi No. 1090379546 dated January 13, 2021.
- B. Due to the recent changes in the domestic capital market conditions and the COVID-19 pandemic's continuing impact on the air transport industry, and considering that rash pricing and non-ideal issuance conditions might damage shareholders' rights, we applied for a three-month extension of the offering period for the seventh issuance of domestic unsecured convertible corporate bonds. It was approved and filed for future reference in letter Jin-Guan-Zheng-Fa-Zi No. 1100336476 dated March 24, 2021, and the offering period was extended to July 13, 2021. Once the market stabilizes, we will find the correct timing for pricing in order to protect the Company's interests and shareholders' rights.

4.2.3 Convertible Bonds

Unit: NT\$

Types of Corporate Bonds		Domestic Unsecured 6 th convertible bond	
Year		2020	The current year through March 27, 2021
Item			
Convertible Bond Market Price	Highest	108.80	127.45
	Lowest	92.10	102.00
	Average	102.39	111.63
Conversion Price		12.60	12.60
Issuance date and conversion price at the time of issue		The convertible bonds were listed on the Taipei Exchange on January 30, 2018; the conversion price upon issuance was NT\$13.20. Due to the distribution of 2018 and 2019 cash dividends, according to the provisions of the sixth unsecured convertible bonds' issuance and conversion regulations, the conversion price shall be adjusted. The conversion price was thus reduced to NT\$12.60.	
Conversion method		Issue new shares.	

4.2.4 Exchangeable Bond, Shelf Registration, Shelf Registration: None.

4.3 Other Securities-Related Issues

4.3.1 Preferred shares: None.

4.3.2 Global Depository Receipts: None.

4.3.3 Employee Stock Options: None.

4.3.4 Employee Restricted Stock: None.

4.3.5 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.4 Financing Plans and Implementation

As of March 27, 2021, the use of funds earned through previously issued securities is progressing as planned and is in accordance with expected results.

Operational Highlights

5.1 Business Activities

5.2 Market and Sales Overview

5.3 Human Resources

5.4 Environmental Protection Expenditure

5.5 Labor Relations

5.6 Important Contracts

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

- (1) Civil air transport business: Air passenger transport, regular and irregular contracting of international charter flights business, and training of civil aviation personnel.
- (2) General aviation business: In-flight commodity sales.
- (3) Airport ground service business: Ground services for civil international airports and transit aircraft.
- (4) Air cargo terminal entrepot operation: Air cargo transport services.
- (5) Aircraft and parts maintenance and manufacturing business: Aircraft body maintenance.
- (6) Inflight catering service: Provision of in-flight catering or other related supplies.
- (7) Laundry, dyeing, printing and finishing, and wholesale and retail of dyeing mills and dyestuff cleaning supplies: Washing of cloth and clothing inside the aircraft and general washing business in the hospitality industry.
- (8) Warehouse and storage: Warehousing services for import, export, and entrepot air cargo.
- (9) Other: All business items that are not prohibited or restricted by law, except for those that are subject to special approval.

B. Revenue distribution

Unit: NT\$ thousands

Item	2020	
	Net Revenue	Proportion of Revenue
Passenger Revenue	25,704,367	22%
Cargo Revenue	81,917,976	71%
Other	7,628,207	7%
Total	115,250,550	100%

C. Main products

- (1) Passenger service: Air passenger transport and regularly scheduled and non-scheduled contract international charter flight services.
- (2) Cargo service: Transport services for cargo, courier, mail, and packages.
- (3) Ground services: Handling of luggage and cargo, aircraft cleaning, and ground support equipment.
- (4) In-flight sales: Providing in-flight duty free sales services.
- (5) Airline catering: Providing meal services to airlines.
- (6) Warehousing and logistics services: Provide airfreight forwarding and logistics services.
- (7) Aircraft maintenance services: Airframe, engine, and aircraft component maintenance.
- (8) Tourism and leisure services: General hotel industry and travel services.
- (9) Investment holding and leasing services: Engaged in real estate investment, building management, and leasing.
- (10) Civil aviation personnel training: Organize maintenance training courses, develop professional maintenance personnel.

D. Product Development

(1) Revenue Management System (RMS)

Revenue Management System (RMS) is the core system to manage the sales of flight seats, which enhanced aviation network and competency. The new O&D (Original & Destination) RMS was implemented after evaluation and was officially operated on July 30, 2020. O&D RMS calculates the value of each seat by considering the booking information in the history and price information. Through dynamic deployment, routes and areas that create high value are highlighted to maximize the passenger flight revenue.

(2) Optimize booking system and user interface

In 2020, China Airlines has been improving various services, including ticket booking 80 minutes prior to departure, 3-D secure protocol for credit card transactions, and WeChat Pay for the mainland China region. China Airlines established the pandemic section in response to the spread of COVID-19. Entry restrictions in Taiwan and other countries have been regularly updated, as well as schedule changes, ticket changes, ticket refunds, and other epidemic prevention measures. This was to facilitate passengers to keep up to date with the travel information and offer a friendlier experience in ticket purchases online.

(3) Customer Relationship Management (CRM)

Improve digital service and consumer experience from the perspective of passengers by reviewing each phase in travel, from ticket purchase, preparation, check-in at the airport, and arrival, China Airlines built comprehensive, digitized, and passenger-oriented services. The services include accessing travel information on the mobile app, enjoying more friendly airport and in-flight services, and receiving swift support in the event of a flight change.

(4) Approach potential customers using digital marketing

China Airlines leveraged the marketing funnel strategy and analyzed the browsing behaviors of CAL website visitors. By maximizing digital advertisement, approaching more consumers, and selecting potential target audiences using data analysis, China Airlines placed brand marketing advertisements on target consumers. Along with the promotion via EDM, app, and text messages, China Airlines displayed discount offers to potential customers, boosting customer consumption. In addition to newsletter marketing, content marketing, and social media exposure, China Airlines continuously held physical campaigns and realized the corporate brand visions.

(5) Developing potential destinations and optimizing the aviation network extension

China Airlines has stayed close to the market condition, and deployed new destinations by evaluating the potential market, in order to strengthen the connectivity of the aviation network and enhance competency.

5.1.2 Industry Overview

A. State of the industry and future development

(1) Economic growth

According to the report made by IHS Markit in February 2021, the 2020 global economic growth rate was -3.7%, the first negative growth in ten years. In 2021, the business will get back to normal as the vaccines are available that eases the pandemic. IHS Markit estimated that the global economic growth rate will reach 5.1% in March 2021, while most major markets will grow, such as the US (5.7%), Europe (3.9%), Japan (2.6%), and China (7.8%).

Taiwan has done exceptionally well in pandemic prevention. As the home economy and remote technology boosted during the outbreak that shifted the global supply chains. This created numerous opportunities for Taiwan in export business and manufacturing. According to the statistics made by the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan's annual growth rate in the economy was 3.11%, becoming one of the few countries with economic growth in 2020. In 2021, as export, investment, and consumption are on the rise, Taiwan's economy has grown stably. Domestic and foreign institutes estimated that the economic growth rate will reach 4.0%.

(2) Oil prices

2020 was severely impacted by the coronavirus pandemic. Lockdown and travel restrictions have been implemented in most countries. This caused the oil demand to drop. In April 2020, the WTI crude oil price dropped below zero, breaking the historical record. In the Short-Term Energy Outlook proposed by EIA (Energy Information Administration) in February 2021, as the demand for crude oil increases and the oil storage decreases, the WTI price is expected to be US\$50.21/barrel, and the Brent price is expected to be US\$53.2/barrel. As the pandemic poses uncertainty to the future economy, most financial institutes and energy institutes forecast that it's difficult for aviation fuel demand in 2021 to get back to the level in 2019.

(3) Air passenger market

COVID-19 forced countries to adopt strict border control and disease inspection measures, leading to an almost standstill in demand for passenger flights. According to the forecast of IATA, the global passenger flight demand will return to the level in 2019 by the time of 2024.

According to the statistics of IATA, 2020 RPKs dropped by 65.9%. The revenue from passenger flights dropped by NT\$421 billion. The prospects in 2021 remain pessimistic as the new variant coronavirus appears, which prompted restricted travel by most countries in the first half of 2021. From the positive point of view, people in most developed countries are getting vaccinated, thus the travel restriction may be loosened. Therefore, the travel peak season in the summer can be expected. The passenger flight demand may be 38% of that of 2019. From the pessimistic point of view, border control in most countries may remain in the summer. In that case, the demand may only be 31% of that of 2019. No matter what, aviation companies will spend more than US\$75 billion cash in 2021.

(4) Air cargo market

According to IATA, global cargo flights were reduced drastically due to the pandemic in 2020. The loadability of the belly hold dropped by 53.1% in 2020. Even though the cargo flight capacity increased by 20.6%, the overall capacity still saw a fall of 24.1%. For global air cargo volume in 2020, a slide of 11.8% was seen, which was the most severe slump in 20 years. Thankfully, the drop in delivery supply was greater than the delivery capacity. In 2020, the delivery rate rose by 8.4%.

keeping the air cargo price at a high point. Despite the decline in delivery capacity, 2020 revenue was 15% higher than 2019. For most aviation companies, air cargo became the important income in 2020.

IATA expected that 2021 air cargo demand will return to 2019. But since the new variant coronavirus still threatens the world in 2021, travel restriction remains. Thus, using belly hold of passenger flights to carry cargoes is still hard to achieve. This may create a challenge to satisfy the air cargo demand.

B. Relationship between upstream, midstream, and downstream firms

The air transport service industry primarily provides transportation for passengers and cargo. These operations rely on the support and assistance of upstream, midstream, and downstream industries that enable us to provide comprehensive services and meet our customers' needs.

(1)Upstream industries

Primarily aircraft, aircraft engine, and ground service equipment (such as towing vehicles, loading vehicles, and equipment needed on the apron) manufacturers. Currently, in addition to purchasing aircraft, Taiwanese airlines also utilize leasing to add to their fleets, so the aircraft leasing industry is also an upstream industry for air transport providers.

(2)Midstream industries

Primarily airlines themselves and related support industries such as the oil industry that provides aviation fuel, the aircraft maintenance industry that repairs and maintains airlines' aircraft and components, and the airline catering industry that provides in-flight meals. In response to the changing needs of downstream industries, the air transport industry's strategic adjustments in their operating scale, fleets, or flight networks will also affect the development of upstream industries.

(3)Downstream industries

In passenger transport, the air transport industry primarily serves the public and travel agencies, while cargo transport services are provided to the courier and freight forwarding industries. As a member of the air transport industry, the needs of downstream customers are at the core of the CAL's product and services planning. Our mission is to provide safe, convenient, and comprehensive services.

C. Product development trends

(1)Aviation alliance cooperation

With the liberalization of the air-transport market, airports have become increasingly congested. Resources being limited, airlines provide passenger transportation services as part of alliance teams, with such mechanisms as code-sharing, extended route-agency systems, and combined mileage cumulation frequent flyer programs. Aviation alliance collaboration also includes operating in the same terminal at major airports, sharing maintenance facilities and operating equipment, mutual support of personnel, and cooperation in ground handling and inflight catering to reduce costs. This also helps passengers purchase flight tickets at a lower price. As long as they take alliance airlines, they can earn flight miles. Flight schedules provided by the alliance are more flexible with fewer transfers, making it easier for passengers to reach their destination early. At present, there are three major alliances in the aviation industry, namely, SkyTeam, Star Alliance, and One World. The Company is currently one of the 19-member airlines of the SkyTeam. Through extensive global network collaboration, we provide transportation services in 175 countries and to 1,150 destinations.

(2)Joint Venture (JV)

For a closer strategic alliance relationship, airlines further share their route network with business partners and share joint marketing and bear risks together to earn more revenue and route profit. Joint ventures share revenue on cooperative routes, sometimes including cost sharing. The economies of scale, aviation network revenue, cost reduction and management efficiency improvements generated through cooperation can effectively improve operational efficiency, surpassing the benefits of alliance association. For example, United Airlines (UA) and All Nippon Airways (ANA / NH) have launched joint ventures since 2012. Passengers can take ANA from Taipei via Tokyo Narita or from Songshan via Tokyo Haneda to gateway cities in the United States, or choose United Airlines' daily Taipei - San Francisco direct flight and transfer to major cities in the United States. Under the JV fare structure, due to the unified fare for the same cabin class and greater flight interoperability, the sales process is simpler.

(3)Grasping logistics trends and expanding business territory

In response to the different transportation needs of special cargoes, such as semiconductor precision machinery, aircraft engine materials and the demand for equipment driven by the emerging 5G technology products, the Company provides professional large cargo loading services with its Boeing 747-400 cargo-only aircraft. For the vaccine delivery during the COVID-19 outbreak, China Airlines is well-versed in cold chain logistics and special goods delivery such as biotech medicines. Meanwhile, the Company is also the only Taiwanese carrier that received IATA CEIV pharma certification, meeting the needs of delivering vaccines. At the same time, the Company also cooperates with other airline alliances to assist other countries in delivering vaccines. Additionally, the home economy and the swift development of e-commerce have a higher demand for e-commerce goods delivery, pushing the Company to work with other airline

alliances and logistic vendors. The Company will stay close to the development of the logistic market and other potential opportunities to expand its air cargo business.

(4) Taoyuan International Airport expansion to become the transit hub in East Asia

The government has been transforming the Taoyuan Airport as the transit hub in East Asia. The effort has been made not only in software upgrade and air right expansion, but also in hardware. In 2010 and 2011, Taiwan Taoyuan International Airport Park Overview Plan and Taiwan Taoyuan International Airport Park Implementation Plan were made to implement the reconstruction of Terminal 1, airside service roads, Terminal 3 satellite pier, and the third airway, etc. The Company also responded to the government policy by expanding its fleet capacity and building a transit hub in East Asia.

(5) Digital transformation in the aviation industry to rebuild traveler confidence

COVID-19 escalated the digital transformation in the aviation industry, changing the airport and traveler's experience in 2020. Self-services in the airport, biometric technology, and Wi-Fi connectivity service not only shorten the check-in process but also maintain good social distances. China Airlines actively encourages passengers to utilize the internet to check in. In Hong Kong, New York, and San Francisco, the biometric-enabled check-in process was launched. At the end of 2020, IATA designed an application called "Travel Pass." The application provides passengers with disease control measures and travel restriction information. Users can upload their COVID-19 testing results and proof of COVID-19 vaccination, allowing the competent authority and aviation companies to identify passengers' health conditions before boarding. So far, multiple major aviation companies have undertaken the trial. The app will be officially launched in the first quarter of 2021. The aviation industry regards the Travel Pass developed by IATA as a milestone to resume the air travel.

D. Product competition

China Airlines mainly provides regular/irregular flights that carry cargoes and passengers, as well as charter flight service. The Company will continue to optimize the aviation network and fleet scale to enhance the overall service quality, maintaining its solid role as a leading carrier in Taiwan. According to the IATA's 2019 international passenger and cargo transport volume rankings published in 2020, the Company ranked 34th in the world, with a passenger transport volume of 42,142 million Revenue Passenger Kilometers (RPK) ; In cargo transport, the Company ranked 12th in the world, with a cargo transport volume of 5,334 million Freight Revenue Ton Kilometers (FRTK).

Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo in 2020

Airline	Passenger	Cargo
China Airlines	25.01%	42.86%
EVA Air	26.31%	26.56%
Mandarin Airlines	1.44%	0.26%
UNI Air	1.10%	0.21%
Tigerair Taiwan	3.94%	0.01%
STARLUX Airlines	0.40%	0.07%
Other-Foreign Carriers	41.80%	30.03%

Source: Civil Aeronautics Administration Monthly Statistics from January to December 2020-Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo

IATA Global International Route Passenger and Cargo Rankings 2019

Passenger (Passenger-Kilometers) Ranking Unit: million			Cargo (Ton-Kilometer) Ranking Unit: million		
1	Emirates	299,496	1	Qatar Airways	13,024
2	Ryanair	185,405	2	Emirates	12,052
3	Qatar Airways	172,591	3	Cathay Pacific Airways	10,930
4	United Airlines	162,962	4	Federal Express	8,851
5	Lufthansa	160,731	5	Korean Air	7,390
6	British Airways	151,935	6	Lufthansa	7,223
7	Air France	143,347	7	Cargolux	7,180
8	Delta Air Lines	141,353	8	Turkish Airlines	7,000
9	Turkish Airlines	131,106	9	United Parcel Service	6,228
10	American Airlines	126,533	10	Singapore Airlines	6,146
11	Cathay Pacific Airways	119,328	11	Air China	5,651
12	KLM	109,476	12	China Southern Airlines	5,482
13	Singapore Airlines	109,462	13	China Airlines	5,334
14	easyJet	99,854	14	AirBridgeCargo Airlines	5,168
15	Air Canada	87,701	15	United Airlines	4,231
16	Etihad Airways	81,856	16	British Airways	4,200
17	Norwegian	81,234	17	All Nippon Airways	3,922
18	Korean Air	80,298	18	Air France	3,774
19	Air China	79,293	19	Polar Air Cargo	3,765
20	China Southern Airlines	71,788	20	KLM	3,609
21	China Eastern Airlines	69,426	21	Atlas Air	3,598
22	Aeroflot Russian Airlines	68,911	22	KLM(4)	3,604
23	LATAM	67,108	23	EVA Air	3,580

Passenger (Passenger-Kilometers) Ranking Unit: million			Cargo (Ton-Kilometer) Ranking Unit: million		
24	Thai Airways International	65,380	24	American Airlines	3,550
25	Qantas Airways	59,721	25	Etihad Airways	3,471
26	Saudi Arabian Airlines	55,778	26	Kalitta Air(2)(3)	3,121
27	Wizzair	55,090	27	LATAM Group(3)	3,044
28	Iberia	54,243	28	AeroLogic(1)	2,803
29	All Nippon Airways	52,981	29	China Cargo Airlines	2,702
30	EVA Air	48,627	30	Saudi Arabian Airlines	2,487
31	Japan Airlines	44,650	31	Thai Airways International	2,438
32	Asiana Airlines	44,449	32	Delta Air Lines	2,417
33	Ethiopian Airlines	44,436	33	Japan Airlines	2,410
34	China Airlines	42,142	34	Silk Way West Airlines	2,354

Source: IATA WATS 2020

E. Intellectual Property

The Company has internal regulations governing corporate identity system management and has a brand-management platform for control and management. The scope includes the Company's office buildings and airport terminals (indoor and external signboards, marks and signs, etc.), transportation, advertisements, printed matter, inflight and ground service supplies, logos, products, and other installations, publishing, or broadcasting with the application of corporate identity covered by the Corporate Identity System Guideline (hereinafter referred to as the "CIS Guideline"). By managing the Company's corporate identity, application, and authorization of corporate logos (i.e., trademarks), and through reviewing the plan, we maintain the consistency of corporate identity exposure, unify the Company's visual identity, and strengthen the Company's corporate image. According to application situation of corporate identity in units in Taiwan and abroad, the Company will discuss and report the implementation method every two years, and notify the units to be audited by e-mail or memo. The units to be audited have to upload the audit samples on the brand-management platform to the concerned unit for review (or for an on-site audit) to protect the Company's trademark rights under the protection of law.

5.1.3 Research and Development

A. Costs of R&D investment and successfully developed technologies or products

From January 1, 2020, as on the publication date of this report, the Company has invested approximately NT\$61 million in research and development. The following table summarizes the technologies and products developed:

Project	R&D Project Description
Chatbot	Provide an innovative channel that reaches passengers and provides flight status in real time. During peak seasons or when significant changes are made to flights due to force majeure, provide passengers with an online instant chatbot conversational service to minimize the time passengers spend waiting on the customer service hotline. AI technology and AI semantic module have been utilized to enhance the service quality. Chatbot was officially completed and launched in March 2020.
Online Customer Service System	The China Airlines Customer Service Center was established in October 2003. The customer service system was introduced in 2004 and has been in use for more than 16 years. The system equipment must keep up with the times to cope with today's multifaceted business environment. In response to the customer service center's heavy workload, changing times, and technological advancements, China Airlines plans to establish a next-generation multimedia customer service system. It involves several functions, including telephone services, fax, automated voice answering systems, voice outbound dialing, e-mail, Facebook, and online customer service on the official website. The system will not only increase passenger access channels, but also help managers obtain workload information and staff status in real time, promptly allocate human resources, and improve service effectiveness and quality. The OnlineCC was officially launched in April 2020.
Health self-management system	In response to COVID-19 and the rules of the Taiwan Center for Disease Control and Civil Aeronautics Administration, a body temp reporting system was built for staff to self-report their health condition. This allowed the Company to monitor the disease condition in real-time, and save the labor cost for follow-up. The system was completed and officially launched in April 2020.
Aircraft inspection training system using VR/AR	The Company used VR/AR technology in aircraft inspection and new employee training. New employees can have real-time practices in the training to familiarize the inspection procedure and operations. This can improve employees' ability in identifying abnormalities and enhance the maintenance training result. The system was completed and officially launched in July 2020.
Fuel-saving effectiveness management system	Through the information process, consistent and complete oil-saving analysis data are generated. Various fuel-saving analysis data and monthly oil-saving results are presented in graphs. By doing so, the Company can formulate a precise fuel-saving policy and cut down on operating costs. The system was completed and officially launched in December 2020.
Robotic Process Automation, RPA	Promoting the relevant application of robotic process automation to all business units in China Airlines, reducing the manpower requirements for indirect manual operations, so to avoid the oversights caused by repetitive data input and manual input errors, improve work efficiency, and

	improve operating performance. The RPA is implemented in audit tools optimization: the automatic measurement function, the IATA automatic settlement and payment system, and the automatic download of the ticket price. The application was completed and officially launched in December 2020.
Establish the relevant mechanism of Cyber Security Management Act	In 2020, China Airlines put Cyber Security Management Act as its core in the cyber security operation by implementing international standards such as ISO 27001:2013 and ISO 27701:2019. At the end of the year, PCI DSS was completed that ensures the safety of credit card transactions. China Airlines enhanced the cyber security in all aspects according to the standards of the Cyber Security Management Act, which includes the introduction of audit and accountability tools and protection platforms from malware. This is to enhance the Company's security level and reduce the cyber risks. The system was completed and officially launched in December 2020.
CI Mobile APP	In order to enhance user experience on mobile devices, the Company continues to optimize CI Mobile App functionality. The planned improvement projects cover car rental, accommodation booking/ticket refund application/chatbot customer services, pre-stored travel documents, passport scanning (OCR), China Airlines eMail home delivery, push notification of system records, Google Pay-supported electronic boarding pass service, seat preselection, collaboration with credit card companies, proof of purchase application, function upgrade for the membership app/the establishment of an app for co-branded cards.

B. Future R&D Projects

To meet the future development needs, China Airlines will continue to invest in R&D. In, we plan to invest a total of NT\$114.38 million into R&D. The following table summarizes the future projects:

Project	Future R&D Project Description	Estimated Completion Date
e-Shopping-Phase I	The "e-Shopping Duty-free Website" has been in use since the first project revision in 2013. After observing the functions and web designs of other airlines' websites and online shopping platforms, improvements will continue to be made to the website. In order to uphold the Company's service spirit through continuous innovation and optimization while keeping up with today's trend of smart technology, plans to revise and optimize the website will be implemented. This will provide a more novel shopping experience that will in turn increase sales.	March 2021 (Implementation progress was 100% as of the annual report printing date)
iCabin Service 2.0, iCS 2.0	The cabin team leader, manager, the head attendant can obtain information about passengers, flights, team members right away through mobile devices. They can write up cabin reports with flexibility. In addition, the digitized cabin manual provides the latest version for team members to read at any time to improve passenger service quality.	April 2021 (Implementation progress was 100% as of the annual report printing date)
CRM- Phase I	To establish the Company's consistent customer relationship service system and to expand business opportunities through data analysis in integrated systems. The primary goal is to serve passengers. We plan to consolidate data platforms such as membership, ticket files, reservations, in-flight duty-free products, and customer feedback. Through one single platform, data visualization and other operations, we can effectively accelerate customer service processing and improving service quality.	June 2021 (Implementation progress was 92% as of the annual report printing date)
Customer service system improvement	To optimize the customer service process, existing interface, and data security mechanism, China Airlines strengthens the automatic and digital process. Financial and human resource systems are interlinked to get a full picture of customers' consumption patterns, enhancing service efficiency.	November 2021 (Implementation progress was 2% as of the annual report printing date)
Mail system integration	In order to keep the Company's email system up to date, China Airlines strengthens the system information security mechanism, enhances the compatibility of mobile devices, integrates the existing e-mail system, upgrades the platform by taking into account subsequent maintenance costs and technical support, so as to provide a safer and more stable email service and a high quality office environment.	December 2021 (Implementation progress was 8% as of the annual report printing date)
Major broadband construction for enhanced online service	According to the infrastructure plan for communication, China Airlines replaced 10Gb internet routers in park control room, floor control rooms, terminals, and cargo stations (60 routers in total. Speeds came to 10/40/100Gb) to enhance the online service.	June 2022 (Implementation progress was 16% as of the annual report printing date)

Replacement of core optical fiber storage network switches	Through analysis, China Airlines adopted high-speed (32GB) Storage Area Network (SAN) and All Flash Storage devices to build a high-performance, high-reliability storage network. This reduced the downtime risks and improved the information efficiency of SAN.	December, 2022 (Implementation progress was 50% as of the annual report printing date)
Human Resource Management (HRM) system	In order to solve the problems of system expansion, difficulties in development and risks of information security, China Airlines made a new plan for business process, technical and regulatory aspects. By leveraging new technology and structure, adjusting SOP, and redefining the personal information processing principle, a new generation of human resources management system has been developed to achieve overall system synergy.	June 2023 (Implementation progress was 5% as of the annual report printing date)
New cargo operation and management system	The system aims to improve the management of cargo revenue. By introducing an external cargo operation and management system, China Airlines replaced current systems, CCNet and CIRAS. It is expected that the implementation can support the cargo business in the next ten to twenty years to achieve an efficient revenue forecast and price management.	December 2023 (Implementation progress was 8% as of the annual report printing date)

5.1.4 Long-term and Short-term Development

To promote sustainable operations and strengthen international competitiveness, CAL has planned the following short- and long-term passenger and cargo transport developments:

A. Short-term Development

(1) Passenger

- Make short-term adjustments to ASK in response to the impact of the COVID-19 pandemic
Since the outbreak of the COVID-19 in late January 2020, border control in each country has become increasingly stringent and the overall aviation and tourism industries have been disrupted. The Company not only flexibly adjusts its delivery capacity in each route, but stays up to date on the border policy changes and travel bubbles development, as the vaccines are gradually available in each country. China Airlines hopes to minimize the loss and resume passenger flights as soon as possible.
- Strive for providing Charter flight services to increase revenue
Charter flight service is one of the main incomes for China Airlines during the pandemic. In 2020, China Airlines sent Taiwanese passengers back to Taiwan with charter flights, which include charter flights for the Japanese Diamond Princess cruise ship and charter flights departing from Wuhan, Shanghai, India, and Bali. Charter flights to Vietnam and Palau are also arranged to provide transportation for Taiwanese businessperson and foreign patients. In the post-COVID-19 era, China Airlines will provide different kinds of charter flights for students, corporates, and Taiwanese businessperson to enhance its revenue.
- Open up new routes and explore market potential
In 2020, China Airlines started successively opening up the Taoyuan-Cebu route and resuming the Taoyuan-Chiang Mai route to seize business opportunities in the market. At the same time, the schedules of these flights are arranged alongside the existing North America aviation network, so they can be connected to flights going to Los Angeles, Ontario, San Francisco, Vancouver, New York, and vice versa. This way, more convenient and comfortable services are provided to passengers traveling between Southeast Asia and North America.

(2) Cargo

- Improve revenue management and promote customized services
We will continue to improve revenue management. Regarding the different transportation needs of special cargo, such as time limit, volume, and special loading procedures, we will continue to enhance price differentiation and increase the added value of transportation services by utilizing the advantages of large cargo loading and professional services of our Boeing 747-400 all-cargo aircraft. The Company also highlights its charter flight service. By providing customized charter flight service, revenue can enhance profoundly. After the introduction of 777F new aircraft in 2021, the fleet scale increased. In response to the global aviation market changes caused by COVID-19, China Airlines will deploy the aviation network and adjust the flight schedule more flexibly. The Company will also explore the North America and Southeast Asia markets, stabilize the overall aviation network and promote charter flight service, realizing the freighters' performance.

B. Long-term Development

(1) Passenger

- Roll out fleet plans.
In order to improve operational efficiency, in 2019, the Company finished its plans to replace the old cargo fleet and the old narrow-body fleet. Between 2021 and 2023, we will introduce 25 A321neo aircraft,

which will gradually replace the narrow-body aircraft currently in operation. The new cabin design will enhance passenger service quality and strengthen product competitiveness.

- Efficiently establish aviation networks and deepen inter-airline cooperation to increase revenue.

Utilize the new-generation, long-haul aircrafts 777 and A350 to proactively maximize the benefits of China Airlines' aviation network in California (North America) and expand the customer base for long-haul flights; provide a more interconnected, and convenient aviation network in Europe to secure China Airlines' leading position in the market of flights flying from Taiwan to Europe; continue to expand the aviation network covering bi-directional transfers in routes between New Zealand/Australia, Europe, and Northeast Asia to strengthen China Airlines' travel services. Furthermore, increase flight destinations and expand into major cities and tourist destinations around the world through inter-airline cooperation; increase the overall earnings generated by the aviation network by increasing flight frequencies and interconnectivity.

- Optimize cabin products and strengthen brand marketing to enhance passenger experience and increase loyalty.

Continue to improve personnel service and cabin hardware; provide passengers with the best flight quality and pleasant in-flight services. Establish brand positioning and a marketing direction that is in line with the brand improvement plan and based on the corporate philosophy; enhance the brand recognition of China Airlines; further ensure the consistency of passenger experience and strengthen the brand loyalty passengers have for China Airlines' products.

(2) Cargo

- Enhance project-based revenue and e-commerce goods delivery

Under the development of the Southbound policy and the economic growth in Southeast Asia, there has been tremendous growth in electrical devices, textile items, e-commerce goods. In addition to the delivery of north-south goods in regions like Japan, Singapore, Malaysia, Indonesia, Vietnam, the Philippines, and Thailand, the Company also emphasized the Southeast Asia routes. According to the demand, the chain flight is changed to a direct flight to increase the transportation capacity, in order to fully cooperate with the development of Southeast Asia, and improve the overall revenue and economic efficiency. Other than that, China Airlines will keep navigating the potential markets in special goods delivery, such as semiconductor machines, aviation materials, temperature-control cold chain, and biotech items.

- Airline alliance for cargo information exchange

Since its launch in Shenzhen in 2015, the Company has been working closely with UPS, DHL, Fedex, and SF Express on the fixed seats of American chartered flights. In addition, the cooperation with NCA and NH continued. China Airlines currently works with 165 cargo service companies by creating a win-win situation in airline alliance and aviation network. In addition, China Airlines also promoted the digitalization of freight forwarding and the upgrade of the information system of freight operation/services, which are also the key points of the Company's strategic development. Through the integration of various systems and the provision of real-time information of mobile devices, the Company not only improved the efficiency of internal operations, but also enhanced the quality and satisfaction of customer services.

- Leverage the advantages of our cargo fleet to capture potential business opportunities

- Starting from the end of 2020, new models of 777 F have been introduced. In addition to effectively improving fuel efficiency and enhancing the capacity of long-haul routes, the existing aircraft fleet of 747F has been flexibly deployed to meet customers' needs by carrying semiconductor machines, e-commerce goods, consumer electronic products and equipment. The Company also provides medium and short-term chartered flights, flexible adjustment on the capacity of the aircraft fleet, adding flights to create good revenue.

5.2 Market and Sales Overview

5.2.1 Market Analysis

A. Main Sales (Service) Region

Overview of Company passengers/cargo (RPK/FRTK, REV) by region and passenger and cargo transport market share over the past two years:

(1) Passenger routes:

Area	Item	2019			2020		
		No. of Passengers	No. of Passengers	No. of Passengers	No. of Passengers	RPK (Million)	Revenue (NT\$ Million)
Trans-Pacific		1,017,031	1,017,031	1,017,031	235,264	2,499	4,601
Europe		623,389	623,389	623,389	122,553	1,157	2,615
South-East Asia		3,890,748	3,890,748	3,890,748	725,449	1,836	4,713
Domestic		1,467,638	1,467,638	1,467,638	1,729,624	397	2,688
Hong Kong/ Macau		2,532,308	2,532,308	2,532,308	243,329	194	944
North-East Asia		7,023,173	7,023,173	7,023,173	1,039,218	1,900	6,303
Oceania		651,793	651,793	651,793	149,571	906	1,948
Mainland China		2,624,929	2,624,929	2,624,929	247,045	208	1,892
Total		19,831,009	19,831,009	19,831,009	4,492,053	9,097	25,704

Note 1: Revenue passenger kilometers (RPK) equal the total number of revenue passengers multiplied by the flight distance travelled (kilometers).

Note 2: The above data includes scheduled flights, charter flights, and extra flights.

Note 3: The above data includes Mandarin Airlines and Tigerair Taiwan.

(2) Cargo routes:

Area	Item	2019		2020	
		FRTK (Million)	FRTK (Million)	FRTK (Million)	Revenue (NT\$ Million)
Trans-Pacific		3,358	3,358	4,182	47,940
Europe		717	717	603	7,085
South-East Asia		756	756	952	15,380
North-East Asia		229	229	221	4,121
Oceania		161	161	234	2,420
Mainland China		149	149	176	4,972
Total		5,370	5,370	6,368	81,918

Note 1: Freight revenue ton-kilometer (FRTK) equals the revenue cargo load (tons) multiplied by the flight distance travelled (kilometers).

Note 2: The above data includes scheduled flights, charter flights, and extra flights.

Note 3: The above data includes Mandarin Airlines and Tigerair Taiwan.

B. Market Share (%) of Major Product Categories in the Last Two Years

Airline	Year	Passengers		Cargo	
		2019	2019	2019	2019
China Airlines		23.45%	25.01%	37.37%	42.86%
EVA Air		21.70%	26.31%	24.12%	26.56%
Mandarin Airlines		2.17%	1.44%	0.64%	0.26%
UNI Air		1.43%	1.10%	0.56%	0.21%
Far Eastern Air Transport		0.46%	-	-	-
Tigerair Taiwan		4.70%	3.94%	0.04%	0.01%
Other-Foreign Carriers		46.09%	0.4%	37.27%	0.07%

Source: Civil Aeronautics Administration Monthly Statistics from January to December 2019 and 2020-Taiwan National Airlines International and Cross-Strait Market Share for Passengers and Cargo

C. Market Analysis of Major Product Categories

(1) Passenger

According to IATA, travel restrictions remained tight in 2021 due to the new variant coronavirus. Although it is optimistic that developed countries will gradually ease tourism restrictions after the completion of vaccination for the disadvantaged group, the full year's passenger demand remains at only 38% of 2019. Airlines may not be able to realize positive cash flow, and the loss can be turned into profit in 2022.

(2) Cargo

In 2021, the COVID-19 pandemic continued to be severe, and the passenger flight market is expected to recover slowly, limiting the growth of belly hold capacity. However, as the economic recovery brought up the shipment market, many shipping ports in Europe and North America are experiencing traffic congestion and a lack of containers. Many businesses turned to air transport. Coupled with the heavy demand from aviation cargo-driven semiconductors, 5G, electric vehicles and epidemic prevention supplies, the air cargo market is expected to remain buoyant in 2021. In early 2021, the governments of major automotive manufacturers seek helps from Taiwan due to a global shortage of automotive chips. The dry freight rate after the mass production of vaccines is expected to increase in visibility for air cargo demand.

D. Competitive Niche

(1) The new-generation fleet can help to enhance service quality.

In line with the development of the aviation network, the Company continues to optimize the fleet team. 744 passenger aircraft was replaced to lower operating costs and improve the fleet team. The next-gen Airbus A321neo is about to be introduced in 2021 to replace Boeing 738 aircraft. It will be used in flights for regional routes to enhance competency.

China Airlines will introduce new narrow-body aircraft by elevating the passenger services with comfortable seat design, in-flight entertainment, and meal design. By integrating software and hardware, the passengers can have more diverse, consistent, and high-quality in-flight services. Customer loyalty will also be enhanced.

(2) Highly-efficient cargo aircraft to be introduced.

Three Boeing 777F were about to be introduced from December 2020 to January 2021. The remaining three aircraft will be delivered before 2023. 777F new cargo freights come with two engines and fuel-saving feature, which are the main aircraft model in the fleet. With the existing 18 747-400 cargo-only aircraft, the fleet team will come to 21 aircraft in 2021. This will create more cargo revenue for China Airlines as the demands for vaccine delivery and air cargo delivery are on the rise.

The 777F features twin engines that translate into 20% lower fuel consumption and a range longer than the 747F. It can therefore be flown on trans-Pacific routes with fewer payload restrictions and better hold utilization. The aircraft are equipped with fully temperature-controlled cargo holds and the main cargo hold can be fitted with cargo pallet restraint systems used for carrying semiconductor machinery and engines. High-value cargo such as precision instruments and temperature-controlled goods can all be carried in the future.

(3) CEIV Pharma Certification

In April 2019, China Airlines officially obtained IATA's CEIV Pharma Certification, becoming the first aviation company in Taiwan to earn such honor. The certification shows that China Airlines has reached international standards in the field of medicinal air transport, which is sensitive to time and temperature. This enhances the Company's competitiveness and benefits generated in the highly valued freight market. As one of the leading cargo carriers in the world, China Airlines has made all the necessary preparations and has received a number of inquiries on transportation plans for different types of vaccines. China Airlines' CEIV Pharma certification, many years of experience in professional transportation, and an extensive network covering major European and American cities such as Frankfurt, London, New York and Chicago, mean that it stands ready to meet the demand for vaccine transportation. Talks are underway with partner airlines on opportunities offered by the transshipment of vaccines by other countries.

(4) The Group's integrated resources increase the overall efficacy.

China Airlines Group's overall combined fleet ASK provides differentiated aviation services and products to target markets with differentiated market positioning. Tigerair Taiwan operates with a low-cost airline business model and mainly flies regional routes. In the civil aviation market, Tigerair Taiwan, China Airlines, and Mandarin Airlines have each established their own positioning in different segments, providing consumers with a diversity of product options.

(5) Taken a leading position in the inter-airline collaboration market

In addition to self-owned routes, China Airlines is the first airline in Taiwan to join the global aviation alliance. We are also the first Taiwanese airlines to conduct code-sharing cooperation. Currently, we have cooperated with 23 airlines in code-sharing, ranking first among all Taiwanese airlines. We actively penetrate the market through the aviation alliance, allowing passengers to travel between Taiwan and major cities around the world with a network of airlines and providing them with more convenient and complete services.

E. Corporate Policies

(1) Corporate Human Rights Policy

To enforce the concept of human rights, CAL has established our human rights policies and management mechanisms in accordance with the UN Guiding Principles on Business and Human Rights, international trends, and local human rights-related laws & regulations. The scope of application covers the members of the China Airlines Group and their suppliers, and the Talent Value Task Force under the Company's Corporate Sustainability Committee is responsible for human rights management. China Airlines sees its employees as its family and aspires to communicate and reach a mutual understanding with the union through equal and respectful negotiation procedures, to create a more harmonious and friendly working environment, based on a mutually beneficial situation for both labor and management. The Company and the union shall maintain an equal, cooperative, and respectful relationship. It is our core attitude to promote rational communication through open and transparent negotiations, so that labor and management can reach consensus and achieve the common good, and can conduct two-way friendly communication on collective agreement issues. China Airlines believes that employees are the Company's most important assets. The Company gradually strengthens and optimizes the working conditions and environments of colleagues to ensure they have employment safety and room for growth. The Company will treat each union with empathy and communicate and negotiate with them on their individual needs, and will give priority to fair protection of the labor rights of every employee with the obligation to stay neutral according to the law, showing the unions consistent respect and providing them with equal resources.

(2) Sustainable Supply Chain Management

Based on the corporate vision of “becoming the top airline in Taiwan,” the Company, based in Taiwan and flying around the world, is committed to pursuing the business goal of corporate sustainable development. We strongly feel that only by cooperating with business partners can we truly implement corporate sustainable development and create sustainable value. Therefore, the Company has been promoting sustainable supply-chain management since the beginning of 2014. Subsequently, we established a Joint Creation Value Team for important procurement categories, including “aviation materials, aviation fuel, in-flight meals, service procurement, and general business affairs”; formulated long-term sustainability goals based on the United Nations’ Sustainable Development Goals (SDGs); and formulated China Airlines’ Sustainable Supply Chain Management Policy Statement and Supplier Code of Conduct with reference to the Global Reporting Initiative (GRI), ISO 26000, United Nations Global Compact (UNGC), International Labour Organization (ILO), and other international standards. In addition, the Company has also created a risk investigation mechanism, performed audit operations, organized supplier meetings to enhance the effectiveness of engagement, and set up other management measures, and has regularly reported the management outcomes to the Corporate Sustainability Committee for follow-up inspection on a quarterly basis.

(3) Environmental Sustainability Management

The Company believes in environmental sustainable management and regards “environment” as one of the key elements in the implementation of sustainable management. Since 2007, we have established the concept of environmental and energy management. In 2011, a dedicated environmental department and Environmental Committee were set up; every quarter, the president reviews the Company’s environmental and energy-management performance and has also set incentive measures. In 2013, an environmental and energy policy statement was issued; the Company became the first domestic airline to establish a dedicated environmental organization and formulate policies. While pursuing business development, China Airlines recognizes the value and irreversibility of the global environment, and understands the corporation’s responsibility and obligation for protecting natural resources and environment. Based on this understanding, the Company established the four environmental and energy-management concepts and six environmental and energy policies according to the codes of practice for “Sustainable Environment Development” in the China Airlines Corporate Social Responsibility and Sustainable Development Best Practice Principles of the Board of Directors. The Company also referred to the UN’s SDGs while devising instructional strategies to ensure that the business operation direction is toward sustainable development, namely, environmental friendliness, low-carbon emissions, and energy conservation.

(4) Corporate Social Responsibility

CAL’s success today stands based on social support. Upholding our core philosophy of “giving back to society what we take from society,” we at CAL continue to make social contributions aimed at creating love, while fulfilling our corporate responsibility in Taiwan. As a leader in Taiwan’s aviation industry and a corporate citizen of Taiwan, the Company takes “continuous social value creation” as an important commitment for sustainable development. In 2020, the global aviation industry was severely impacted by COVID-19. China Airlines followed the pandemic prevention measures set out by the central government by reducing corporate interaction, educational sharing, and charity events. As the leading carrier in Taiwan, China Airlines is committed to social sustainable development and utilizes available resources. China Airlines sticks to the three main social strategies: Internationalize the local education, enhance Taiwan visibility on the global stage, and promote equal opportunity for the disadvantaged, and implements SDG3, SDG4, and SDG8 of the United Nations. China Airlines hopes to enhance the education quality in Taiwan, strengthen Taiwan’s visibility in the world, assist the disadvantaged group in overcoming the difficulties, and create a sustainable society.

(5) Enterprise Risk Management Architecture and Process

China Airlines realizes the importance of risk management, and puts emphasis on the impacts it may bring. CAL’s risk management framework complies with the Enterprise Risk Management (ERM) model, where a multi-level organizational approach is adopted to manage and control overall risks to CAL. The model emphasizes possible correlations between different risks, to reduce their overall impacts and achieve corporate sustainability. China Airlines’ risk management is based on the materiality principle, which identifies traditional risks and mid-to-long-term strategic risks. By following the four main steps: identification, analysis, assessment, and control, China Airlines analyzes and assesses the impact of risk events on the Company. The Risk Committee and the Corporate Sustainability Committee were established to conduct regular follow-up and review. For risk identification, the aviation industry has its industrial specialty. Considering the operating environment and daily operation, the impacts, severity, and areas of the risk events are different. If a single mechanism is used for monitoring, the risk control result may be impacted. Therefore, China Airlines categorizes the risks into two levels: mid-to-long-term strategic risks and traditional short-term risks, which are monitored under two different systems: operating strategy management and annual sales plan/operational risk management. China Airlines also built up the new risk identification process. New risks have been identified through risk metrics. Regular risk review is conducted to formulate countermeasures in order to lower the impacts of new risks on the aviation industry.

F. Favorable and Unfavorable Factors in the Long Term

(1) Favorable Factors

- The international air cargo industry continued to boom: Almost 90% of the world's passenger flights were grounded by the pandemic, while almost half of the air cargo delivery relied on belly hold of passenger aircraft, resulting in a crowded air cargo space and soaring freight rates due to the growing delivery demand of medical supplies, components, e-commerce goods, information and communications, and home economy. In 2020, revenue from cargo operations increased due to the launch of new electronic products and the surge in Q4 shopping. In 2021, the Company will continue to rely on air cargo deliveries to generate stable income as vaccine delivery and air cargo delivery are boosting.
- Global economy rebound: Many countries have received the vaccination, and the pandemic started to ease in some of the countries. According to a poll conducted by Kekst CNC, an international consulting firm, people from six countries, including the United Kingdom, the United States, France, Sweden and Germany, are on a growing trend towards vaccination compared to December 2020. Along with the financial incentive policy in many countries, it is expected that the global market will rebound in 2021, which may benefit the aviation industry.
- Rapid development in Southeast Asia: since 2016, the Taiwanese government has promoted the New Southbound Policy to strengthen its strategic partnership with 18 countries, including 10 ASEAN countries, 6 countries in South Asia and New Zealand and Australia, so as to increase the attractiveness of Taiwan for economic trade and tourism in the southern countries. This triggered higher growth of tourists coming from Southeast Asia before the pandemic. In addition, because of the global supply chain shift driven by the US-China trade and the COVID-19 that pushed the demands for passenger and cargo delivery in Southeast Asia, the Company planned to open a new Taoyuan-Philippines Cebu flight and Taoyuan-Thailand Chiang Mai flight in 2020, mainly focusing on the markets in Southeast Asia and the transit opportunity between North America and Southeast Asia. The flights will resume after the pandemic.

(2) Unfavorable Factors

- COVID-19 endless impact: The spread of the pandemic worsened in autumn and winter 2020. Border control and epidemic prevention measures were more stringent in some countries. Even though the vaccines are available, their security and protection ability still need scientific proof and time. With the new variant coronavirus appearing, the travel restriction remains strict in most countries. IATA said that the number of passengers decreased by 5.4% in January compared to December, implying that the aviation industry did not secede from the COVID-19. Before the COVID-19 can be controlled, the aviation industry still needs to bear the financial burden.
- Unequal distribution of COVID-19 vaccines: While vaccines have been developed successfully, mass vaccination on a global scale is an uphill task. In many wealthy developed countries, including the UK and the United States, large quantities of vaccines have been purchased, some exceeding the needs of the domestic population. The number of vaccines sourced in Canada is even more than 5 times sufficient for the population nationwide. However, several health experts have warned that this will cause a shortage of the vaccine in the COVAX mechanism, unable to assist front-line healthcare personnel and vulnerable groups in low- and middle-income countries to receive the protection required, leading to a global health emergency. The prolonged pandemic situation and predicted delay before herd immunity occurs are likely to have a significant impact on the timing of the recovery of the tourism and aviation industries.
- Unstable global economy: The global economy is affected by the outbreak of COVID-19, and the increase in the unemployment rate, widening poverty and wealth due to different economies and industries. This causes social instability and drags down the recovery momentum of economic activities. Apart from the outbreak, geopolitical tensions, the continuance of protectionism, and the ongoing trade disruption between the United States and China have added to the uncertainties on the aviation industry's recovery.

(3) Response Measures

- Flexible adjustment of passenger and cargo routes: Ad hoc adjustments of passenger aircraft to carry cargo to support cargo demand for greater revenue. China Airlines continues to stay focus on the development of COVID-19 and border policy in each country. It adds flights according to the rising demand and strengthens the aviation network to remain good competency. At the same time, the Company will keep abreast of the operating trend of the airline alliance and consolidate its leading position in the market with its strengths. China Airlines also adjusts its business strategies in different seasons (Christmas, Easter, New Year, etc.) to create revenue.
- Increase air cargo flight revenue: As the border control loosened and the economy recovered, the long-haul cargo route has gradually gone back to normal. China Airlines has not only utilized the belly hold of passenger flights to carry cargo to achieve higher revenue in cargo delivery, but flights are also expected to resume and increase for the European routes. The transit point will be adjusted to increase revenue. 777F aircraft is planned to enter service in LAX route to improve and enlarge the cargo capacity for the US routes; As for routes in Asia, China Airlines will capture the opportunities in high-price charter service and new route demand. Capacity will be maximized for freighters to increase the cargoes carried

to enhance cargo delivery revenue.

- Optimize the fleet scale: China Airlines has optimized its fleet by replacing aging 744 passenger aircraft to reduce operating cost; Airbus A321neo narrow-body passenger aircraft is introduced in 2021 to replace Boeing 738 aircraft. The replacements have reduced carbon emission, saved more fuels, and become more environmentally friendly. The decline in unit cost will enhance the Company's operating performance and competency. Three Boeing 777F are expected to be introduced from December 2020 to January 2021. The remaining three aircraft will be delivered before 2023. The fleet team will come to 21 aircraft by 2021, expecting to generate more freight revenue as the air cargo delivery demand and vaccine delivery remain strong.
- Safety measures for air traveling: To regain trust from passengers, China Airlines strictly follows the public health regulations promulgated by ICAO, IATA, ACI, and EASA. Various travel sanitation and safety tasks have been done on passenger service, aircraft, employee management and facilities. Other than the basic disease prevention measures such as temperature testing and wearing face masks, China Airlines actively elevated its disease prevention control by providing individual lunchbox, frequently sanitizing the luggage, reinforcing the aircraft cleaning, and improving the sanitization of the air-con system. China Airlines wants to guarantee tourists' safety, improve the travel experience, and rebuild trust from the passengers.
- Maintain robustness in finance: At the beginning of the COVID-19 outbreak, China Airlines immediately adjusted its annual budget plan and canceled unnecessary spending. The capital was strictly controlled, and flexible labor deployment and personal leave projects were implemented to cut down on labor costs. In response to the large number of cancellations caused by COVID-19, credit facilities have been progressively raised since February 2020 to ensure a healthy capital turnover. To continuously utilize aircraft assets to generate working capital, in addition to the rental of an originally decommissioned Boeing 744F in 2019 to generate cash flow, China Airlines also continued to process the sale of the aging Boeing 738 aircraft and brought forward the decommission of the Boeing 744 passenger aircraft. In respect of the various relief measures provided by the government in the aviation industry, such as expenses reduction, subsidies, loan credit guarantees and interest subsidies, the Company continues to apply for these relief measures to alleviate operational pressures.

5.2.2 Procedures followed in the Production of Main Products

A. Major Products and Their Main Uses

Major Products	Main Uses
Passenger services	International passenger air transport and scheduled, non-scheduled, and charter flights.
Cargo services	International cargo, courier, mail, and package transport.
In-flight sales	Providing passengers with in-flight duty free sales services.

B. Major Products and Their Production Processes

The Company is a member of the airline industry and not a manufacturer, so there is no production process in its operations.

5.2.3 Supply Status of Main Materials

CAL is a member of the airline industry, not a manufacturer. Therefore, there is no need to produce raw materials. Aviation fuel makes up the largest proportion of operating costs. In addition to aviation fuel supplied at Taiwan Taoyuan Airport by CPC Corporation and Formosa Petrochemical Corporation, the Company also purchases fuel from large oil companies around the world at the various destinations served, so fuel supplies are very fragmented.

5.2.4 Major Suppliers and Clients

A. Major Clients in the Last Two Calendar Years

CAL is a member of the airline industry and clients are members of the public.

B. Major Suppliers in the Last Two Calendar Years

CPC Corporation, Chevron Corporation, and Formosa Petrochemical Corporation, etc.

Unit: NT\$ thousands

Item	2019				2020			
	Company Name	Amount	%	Relation with Issuer	Company Name	Amount	%	Relation with Issuer
1	CPC Corporation	17,197,546	11.33	None	CPC Corporation	7,927,738	7.55%	None
2	Chevron Corporation	5,126,545	3.38	None	Chevron Corporation	3,315,153	3.16%	None
3	Formosa Petrochemical Corporation	4,939,381	3.25	None	Formosa Petrochemical Corporation	2,466,270	2.35%	None
	Other	124,493,760	82.04		Other	91,322,188	86.94%	
	Net Total	151,757,232	100.00		Net Total	105,031,349	100.00%	

Reasons for changes:

Fuel is the Company's primary operating expense. Overall, purchases have remained stable.

5.2.5 Production in the Last Two Years

Unit: thousand kilometers

Year	2019	2020	Rate of Increase (Decrease)
Capacity and Traffic			
Available Seat Kilometers (ASK)	58,590,098	16,116,497	-72.49%
Revenue Passenger Kilometers (RPK)	47,462,113	9,097,129	-80.83%
Load Factor (%)	81.01%	56.45%	-24.56 ppt
Freight Available Ton Kilometers (FATK)	8,012,739	8,830,722	10.21%
Freight Revenue Ton Kilometers (FRTK)	5,370,078	6,367,751	18.58%
Load Factor (%)	67.02%	72.11%	5.09 ppt
Available Ton Kilometers (ATK)	13,269,365	10,278,085	-22.54%
Revenue Ton Kilometers (RTK)	9,627,913	7,184,503	-25.38%
Load Factor (%)	72.56%	69.90%	-2.66 ppt

Note 1: The above data includes scheduled flights, charter flights, and extra flights.

Note 2: The above data includes Mandarin Airlines and Tigerair Taiwan.

Reasons for Changes:

In 2020, to prevent the spread of COVID-19, countries adopted border control, which decreased the commercial and travel demand. Available Seat Kilometer (thousand km) and Revenue Passenger Kilometer (thousand km) in 2019 dropped sharply. Due to the cancellation of passenger flights in each airline, the supply of cargo delivery plummeted. China Airlines utilized the belly hold of passenger flights to support the cargo delivery instead. Thus, the Freight Tonne-Kilometer (thousand km) and Freight Revenue Tonne Kilometer (thousand km) increased compared to 2019.

5.2.6 Shipments and Sales in the Last Two Years

Unit: thousand kilometers; NT\$ thousands

Item	2019		2020	
	RPK/FRTK	Amount	RPK/FRTK	Amount
Passenger Revenue	47,462,113	111,413,435	9,097,129	25,704,367
Cargo Revenue	5,370,078	43,793,256	6,367,751	81,917,976
Other Operating Revenue	-	13,237,469	-	7,628,207
Total	-	168,444,160	-	115,250,550

Note 1: The above data includes scheduled flights, charter flights, and extra flights.

Note 2: The above data includes Mandarin Airlines and Tigerair Taiwan.

Reasons for Changes:

Due to the impact of COVID-19 in 2020, the passenger flights were supported by inelastic demand, leading to a fundamental decline in passenger flight revenue; cargo delivery supply dropped as well due to the limited supply from the belly hold of passenger aircraft, causing the imbalance of supply and demand in the freight market. The fare rose accordingly. China Airlines has been pursuing the best combination of profit, utilizing cargo-only aircraft and belly hold of passenger aircraft to support the cargo delivery. Therefore, the revenue in air cargo rose by 87% in 2020 compared to 2019.

5.3 Human Resources

Year		2019	2020	MAR 27, 2021
Number of Employees	Male	6,302	5,885	5,834
	Female	5,937	5,505	5,425
	Total	12,239	11,390	11,259
Average Age		41.40	42.72	42.97
Average Years of Service		14.00	15.35	15.58
Education	PhDs	0.09%	0.11%	0.11%
	Master's Degrees	11.10%	12.02%	12.13%
	Bachelor's Degrees	82.63%	82.81%	82.75%
	Senior High School	5.89%	4.83%	4.78%
	Below Senior High School	0.29%	0.24%	0.23%

5.4 Environmental Protection Expenditure

5.4.1 Total Losses and Penalties: None.

5.4.2 Company Countermeasures to Future Environmental Protection Issues

A. ISO 14001 Environmental Management System and ISO 50001 Energy Management System

In order to integrate environmental protection operations into the daily operational risk management operations of the enterprise, China Airlines has introduced several international standard management systems (ISO 14064-1, ISO 14001, ISO 50001) since 2009, and has established and improved the environmental management operation mechanism of the enterprise, covering risk issues such as greenhouse gases, environmental management and energy management. The Company has formulated management strategies and action measures for relevant risks and opportunities identified in various aspects of the environment.

(1) Management system operations

In 2017, we completed the revision of the ISO 14001: 2015 standard, incorporating the "life cycle thinking," "stakeholder engagement," "risk and opportunity management" and other aspects into the operation of the Corporate Environmental Management System (EMS). Following that, in 2019, we further developed ISO 50001:2018 version transferring operation, strengthening the identification and operation control of energy use, comprehensively reviewing and optimizing energy performance indicators, to fit into the international enterprise benchmark mode of thinking on sustainable development and governance.

(2) Value chain and outstation environment management

In order to fully understand the global operational risks, the Company has initiated outstation risk/opportunity investigation and evaluation operation since 2018, strengthening the appreciation of international environmental-protection control trends, and ensuring the identification and handling of environmental energy-related risks and opportunities in operation. In 2019, we further focused on the current operational status of various issues of concern, and used best-case sharing to assist each station in seeking room for continuous improvement and implementing related operations.

In addition to strengthening its own environmental sustainability management capacity, the Company also actively strengthens the sustainability value of the overall industrial chain. In 2018, it started the value chain environmental management operation and asked Group partners to set up environmental protection seeds, and by holding environmental/energy/carbon management workshop to promote Group partners' understanding of the meaning and benefits of environmental/energy/carbon management. In 2019, it further improved the Group's corporate environmental energy risk management capacity through environmental risk/opportunity investigation and communication meetings. In 2020, China Airlines further asked its value chain partners to promulgate appropriate policy on environment and energy. Management measures and monitoring tasks have been undertaken on key environmental impacts. More operating information was added (e.g., power/oil consumption) to reinforce the control and survey of the emissions. The Environmental Risk Analysis Result Briefing was held that invited the representative of partner companies and managers to demonstrate the result of the analysis and survey and share good practices.

(3) Green maintenance operation and pollution prevention

In order to reduce the environmental impact of the Company's maintenance operations, in addition to implementing and continuously improving the aforementioned risk management operations, the EMO (park maintenance) Environmental Management Committee under the Company's Corporate Environmental Committee also tracks and inspects on a quarterly basis the results of the environmental management of the maintenance plant area, in order to comply with environmental regulations, international trends, headquarters policies, and corporate environmental sustainability obligations. For example, for heating boilers and spray-painting operations at maintenance facilities, air pollutant emission tests are carried out annually in accordance with relevant regulations, while air pollution prevention fees are reported quarterly. Meanwhile, its operating unit performs declaration and arranges fee payment in accordance with the regulations every year, and operates in accordance with the water pollution prevention measures plan, waste disposal plan and related permit documents, and actively follows the principles of source reduction, poison reduction, and end-of-pipe recycling, continuously improving and enhancing environmental performance and ecological benefits.

The Company performs a third-party audit of ISO 14001 and ISO 50001 annually. The audit for 2020 was completed on December 25, 2020. The Company is the second airline in the world and the first Taiwanese airline to obtain certification for ISO14001 and ISO50001 at the same time. The scope of certification is also the most complete in the domestic service industry.

B. Environmental KPI Controls

The Company has followed the United Nations' SDGs and set several short-, medium-, and long-term environmental protection and energy conservation objectives, including those for aviation fuel efficiency, ground carbon emissions, water consumption, domestic waste, business waste, and photocopy paper consumption. The five major environmental management committees and the carbon management task force develop and implement annual environmental protection KPI, and the Corporate Environmental Committee chaired by the President conducts the annual audit and review. The Company completed a total of 73 KPIs in 2020 and reduced carbon emissions by 48,888 tons CO₂e. 69 KPIs are further planned in 2021, and it is expected to reduce the emissions by 48,756 tons of CO₂e. Please refer to the Corporate Social Responsibility Report for more information: <https://calec.china-airlines.com/csr/report.html>

C. Strengthening adaptability to climate risks and opportunities

In order to strengthen our understanding of climate-related risks and opportunities, in 2018, the Company signed an initiative to supporting the international Task Force on Climate-Related Financial Disclosures, TCFD, and launched project operations, through interviews, questionnaires, workshops, high-level forums, and other engagement processes, exploring the current or future climate risks and opportunities faced by business operations in different climate scenarios, and their potential impacts and corresponding costs, to gradually establish the Company's climate risk and opportunity management mechanism. In 2020, the Climate-Related Financial Disclosure Report, the first-ever in the aviation industry, was made and reported to the Board of Directors. For other relevant activities, please refer to China Airline's CSR website/focus on climate change: <https://ppt.cc/fTsUJx>

D. Solidifying environmental management supervision mechanism

The Company promotes environmental management supervision mechanisms. Each unit independently implements the first-level audit of environmental management; second-level audit of environmental management is implemented by the headquarters. The double-audit mechanism ensures that environmental management is implemented at basic level operations at all units. The Company has completed the second-level audit in 2020 Q2 and Q4. In addition to the checklist items, the audit components also included improvement over the previous audit findings, the extent of redressal of external stakeholders' concerns and annual KPI implementation review.

E. Environmental education and training for all employees

To implement the corporate environmental and energy philosophy of "implementing environmental and energy conservation education to foster employees' environmental awareness," as well as to achieve the goal of "environmental protection by all employees," the Company has set

up an annual “environmental protection education campaign” for online or in-class environmental management education and training in Taiwan. The performance is as follows:

- (1) New employee and outstation supervisor environmental education and training implementation rate is 100%.
- (2) The implementation rate of professional knowledge training on environmental/energy/carbon management systems is 100%.
- (3) A total of 165 participants in the environmental protection forum for all employees on the theme of climate change.
- (4) A total of 2,250 participants in interactive employee activities.
- (5) Published 24 promotional articles on the internal communication platform; set up “green footprint” stickers on the ground and posters in the headquarters and maintenance park to convey information on 21 environmental protection measures, and set up plant identification placards.

F. Carbon Inventory and Reduction Project

- (1) Annual organization level greenhouse gas emission inventory operations

According to the ISO/CNS 14064-1 standard, the Company has conducted a greenhouse gas inventory each year since 2009, covering aviation, ground service and office administration operations, and also third-party verification operations in accordance with the requirements of “Reasonable Assurance”.

The greenhouse gas emissions (Scope 1-2) in 2019 were 7,082,233 tons CO₂e. In 2020, according to ISO14064-1:2018 standard, the Category 1-2 GHG emissions (ORIG Scope 1-2) were 5,808,374 tons CO₂e, decreased by about 17.9%. In addition, according to the aforementioned standards, Category 3-6 were expanded and the emissions were 3,109,822 tons CO₂e.

- (2) EU ETS (European Emission Trading Scheme) operations

According to the EU regulations, China Airlines' intra-EU flights emitted 62 tonnes of CO₂ in 2020. After considering the operating condition and compliance, the financial unit sold its EU Emission Aviation Allowances (EUAA) in the account in 2019 and 2020 respectively. There are still 928 tonnes of CER (Certified Emission Reductions) available to partially offset the EUAA emission right. Further trading will be based on market demand and carbon pricing trends.

- (3) CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) operation

The Company follows the regulations of the Civil Aeronautics Administration and ICAO CORSIA SARPs, and has carried out monitoring, reporting, and verification (MRV) of carbon emission on international flights since 2019. The Company had completed the reporting and verification by the third party. On November 18, 2020, the Company received the verification approval notice from the Civil Aeronautics Administration. 77,293 international flights were verified in 2020, and the total emission was 6,339,661 tonnes.

G. Improving business eco-efficiency

After obtaining the “Diamond Green Buildings Label” certification in 2017 for the headquarters of China Airlines, CAL Park, we continued to promote equipment renewal, optimize the operation process, and improve the overall energy efficiency of the buildings. In 2019, responding to the government’s green-energy policy, installed 99kW of solar photovoltaic facilities with grid-connected power generation on the rooftop of the simulator training building. As of December 31, 2020, these facilities had generated 215,000 kWh of electricity and reduced CO₂e emissions by approximately 115 tons, and received National Renewable Energy Certificate(T-REC). These acts have fetched it the Energy Conservation Benchmark -- Silver Award of the Ministry of Economic Affairs, Bureau of Energy; Energy Conservation Leadership Award of Taipei City; No. 1 in Carbon Reduction and Electricity Conservation Reward Competition of Taoyuan Airport.

Moreover, to reduce the risk of shortage of water resources, the Company has successively set up water meters at important water route nodes to track and analyze the flow direction of water

resources and water-consumption hot spots, and has promoted water-reduction and recycling measures, including: purchasing water-conservation label products, water-conservation advocacy, setting up a rainwater-recovery system, promoting cooling-water recycling and introducing Eco-Shine environment-friendly cleaning solution. The quantum of tap water used dropped from 146.49 kilotons in 2019 to 126.77 kilotons in 2020, a decrease of about 13.46%. Data relevant to this has been disclosed in the Company's 2020 CSR report and authenticated by third parties.

In waste management, the Company manages waste based on five main principles: refuse, reduce, reuse, recycle, and repair. And with the goal of 100% waste-resource recovery, the Company is increasing its waste reuse rate year by year. In addition, considering that waste management in aviation services involves a wide range of businesses, the Company has constituted a waste-management team in 2019. Service and supply, planning and quality assurance units, as well as aviation catering, cabin cleaning, and other suppliers and partners are invited to form a periodical communication platform, where all parties come together to analyze the trends in international aviation service waste management to discuss response strategies. Domestic waste output from employees in 2019 and 2020 were 702,966 kg and 462,897 kg, respectively, showing a decrease of approximately 34.1%. Data relevant to this has been presented in the Company's 2020 CSR report and authenticated by a third party.

H. Promote Green Consumption

The Company actively shares its environmentalism philosophy and implementation performance irregularly through different platforms, such as social networks and inflight magazines, to establish and promote the awareness of green consumption. In 2017, in a further effort to follow international trends, the Company started promoting voluntary carbon-offsetting program for passengers: the "ECO TRAVEL - Carbon Offsetting" service. Diversified electronic-friendly service platforms, including the official website, ticket-purchasing system, and travel reminders, are used to invite passengers to practice "zero-carbon" flying. In 2020, a total of 180 people took part in the carbon-offsetting program, in which a total of 293.93 metric tons of carbon was offset. Such performance exceeded all other Taiwanese companies in the same industry during the same period. Other actions to elevate and promote green consumption include:

- (1) Selecting six environmental films to play on airplanes.
- (2) Presenting three posts about environmental topics and reports on social media.
- (3) Interactive educational work, such as promoting closing of windows in summer.
- (4) Adding environmental products in the catalogue of home-delivery duty-free goods, and include China Airlines' sustainability logo.
- (5) Collaborated with Zenzhou Social Enterprise Co., Ltd., to develop China Airlines Foldable Silicone Cups, clinching the Special Award in the Environmental Sustainability category in the Buying Power competition organized by the Ministry of Economic Affairs.

I. Continue to Support International Environmental Protection Research Projects

The Company is working with several environmental-protection organizations, including Environmental Protection Administration, National Central University, and the European Union's IAGOS-ERI in the implementation of the Pacific Greenhouse Gases Measurement (PGGM) project. In June 2012, July 2016, and July 2017, IAGOS instruments were installed on the Company's B-18806, B-18317 and B-18316 aircraft, respectively. Since then, atmospheric gas data has been automatically collected during flights. The data is observed by important Taiwanese and foreign research organizations to gain an understanding of the changes in high-altitude gasses. This facilitates the understanding of environmental quality changes and provides reference material for important decision-making platforms, such as the UNFCCC. During July 1, 2012 to December 31, 2020, atmospheric data collected from a total of 12,810 flights was collected, contributing to the ecosystems on Earth and enhancing Taiwan's image in the environmentalism field.

J. Transparent Disclosure of Environmental Protection Response and Performance

Since 2012, the Company has been publishing its Corporate Social Responsibility (CSR) Report every year (former titles include Environmental Sustainability Report and Corporate Sustainability Report). The Company has also been establishing and updating the CSR network. It publicly and transparently discloses its sustainability governance strategies, as well as the results and performances in environmental, social, and financial aspects of its operations. The reports are an important tool and channel that facilitate discussion with stakeholders.

5.4.3 Countermeasures

Unit: NT\$ thousands

Year \ Item	2020	2021	2022	2023
Environmental protection equipment and maintenance costs (does not include depreciation)	13,968	14,000	14,000	14,000
Fees for wastewater equipment regular sampling inspections by inspection agencies and permitting	155	100	100	100
Waste disposal costs	3,854	4,000	4,000	4,000
Air pollution management costs	819	1,200	1,200	1,200
Aviation noise control fees (paid to the terminal based on airplane model and number of flights)	133,605	193,318	193,318	193,318
Fees for establishment of an environmental control system and strategic research project	1,616	4,000	4,000	4,000
Green procurement	10,199	20,000	20,000	20,000

5.4.4 Effect of Environmental Expenditure on Earnings

Energy-saving equipment and improved management expenditure reduce both Company energy use and its operating costs.

5.4.5 Effect of Environmental Expenditure on Competitiveness

Environmental performance has already become an important benchmark in achieving corporate social responsibility. With the rise in green consumers, actively investing in environmental improvements can positively improve our competitive position and improve brand image.

5.5 Labor Relations

5.5.1 Employee benefits, training, retirement program, and status of implementation, and labor-management agreements and protection of employee rights and interests

A. Good Labor-Management Relations

On May 4, 1988, the China Airlines Union was established. On July 29, 2011, in accordance with revisions to the Labor Union Act, it was renamed the “China Airlines Employee Union.” In 2002, a collective agreement was signed between labor and management, which is regularly negotiated and renewed.

B. Retirement Program and Pension Preparations

(1) Labor Standards Act Old-Age Pension System

The Labor Pension Reserve Supervisory Committee of the Company was established in June 1987 in compliance with letter Bei-Shi-She-II-Zi No. 43791 from the Taipei City Government. In the past years, the appropriation and payment of pensions in the old system of Labor Standards Act were handled according to Labor Standards Act. In 2020, employees who may claim from the old system pension account constitute approximately 42.3% of the employees of the Company (42.9% of Company employees are subject to both new and old systems). The monthly appropriation rate of old system of pensions has been increasing year by year since 2014 and has risen to 15% since January 2016, reaching the statutory limit. For employees who meet the retirement qualifications of the Labor Standards Act and whose retirement has taken effect, the concerned unit will take the initiative to get the pension, and apply to the local government for expenditure approval and reference or submit to the Taiwan Bank for payment application according to relevant regulations of the government; it will notify the employees to receive the payment once the check is prepared. The deposit of pension reserve funds is supervised by the Labor Pension Reserve Supervisory Committee of the Company. The business unit regularly holds a pension supervision committee meeting once every three months to report on the use of the pension reserve funds to the members, including the estimated result of the next year’s appropriation, number of retirements each quarter, and designated pension reserve funds account balance, and exchange of retirement-related issues.

(2) Labor Pension Act New Pension System

According to the Labor Pension Statutes promulgated by the government on June 30, 2004, in the order Zong-Tong-Hua-Zong-(I)-Yi-Zi No. 09300121821, for employees who are subject to statutes, new system pensions shall be appropriated monthly to the Bureau of Labor Insurance according to statutes starting from July 2005. In 2020, employees who can claim from the new system pension account constitute approximately 57.7% of the employees of the Company (31.6% of Company employees can avail benefits from both new and old systems). The new system pension appropriation rate is 6% per month, and is deposited into the employee's designated personal pension account at the Bureau of Labor Insurance. After the retirement conditions are met, the employee has to apply to the Bureau of Labor Insurance for payment.

C. Labor-Management Communications

(1) Units in the Company with a relatively large number of employees, such as the maintenance facility, Ground Services Division, Cabin Crew Division, Flight Operations Division, and Taipei and Kaohsiung branches hold regular communication meetings.

In addition, elected union representatives attend regular company-wide labor-management conferences to improve understanding and communication.

(2) Establish an employee complaint mechanism and channels to ensure proper response:

When employee rights have been violated or a situation is improperly handled, as mentioned in the Regulations Governing Employee Complaints, a complaint can be lodged with the responsible operating unit or the Human Resources Division. If the employee is not satisfied with the response, he or she can appeal to the Human Resources Division. Eight written complaints from employees were handled in 2020.

D. Benefits

(1) Employee care

Pension appropriation, labor and health insurance, employer liability insurance, group insurance, employee physical examination, and providing a nursing room.

(2) Employee stock ownership trust

In August 1998, the Company set up an employee stock ownership trust, in which employees are free to participate. The amount, depending on the employee position, is deducted directly from their monthly salary. Through the end of 2020, a total of 2,112 employees participated.

(3) Profit sharing

As per the Company charter, if the Company records a profit in a given year, it must set aside no less than three percent as employee bonuses. However, if the Company still has accumulated losses, it shall first retain a sum of money to make up for the shortage.

(4) Welfare system

The Company's Employee Welfare Committee was set up in December 1967. As stipulated by law, the Committee distributes benefits; handles the disbursement of wedding allowances, funeral allowances, disaster allowances, employee children excellence scholarships, birthday bonuses, and birth allowances; arranges visits to nursing homes, holds recreational sports activities, distributes meals and holiday gift certificates, and offers distress or purchase loans.

(5) Employee leisure

Employee group activity subsidies, employee group travel subsidies, discounted tickets for current and former employees.

(6) Working environment

Workplace compliance with occupational safety standards, gender equality.

E. Signing of Collective Agreement

In 2019, the Company and the Pilots Union Taoyuan signed a collective agreement for the first time, effective for 3½ years. Since signing of the agreement with the China Airlines Corporate Union in 2002, it has been extended every 3 years. The two parties are currently negotiating the extension of the agreement, and the relevant negotiation records have been published on the Company's internal enterprise information network.

F. Counseling

To take care of our colleagues' needs and participate in employees' personal growth, the Company has employed professional counselors and psychiatrists to provide counseling services to employees. In 2020, there were a total of 75 counseling visits totaling 75 hours.

G. In addition to promoting employee education and training to enhance staff

knowledge and skills, we also continue to accumulate knowledge and encourage exchange within the Company to build an organization for learning. Through the management personnel training program and the "China Airlines Lecture Hall" training system, the Company holds courses to improve employees' strategic, management, professional, and general workplace skills.

- (1) To encourage employees participate in various classes and self-study opportunities provided by the ROC Workforce Development Agency under the Ministry of Labor, the self-pay portions of the costs for such courses will be subsidized by the Company if work-related courses are completed by an employee.
- (2) The Company participated in the “Enterprise Human Resource Enhancement Program” of the Workforce Development Agency, Ministry of Labor and received training subsidy of NT\$312.375 million.
- (3) Popularize and hold strategic work, management, professional and general skills courses.
 - Marketing training:
including marketing strategies, customer operations, freight business and related OJT training, with a total of 216 in-person classes and 76 e-classes; a total of 9,477 people were trained.
 - Professional technical classes:
including enterprise safety/inspection work, flight services, joint management and EMO, with a total of 2,202 in-person classes and 624 e-classes; a total of 104,887 people were trained.
 - Service:
including service quality assurance, introduction to public relations, service business, ground-service operations, and inflight products, with a total of 307 in-person classes and 163 e-classes; a total of 21,737 people were trained.
 - Other:
including investment management unit business, law and insurance, financial, information technology, and human-resources management, with a total of 87 in-person classes and 41 e-classes; a total of 32,803 people were trained.

5.5.2 CAL has formulated an employee code of conduct or ethical code and arranges pre-employment Employee Rights and Responsibilities classes for new hires. The main content of the Company’s Employee Code of Conduct is as follows:

The Company’s Employee Code of Conduct primarily consists of workplace ethics, privacy, occupational safety, discrimination and harassment, moral integrity, media and public image, conflict of interest avoidance, anti-trust and fair competition, exchanging gifts and anti-corruption, CAL asset and intellectual property protections, reporting responsibilities, respect for human rights, and commitment to environmental protection. The Company includes an assessment and consideration of these items of workplace behavior in its annual evaluation; employees unable to respect or who violate these regulations governing workplace behavior are penalized as per the Company’s regulations governing rewards and penalties, based on the severity of the offense.

5.5.3 Implementation of work environment and employee personal safety protection measures

The Company has formed an Occupational Safety and Health Committee in accordance with law. The committee’s roles are preventing occupational hazards and protecting the safety and health of all employees by reviewing, coordinating, and making recommendations pertaining to safety and health-related matters. The Chairman is served by the President. There is one vice chairman and one executive secretary under the Chairman. The Committee consists of the head of designated units, occupational safety and health personnel, engineering and technical personnel, medical personnel, and labor representatives appointed by the labor union as members. Meetings are held once every three months to collate and analyze occupational hazards of the Company and to report and track the follow-up safety and health management plans. The relevant minutes are published on the Company’s internal corporate information website. Formulate and follow the Occupational Safety and Health Management Manual; to adapt to trends of global international labor development, improve the

efficiency of safety and health management, and promote systematic management measures, the Company established an independent safety and health management system and obtained ISO45001:2018 and TOSHMS certification on April 20, 2019, which serve as the management basis of occupational safety and health management system certification. Self-management and preventive measures based on the PDCA cycle mode are used to effectively control occupational disaster risk, improve occupational disease preventive management, improve occupational safety and health management performance, and actively implement occupational safety policies. The Company's Aviation Quality Database (AQD) is used to reflect potential hazards in the operating environment and implement risk assessment to reduce the occurrence of occupational disasters. The improvement rate of safety and health cases reached 100%, thereby providing employees with a safe, healthy and comfortable working environment and enhancing the Company's industry competitiveness.

In response to the emerging epidemic, the Company actively strengthened the response to emerging infectious diseases, established cross-unit tiered mobilization mechanism, command system and operating procedures, integrated the related units' common response, reminded employees to be alert, and activated the Company's response mechanism according to the scale of the outbreak at the time. The Company has established a health management reporting system for employees with higher exposure risk levels (cabin crew), and handling mechanisms for abnormal reporting, remote working or adjusted schedules for ground service staff, strengthened various disease prevention advocacy, established cooperation mechanisms with relevant departments, established a cross-department communication platform, initiated multiple channels to provide real-time information, enhanced biohazard prevention awareness, conducted employee health education and training, preparation/management/use of epidemic prevention material, implemented risk management and control objectives to provide employees with a safe, healthy and comfortable working environment.

5.5.4 Over the most recent year through the date of the publication of this report, the estimated value of any losses or potential future losses due to labor disputes

From 2020 to March 27, 2021, the Company was fined a total of NT\$1.02 million by the government labor authorities for labor disputes or imperfections after labor inspections (please refer to P.73 for diversification). The Company will continue to maintain a genial interaction mechanism through diversified communication channels to achieve the goal of caring for employees' welfare and to improving the quality of the work environment. Through comprehensive improvement to the satisfaction of employees of all categories, avoid issues that may arise from unnecessary labor disputes.

5.6 Major Contracts

Lease	SASOFIV Aviation Ireland DAC	02/2006-02/2022	Aircraft Type:A330-300/No.:B-18351	-
Lease	SASOFIV Aviation Ireland DAC	02/2007-02/2023	Aircraft Type:A330-300/No.:B-18352	-
Lease	AerCap Ireland Ltd.	05/2008-05/2024	Aircraft Type:A330-300/No.:B-18353	-
Lease	Bluesky Magical 1001 Leasing Co.	11/2010-11/2022	Aircraft Type:A330-300/No.:B-18355	-
Lease	MSN 1272&1278 Aircraft Leasing (Cayman) Ltd.	12/2011-12/2023	Aircraft Type:A330-300/No.:B-18356	-
Lease	MSN 1272&1278 Aircraft Leasing (Cayman) Ltd.	01/2012-01/2024	Aircraft Type:A330-300/No.:B-18357	-
Lease	AS Air Lease 83 Ireland Ltd.	10/2012-10/2024	Aircraft Type:A330-300/No.:B-18358	-
Lease	AS Air Lease 83 Ireland Ltd.	12/2012-12/2024	Aircraft Type:A330-300/No.:B-18359	-
Lease	Dianbao Aviation Leasing Ltd.	12/2013-12/2025	Aircraft Type:A330-300/No.:B-18360	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	04/2013-04/2021	Aircraft Type:737-800/No.:B-18651	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	05/2013-05/2021	Aircraft Type:737-800/No.:B-18652	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	06/2013-06/2021	Aircraft Type:737-800/No.:B-18653	-
Lease	Avolon Aerospace AOE 73 Ltd.	03/2014-03/2022	Aircraft Type:737-800/No.:B-18655	-

Lease	Avolon Aerospace AOE 78 Ltd.	05/2014-05/2022	Aircraft Type:737-800/No.:B-18656	-
Lease	SMBC Aviation Capital (UK) Ltd.	06/2014-06/2022	Aircraft Type:737-800/No.:B-18657	-
Lease	Jade Aviation (Ireland) AOE 5 Ltd.	06/2014-06/2026	Aircraft Type:A330-300/No.:B-18361	-
Lease	FPG Amentum	10/2014-09/2026	Aircraft Type:777-300ER/No.:B-18051	-
Lease	Oriental Leasing 4 Company Ltd.	10/2014-10/2026	Aircraft Type:777-300ER/No.:B-18052	-
Lease	Zeus Aircraft Owner 1 Ltd.	11/2014-11/2026	Aircraft Type:777-300ER/No.:B-18053	-
Lease	Korea Investment & Securities (KIS)	01/2015-01/2027	Aircraft Type:777-300ER/No.:B-18055	-
Lease	Sky High XXXVII Leasing Company Ltd.	05/2015-05/2027	Aircraft Type:777-300ER/No.:B-18001	-
Lease	Sky High XXXVII Leasing Company Ltd.	06/2015-06/2027	Aircraft Type:777-300ER/No.:B-18002	-
Lease	Sky High XXXVII Leasing Company Ltd.	08/2015-08/2027	Aircraft Type:777-300ER/No.:B-18003	-
Lease	Wilmington Trust SP Services (Dublin) Ltd.	09/2015-09/2023	Aircraft Type:737-800/No.:B-18658	-
Lease	ALC Blarney Aircraft Ltd.	10/2015-10/2023	Aircraft Type:737-800/No.:B-18659	-
Lease	Sky High XXXVII Leasing Company Ltd.	10/2015-10/2027	Aircraft Type:777-300ER/No.:B-18005	-
Lease	Zeus Aircraft Owner 2 Ltd.	01/2016-01/2028	Aircraft Type:777-300ER/No.:B-18006	-
Lease	UMB Bank N.A.	03/2016-03/2024	Aircraft Type:737-800/No.:B-18660	-
Lease	Zeus Aircraft Owner 3 Ltd.	05/2016-05/2028	Aircraft Type:777-300ER/No.:B-18007	-
Lease	Chilli Leasing LLC	09/2016-09/2024	Aircraft Type:737-800/No.:B-18661	-
Lease	Pacific Triangle Leasing Ltd.	09/2016-09/2024	Aircraft Type:737-800/No.:B-18662	-
Lease	BOC Aviation Ltd.	10/2016-10/2024	Aircraft Type:737-800/No.:B-18663	-
Lease	BOC Aviation Ltd.	11/2016-11/2024	Aircraft Type:737-800/No.:B-18665	-
Lease	BOC Aviation Ltd.	01/2017-01/2025	Aircraft Type:737-800/No.:B-18666	-
Lease	BOC Aviation Ltd.	02/2017-12/2025	Aircraft Type:737-800/No.:B-18667	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-113/09	Aircraft Type:A330-300/No.:B-18301	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-113/09	Aircraft Type:A330-300/No.:B-18302	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-113/09	Aircraft Type:A330-300/No.:B-18303	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-113/09	Aircraft Type:A330-300/No.:B-18305	-
Lease	Altitude Aircraft CAL I Ltd.	09/2019-113/09	Aircraft Type:A330-300/No.:B-18306	-
Loan	Taiwan Cooperative Bank	02/2008-02/2020	Aircraft Type:A330-300/No.:B-18317	-
Loan	Taipei Fubon Commercial Bank	10/2012-10/2019	Aircraft Type:737-800/No.:B-18610&B18617	-
Loan	Bank of Taiwan	12/2014-12/2019	Aircraft Type:747-400F/No.:B-18701	-
Loan	Hua Nan Commercial Bank	03/2015-03/2020	Unsecured Loan	-
Loan	Mega International Commercial Bank	07/2015-07/2020	Aircraft Type:747-400F/No.:B-18711	-
Loan	Hua Nan Commercial Bank	06/2016-06/2021	Unsecured Loan	-
Loan	E.SUN Commercial Bank	02/2020-02/2022	Unsecured Loan	-
Loan	KGI Bank	02/2020-02/2022	Unsecured Loan	-
Loan	Taishin International Bank	02/2020-02/2021	Unsecured Loan	-
Loan	Bank SinoPac	02/2020-02/2023	Unsecured Loan	-
Loan	Bank of Taiwan	07/2020-06/2022	Unsecured Loan	-
Loan	Bank of Taiwan	10/2016-10/2028	Aircraft Type:A350-900/No.:B-18901	-
Loan	Bank of Communications	11/2016-11/2019	Unsecured Loan	-
Loan	Bank of Communications	01/2017-01/2029	Aircraft Type:A350-900/No.:B-18902	-
Loan	Agricultural Bank of Taiwan	04/2017-04/2029	Aircraft Type:A350-900/No.:B-18905	-
Loan	Taiwan Business Bank	04/2017-04/2029	Aircraft Type:A350-900/No.:B-18905	-
Loan	Hua Nan Commercial Bank	06/2017-06/2029	Aircraft Type:A350-900/No.:B-18906	-
Loan	China Construction Bank Corporation	11/2017-11/2029	Aircraft Type:A350-900/No.:B-18903	-
Loan	Bank of Taiwan	04/2018-04/2030	Aircraft Type:A350-900/No.:B-18907	-
Loan	Hua Nan Commercial Bank	06/2020-06/2032	Aircraft Type:A350-900/No.:B-18917	-
Loan	Land Bank of Taiwan	06/2020-06/2032	Aircraft Type:A350-900/No.:B-18918	-
Bills	China Bills Finance Corporation	04/2016-04/2020	FRCP	-
Bills	Mega Bills	07/2016-07/2020	FRCP	-
Bills	International Bills Finance Corp.	09/2016-09/2020	FRCP	-
Bills	China Bills Finance Corporation	04/2020-04/2023	FRCP	-
Bills	International Bills Finance Corp.	03/2020-03/2025	FRCP	-
Bills	China Bills Finance Corporation	05/2020-05/2023	FRCP	-
Bills	China Bills Finance Corporation and syndicate	12/2016-12/2020	FRCP Joint Underwriting,	-
Bills	China Bills Finance Corporation and syndicate	10/2017-04/2022	FRCP Joint Underwriting,	-

Bills	Mega Bills and syndicate	11/2017-05/2021	FRCP Joint Underwriting,	-
Bills	International Bills Finance Corp. and syndicate	07/2019-08/2024	FRCP Joint Underwriting,	-
Surface Rights Registration Contract of Taipei CAL Building	Northern Region Branch of National Property Administration of the Ministry of Finance	12/31/2016-12/30/2026	Renew lease period for 10 years according to the original contract. Rental price adjustments are based on the assessment of the Announced Land Current Value and publicly announced land value.	-
Taipei CAL Building Lease Contract	FX Hotels Taiwan	09/01/99-12/30/2026	Rental subject: Located at No.131, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, CAL Building. Part of B1F 560.7 m ² , 1F 365.3 m ² , 10-13F 7,091 m ² . Total 8,016.9 m ² . 9 parking space at B1F	-
Taipei CAL Building Lease Contract	OEC Freight Worldwide Co., Ltd. of the OEC Group	03/01/2016-12/31/2026	Rental subject: Located at No.131, Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City, CAL Building. 7F 1,796.8 m ² , part of B1F 50.4 m ² 1 parking space at B1F, 12 parking spaces at B2F.	-
Nankan CAL Park Land Lease Contract	Costco President Taiwan Inc.	Inception of the lease: 08/30/2012 Period of leasing: 20 years from the start of lease	Rental subject: Land located at No.705 and No.705-1 Jinzhong part, Lujhu Dist., Taoyuan City. Total 27,709.21 m ²	In accordance with notarized text
Kaohsiung CAL Building Lease Contract	FX Hotels Taiwan	12/31/2012-12/30/2032	Rental subject: Located at No.81, Zhonghua 3rd Rd., Qianjin Dist., Kaohsiung City. B1F 383.2 m ² , 1F 336.8 m ² , mezzanine 79.4 m ² , 2F-12F 3,583.3 m ² , Roof protrusion 117.2 m ² . Total 4,499.9 m ²	-
CAL Park Building Lease Contract	CAL Park Co., Ltd.	01/01/2019-12/31/2021 The contract will be automatically renewed for one year on the expiration of this period and contract renewed every two years.	Rental subject: Administration Center Building, Crew Center Building, Flight Training Center Building, Basement Parking Lot. Total 83107.4 m ² .	-
Engineering consulting company commissioned technical service category	T.Y.Lin Taiwan Consulting Engineers. inc.	03/01/2019-11/30/2020	Renew lease period for 10 years according to the original contract. Rental price adjustments are based on the assessment of the Announced Land Current Value and publicly announced land value.	-
Technical Cooperation Contract	Pratt & Whitney	Effective from 12/18/2020, with no expiry date.	Became a member of GTF Engine Repair Alliance and undertook the GTF-1100G engine maintenance business.	-

Financial Information

6.1 Five-Year Financial Summary

6.2 Five-Year Financial Analysis

**6.3 Consolidated Financial Statements for the Years
Ending December 31, 2020 and 2019, and
Independent Auditors' Report**

**6.4 Parent Company Only Financial Statements for the
Years Ending December 31, 2020 and 2019 and
Independent Auditors' Report**

6.5 Audit Committee's Review Report

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet – Based on IFRS

Unit: NT\$ thousands

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2016 (Note 2)	2017 (Note 3)	2018 (Note 4)	2019 (Note 5)	2020 (Note 6)
Current assets		47,338,201	47,411,834	52,827,560	51,822,342	61,872,468
Property, plant and equipment		140,136,737	153,617,531	163,107,718	145,886,971	141,481,694
Intangible assets		1,137,115	1,019,345	1,210,796	1,182,692	1,076,351
Other assets		35,888,706	23,850,922	12,990,508	94,155,974	79,763,571
Total assets		224,500,759	225,899,632	230,136,582	293,047,979	284,194,084
Current liabilities	Before distribution	68,605,724	60,289,113	60,949,892	76,351,527	62,649,715
	After distribution	68,605,724	61,482,783	62,086,170	76,351,527	-
Non-current liabilities		98,027,837	106,453,000	109,139,606	156,564,335	160,832,796
Total liabilities	Before distribution	166,633,561	166,742,113	170,089,498	232,915,862	223,482,511
	After distribution	166,633,561	167,935,783	171,225,776	232,915,862	-
Equity attributable to shareholders of the parent		55,783,817	57,023,237	57,081,572	56,553,772	57,559,483
Capital stock		54,708,901	54,709,846	54,209,846	54,209,846	54,209,846
Capital surplus	Before distribution	799,932	799,999	1,241,214	2,488,907	1,187,327
	After distribution	799,932	799,999	1,241,214	1,191,065	-
Retained earnings	Before distribution	206,092	1,664,405	1,615,661	(1,297,842)	(350,581)
	After distribution	206,092	470,735	479,383	-	-
Other equity interest		112,264	(107,641)	58,223	1,196,233	2,543,766
Treasury shares		(43,372)	(43,372)	(43,372)	(43,372)	(30,875)
Non-controlling interest		2,083,381	2,134,282	2,965,512	3,578,345	3,152,090
Total equity	Before distribution	57,867,198	59,157,519	60,047,084	60,132,117	60,711,573
	After distribution	57,867,198	57,963,849	58,910,806	60,132,117	-

Note 1: 2016-2020 annual financial information was verified by Deloitte & Touche.

Note 2: The 2016 Deficit Compensation Proposal was passed at the shareholder meeting held on June 22, 2017, with legal reserve bonds of NT\$81,132,000 and reversal of special reserve of 76,486,000 making up the shortfall.

Note 3: In relation to 2017 surplus earnings distribution, after approval by the general meeting on June 27, 2018, the legal reserve appropriated was NT\$145,831,000, the special reserve appropriated was NT\$118,810,000 and the cash dividend distributed was NT\$1,193,670,000.

Note 4: In relation to 2018 surplus earnings distribution, after approval by the general meeting on June 25, 2019, the legal reserve appropriated was NT\$ 114,493,000, the cash dividend distributed was NT\$1,136,278,000, and reversal of special reserve of NT\$105,843,000.

Note 5: The 2019 Deficit Compensation Proposal was passed at the shareholder meeting held on June 23, 2020, with legal reserve bonds of NT\$466,416,000, special reserve of NT\$12,967,000 and capital reserve of NT\$1,297,843,000 to make up the losses.

Note 6: The 2020 deficit make-up plan was approved by the 15th meeting of the 21st Board of Directors on March 18, 2021, but has yet to be approved at the shareholders' general meeting.

6.1.2 Consolidated Condensed Statement of Comprehensive Income – Based on IFRS

Unit: NT\$ thousands; EPS (net) = NT\$

Item	Financial Summary for the Last Five Years (Note 1)				
	2016	2017	2018	2019	2020
Revenue	141,079,107	156,121,785	170,711,607	168,444,160	115,250,550
Gross profit	18,005,906	21,972,411	17,207,531	16,686,928	10,219,201
Operating profit	4,564,687	8,826,160	4,022,383	2,665,821	2,184,416
Non-operating income and expenses	(2,684,836)	(5,302,197)	(941,134)	(2,762,638)	(2,838,213)
Pretax profit (loss)	1,879,851	3,523,963	3,081,249	(96,817)	(653,797)
Income from operations of continued segments - after tax	710,940	2,490,792	2,272,684	(675,002)	(279,814)
Income from discontinued operations	-	-	-	-	-
Net income (loss)	710,940	2,490,792	2,272,684	(675,002)	(279,814)
Other comprehensive income (income/loss after taxes)	(681,669)	(1,113,176)	(578,363)	462,758	864,072
Total comprehensive gain (loss) for the year	29,271	1,377,616	1,694,321	(212,244)	584,258
Net income attributable to shareholders of the parent	571,540	2,208,066	1,790,361	(1,199,798)	140,000
Net income attributable to non-controlling interest	139,400	282,726	482,323	524,796	(419,814)
Comprehensive income attributable to Shareholders of the parent	26,103	1,240,677	1,258,035	(647,085)	966,968
Comprehensive income attributable to non-controlling interest	3,168	136,939	436,286	434,841	(382,710)
Earnings (Loss) per share	0.10	0.40	0.33	(0.22)	0.03

Note 1: 2016-2020 annual financial information was verified by Deloitte & Touche.

6.1.3 Condensed Balance Sheet – Based on IFRS (Parent Company Only)

Unit: NT\$ thousands

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2016 (Note 2)	2017 (Note 3)	2018 (Note 4)	2019 (Note 5)	2020 (Note 6)
Current assets		39,908,492	37,933,696	42,932,859	40,989,612	51,858,785
Property, plant and equipment		129,121,632	142,265,548	149,029,054	131,029,886	126,414,462
Intangible assets		1,115,101	989,327	979,708	971,298	867,453
Other assets		41,394,218	30,729,421	21,972,600	95,885,709	81,769,065
Total assets		211,539,443	211,917,992	214,914,221	268,876,505	260,909,765
Current liabilities	Before distribution	64,339,805	54,925,364	55,179,834	68,000,173	56,740,010
	After distribution	64,339,805	56,119,034	56,316,112	68,000,173	-
Non-current liabilities		91,415,821	99,969,391	102,652,815	144,322,560	146,610,272
Total liabilities	Before distribution	155,755,626	154,894,755	157,832,649	212,322,733	203,350,282
	After distribution	155,755,626	156,088,425	158,968,927	212,322,733	-
Equity attributable to shareholders of the parent		55,783,817	57,023,237	57,081,572	56,553,772	57,559,483
Capital stock		54,708,901	54,709,846	54,209,846	54,209,846	54,209,846
Capital surplus	Before distribution	799,932	799,999	1,241,214	2,488,907	1,187,327
	After distribution	799,932	799,999	1,241,214	1,191,065	-
Retained earnings	Before distribution	206,092	1,664,405	1,615,661	(1,297,842)	(350,581)
	After distribution	206,092	470,735	479,383	-	-
Other equity interest		112,264	(107,641)	58,223	1,196,233	2,543,766
Treasury shares		(43,372)	(43,372)	(43,372)	(43,372)	(30,875)
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	55,783,817	57,023,237	57,081,572	56,553,772	57,559,483
	After distribution	55,783,817	55,829,567	55,945,294	56,553,772	-

Note 1: 2016-2020 annual financial information was verified by Deloitte & Touche.

Note 2: The 2016 Deficit Compensation Proposal was passed at the shareholder meeting held on June 22, 2017, with legal reserve bonds of NT\$81,132,000 and reversal of special reserve of 76,486,000 making up the shortfall.

Note 3: In relation to 2017 surplus earnings distribution, after approval by the general meeting on June 27, 2018, the legal reserve appropriated was NT\$145,831,000, the special reserve appropriated was NT\$118,810,000 and the cash dividend distributed was NT\$1,193,670,000.

Note 4: In relation to 2018 surplus earnings distribution, after approval by the resolution of the general meeting on June 25, 2019, the legal reserve appropriated was NT\$ 114,493,000, the cash dividend distributed was NT\$1,136,278,000, and reversal of special reserve of NT\$105,843,000.

Note 5: The 2019 Deficit Compensation Proposal was passed at the shareholder meeting held on June 23, 2020, with legal reserve bonds of NT\$466,416,000, special reserve of NT\$12,967,000 and capital reserve of NT\$1,297,843,000 to make up the losses.

Note 6: The 2020 deficit make-up plan was approved by the resolution of the 15th meeting of the 21st Board of Directors on March 18, 2021, but has yet to be approved at the shareholders' general meeting.

6.1.4 Condensed Statement of Comprehensive Income – Based on IFRS (Parent Company Only)

Unit: NT\$ thousands; EPS (net) = NT\$

Item	Year	Financial Summary for the Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Revenue		127,524,864	139,815,211	150,264,792	146,372,401	106,327,123
Gross profit		15,275,980	17,966,397	12,649,836	11,364,235	11,136,944
Operating profit		4,475,707	7,358,114	1,847,567	80,235	4,884,855
Non-operating income and expenses		(2,938,456)	(4,269,911)	468,064	(1,267,561)	(4,713,760)
Pretax profit (loss)		1,537,251	3,088,203	2,315,631	(1,187,326)	171,095
Income from operations of continued segments - after tax		571,540	2,208,066	1,790,361	(1,199,798)	140,000
Income from discontinued operations		-	-	-	-	-
Net income (loss)		571,540	2,208,066	1,790,361	(1,199,798)	140,000
Other comprehensive income (income/loss after tax)		(545,437)	(967,389)	(532,326)	552,713	826,968
Total comprehensive gain (loss) for the year		26,103	1,240,677	1,258,035	(647,085)	966,968
Net income attributable to shareholders of the parent		0.10	0.40	0.33	(0.22)	0.03

Note 1: 2016-2020 annual financial information was verified by Deloitte & Touche.

6.1.5 Condensed Balance Sheet – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.1.6 Condensed Statement of Comprehensive Income – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.1.7 Auditors' Opinions from 2015 to 2020

Year	Accounting Firm	Name of CPA	Audit Opinion
2016	Deloitte & Touche	Yang, Chen-Hsiu; Chen, Li-Chi	Unqualified Opinion
2017	Deloitte & Touche	Yang, Chen-Hsiu; Chen, Li-Chi	Unqualified Opinion
2018	Deloitte & Touche	Yang, Chen-Hsiu; Huang, Jui-chan	Unqualified opinions and other matters (Note 1)
2019	Deloitte & Touche	Huang, Jui-chan; Cheng, Shiu-Ran	Unqualified opinions and other matters (Note 1)
2020	Deloitte & Touche	Huang, Jui-chan; Cheng, Shiu-Ran	Unqualified opinions and other matters (Note 1)

Note 1: The financial statements and related information of some subsidiaries have not been audited by Deloitte & Touche since 2018; they have been audited by other accountants. The information on how the Company's equity-accounted investments and overall gains are affected is explained in the paragraphs on "other matters".

6.2 Five-Year Financial Analysis

6.2.1 Consolidated Financial Analysis – Based on IFRS

Item (Note 2)		Financial Summary for the Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	74.22	73.81	73.91	79.48	78.64
	Ratio of long-term capital to property, plant, and equipment	111.24	107.81	103.73	148.54	156.59
Solvency (%)	Current ratio	69.00	78.64	86.67	67.87	98.76
	Quick ratio	53.16	59.46	67.50	54.57	84.18
	Interest earned ratio (times)	265.40	369.02	338.05	103.79	74.92
Operating performance	Accounts receivable turnover (times)	17.67	18.40	18.30	18.13	12.64
	Average collection period	20.66	19.84	19.95	20.13	28.87
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Property, plant, and equipment turnover (times)	1.05	1.06	1.08	1.09	0.80
	Total assets turnover (times)	0.63	0.69	0.75	0.64	0.40
Profitability	Return on total assets (%)	0.80	1.60	1.48	0.76	0.75
	Return on stockholders' equity (%)	1.20	4.26	3.81	(1.12)	(0.46)
	Pre-tax income to paid-in capital (%)	3.44	6.44	5.68	(0.18)	(1.21)
	Profit ratio (%)	0.50	1.60	1.33	(0.40)	(0.24)
	Earnings per share (NT\$)	0.10	0.40	0.33	(0.22)	0.03
Cash flow	Cash flow ratio (%)	25.71	47.35	44.34	49.15	15.52
	Cash flow adequacy ratio (%)	303.17	351.58	366.94	518.35	579.32
	Cash reinvestment ratio (%)	4.83	8.82	8.17	12.24	2.98
Leverage	Operating leverage	4.99	3.16	6.00	14.20	16.28
	Financial leverage	1.40	1.18	1.52	(3.95)	(2.50)

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Solvency ratios: Mainly due to the decrease in receipts in advance as compared to the previous period due to the impact of COVID-19 in 2020, resulting in a decrease in current liabilities.
2. Operating and profitability ratios: Mainly due to the significant decrease in passenger revenue as compared to the previous period due to the impact of COVID-19 in 2020, resulting in a decrease in sales revenue and operating profit.
3. Cash flow ratios: Cash flow from operating activities decreased as compared to the previous period due to the impact of COVID-19 on passenger transportation in 2020.
4. Financial leverage: Mainly due to the impact of COVID-19 in 2020, operating profit decreased as compared to the previous period.

6.2.2 Financial Analysis – Based on IFRS (Parent Company Only)

Item (Note 2)	Year	Financial Summary for the Last Five Years (Note 1)				
		2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio	73.63	73.09	73.44	78.97	77.94
	Ratio of long-term capital to fixed assets	114.00	110.35	107.18	153.31	161.51
Solvency (%)	Current ratio	62.03	69.06	77.81	60.28	91.40
	Quick ratio	45.82	49.03	57.87	45.87	76.90
	Interest earned ratio (times)	246.03	350.56	292.02	60.78	99.48
Operating performance	Accounts receivable turnover (times)	15.92	16.62	16.57	16.72	12.34
	Average collection period	22.92	21.96	22.46	21.83	29.57
	Inventory turnover (times)	-	-	-	-	-
	Accounts payable turnover (times)	-	-	-	-	-
	Average days in sales	-	-	-	-	-
	Fixed assets turnover (times)	1.03	1.03	1.03	1.05	0.83
Profitability	Total assets turnover (times)	0.61	0.66	0.70	0.61	0.40
	Return on total assets (%)	0.75	1.54	1.33	0.51	0.89
	Return on stockholders' equity (%)	1.00	3.91	3.14	(2.11)	0.25
	Pre-tax income to paid-in capital (%)	2.81	5.64	4.27	(2.19)	0.32
	Profit ratio (%)	0.45	1.58	1.19	(0.82)	0.13
Cash flow	Earnings per share (NT\$)	0.10	0.40	0.33	(0.22)	0.03
	Cash flow ratio (%)	26.71	47.41	43.61	48.16	24.19
	Cash flow adequacy ratio (%)	309.01	357.86	381.09	557.30	610.31
	Cash reinvestment ratio (%)	4.94	8.48	7.68	11.34	4.50
Leverage	Operating leverage	4.85	3.46	11.25	372.72	7.15
	Financial leverage	1.38	1.21	3.45	(0.03)	2.32

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

- Solvency ratios: Mainly due to the decrease in receipts in advance as compared to the previous period due to the impact of COVID-19 in 2020, resulting in a decrease in current liabilities.
- Operating ratios: Mainly due to a significant decrease in passenger revenue as compared to the previous period due to the impact of COVID-19 in 2020, resulting in a decrease in sales revenue.
- Profitability ratios: Mainly due to the increase in global demand for cargo transportation in 2020, resulting in an increase in operating profit as compared to the previous period.
- Cash flow ratios: Cash flow from operating activities decreased as compared to the previous period due to the impact of COVID-19 on passenger transportation in 2020.
- Leverage ratios: Mainly due to the impact of COVID-19 in 2020, the passenger income decreased as compared to the previous period and the operating profit increased as compared to the previous period.

Note 1: 2016-2020 annual financial information was verified by Deloitte & Touche.

Note 2: The calculations of the above financial ratios are based on the following formulas:

- Financial structure
 - Debt ratio = total liabilities / total assets
 - Ratio of long-term capital to property, plant, and equipment = (total shareholders' equity + non-current liabilities) / net property, plant, and equipment
- Solvency
 - Current ratio = current assets / current liabilities
 - Quick ratio = (current assets – inventory – prepaid expenses) / current liabilities
 - Interest earned ratio (times) = earnings before interest and taxes / interest expenses
- Operating performance
 - Accounts receivable turnover (including accounts receivable and notes receivable arising from business activities) = net sales / average accounts receivable (including accounts receivable and notes receivable arising from business activities)
 - Average collection period = 365 / average accounts receivable turnover
 - Inventory turnover = cost of goods sold / average inventory
 - Accounts payable turnover (including accounts payable and notes payable arising from business activities) = cost of goods sold / average accounts payable (including accounts payable and notes payable arising from business activities)
 - Average inventory turnover days = 365 / inventory turnover ratio
 - Property, plant, and equipment turnover = net sales / net property, plant, and equipment
 - Total asset turnover = net sales / average total assets
- Profitability
 - Return on total assets = [net income + interest expense x (1 - effective tax rate)] / average total assets
 - Return on stockholders' equity = net income / average stockholders' equity
 - Net margin = net income / net sales
 - Earnings per share = (net income attributable to owners of the parent – preferred stock dividends) / weighted average number of shares outstanding
- Cash flow
 - Cash flow ratio = net cash flows from operating activities / current liabilities
 - Cash flow adequacy ratio = five-year sum of net cash flows from operating activities / five-year sum of (capital expenditures + increase in inventory + cash dividends)
 - Cash flow cash reinvestment ratio = (net cash flows from operating activities – cash dividends) / (gross property, plant, and equipment + long-term investments + other non-current assets + working capital)
- Leverage
 - Operating leverage = (net sales – variable operating costs and expenses) / operating profit
 - Financial leverage = operating profit / (operating profit – interest expenses)

6.2.3 Consolidated Financial Analysis – Based on ROC GAAP: Not Applicable.

6.2.4 Financial Analysis – Based on ROC GAAP (Parent Company Only): Not Applicable.

6.3 Consolidated Financial Statements for the Years Ended

December 31, 2020 and 2019, and Independent Auditors' Report:

Please refer to Appendix 1.

6.4 Parent Company Only Financial Statements for the Years Ended

December 31, 2020 and 2019, and Independent Auditors' Report:

Please refer to Appendix 2.

6.5 Audit Committee's Report

Audit Committee's Report

The Board of Directors shall prepare and send (1) the 2020 consolidated financial statement and individual financial statement that have been jointly audited by Deloitte CPAs Huang, Jui-Chan and Cheng, Shih-Ran, who released an official unqualified opinion by March 18, 2021, and (2) the 2020 business report and Earnings Distribution Statement after having found to have no discrepancies by this audit committee and, thereupon, issue a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee: Chang, Hsieh Gen-Sen

March 18, 2021

Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status

7.2 Analysis of Operation Results

7.3 Analysis of Cash Flow

7.4 Major Capital Expenditure Items

**7.5 Investment Policy Last Year, Main reasons for Profits/
Losses, Improvement Plans and Investment Plans for
the Coming Year**

7.6 Analysis of Risk Management

VII. Review of Financial Conditions, Financial Performance, and Risk Management

7.1 Analysis of Financial Status (Consolidated)

Analysis of changes in assets, liabilities, and equity over the past two years:

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	
				Amount	%
Current assets		61,872,468	51,822,342	10,050,126	19.39
Property, plant and equipment		141,481,694	145,886,971	(4,405,277)	(3.02)
Intangible assets		1,076,351	1,182,692	(106,341)	(8.99)
Other assets		79,763,571	94,155,974	(14,392,403)	(15.29)
Total assets		284,194,084	293,047,979	(8,853,895)	(3.02)
Current liabilities		62,649,715	76,351,527	(13,701,812)	(17.95)
Non-current liabilities		160,832,796	156,564,335	4,268,461	2.73
Total liabilities		223,482,511	232,915,862	(9,433,351)	(4.05)
Capital stock		54,209,846	54,209,846	-	-
Capital surplus		1,187,327	2,488,907	(1,301,580)	(52.30)
Retained earnings		(350,581)	(1,297,842)	947,261	72.99
Other equity		2,543,766	1,196,233	1,347,533	112.65
Treasury shares		(30,875)	(43,372)	12,497	28.81
Non-controlling interests		3,152,090	3,578,345	(426,255)	(11.91)
Total equity		60,711,573	60,132,117	579,456	0.96

Analysis of changes in financial ratios:

- Assets: Mainly due to the impact of COVID-19 in 2020, to ensure the availability of funds, credit facilities and issuance of commercial papers were gradually increased, resulting in an increase in current assets. Also, the annual amortization of the right-of-use assets reduces other assets once IFRS 16 is applied.
- Liabilities: Mainly due to a significant decrease in receipts in advance due to the impact of COVID-19 in 2020, resulting in a decrease in contract liabilities of NT\$15,841 million as compared to the previous period.
- Capital surplus: Mainly to make up the accumulated losses of NT\$1,298 million in 2019.
- Other equity: Mainly due to the changes in the fair value of financial assets and hedging instruments measured by fair value through other comprehensive income.

Future response actions: The above changes do not significantly affect the Company.

7.2 Analysis of Financial Performance (Consolidated)

Financial Performance Analysis Table

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	
				Amount	%
Revenue		115,250,550.00	168,444,160.00	(53,193,610.00)	(31.58)
Cost		105,031,349.00	151,757,232.00	(46,725,883.00)	(30.79)
Gross profit		10,219,201.00	16,686,928.00	(6,467,727.00)	(38.76)
Operating expenses		8,034,785.00	14,021,107.00	(5,986,322.00)	(42.70)
Operating income (loss)		2,184,416.00	2,665,821.00	(481,405.00)	(18.06)
Non-operating income and expenses		(2,838,213.00)	(2,762,638.00)	(75,575.00)	(2.74)
Pretax profit (loss)		(653,797.00)	(96,817.00)	(556,980.00)	(575.29)
Income tax expense		(373,983.00)	578,185.00	(952,168.00)	(164.68)
Net income (loss)		(279,814.00)	(675,002.00)	395,188.00	58.55
Other comprehensive income		864,072.00	462,758.00	401,314.00	86.72
Total comprehensive gain (loss) for the year		584,258.00	(212,244.00)	796,502.00	375.28

Analysis of changes in financial ratios:

- Operating revenue, gross profit, costs, expenses and profit or loss before tax: Due to the impact of COVID-19 in 2020, passenger revenue and related costs decreased significantly as compared to the previous period.
- Income tax and post-tax profit or loss: The impact of COVID-19 in 2020 resulted in a loss for most of the subsidiaries and income tax benefit recognized.
- Other comprehensive income (net): Mainly due to changes in the fair value of financial assets and hedging instruments assessed by fair value of other comprehensive profit and loss cases.
- Total comprehensive income for the period: The combined effects of the descriptions of 1, 2, and 3.

7.3 Analysis of Cash Flow (Consolidated)

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT\$ thousands

Item	Year	2020	2019	Difference	
				Amount	%
Cash and Cash Equivalents, Beginning of Year		28,459,528.00	24,937,537	3,521,991.00	14.12
Net Cash Flow from Operating Activities		9,723,475.00	37,526,612	(27,803,137.00)	(74.09)
Net Cash Flow from Investing Activities		(25,048,173.00)	(16,053,122)	(8,995,051.00)	(56.03)
Net Cash Flow from Financing Activities		13,869,177.00	(17,614,558)	31,483,735.00	178.74
Exchange Rate Adjustment		121,930.00	(336,941)	458,871.00	136.19
Cash and Cash Equivalents, End of Year		27,125,937.00	28,459,528	(1,333,591.00)	(4.69)

Analysis of change in cash flow in the current year:

1. The difference in cash flow from operating activities was mainly due to the impact of the COVID in 2020, resulting in a significant decrease in receipts in advance as compared to the previous period.
2. The difference in cash flow from investment activities was mainly due to the settlement of 777F aircraft and designated USD deposits as hedging instruments to reduce the USD exchange rate risk.
3. The difference in cash flow from financing activities was mainly due to financing to borrow funds for disease-related projects from the government to ensure the availability of funds.

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: None.

7.3.3 Cash Flow Analysis for the Coming Year

The cash balance at the beginning of the period was approximately NT\$20.0 billion, the expected net cash inflow from operating activities for the year was approximately NT\$18.7 billion. Cash outflow from investing activities was NT\$18.0 billion, and cash outflow from financing activities was NT\$20.6 billion. The cash shortage is expected to be financed by the issuance of domestic unsecured convertible corporate bonds, medium-term commercial paper and medium-term credit loans of approximately NT\$21.0 billion, with a balance of NT\$21.1 billion at the end of the period.

7.4 Major Capital Expenditure Items (Parent Company Only)

Major capital expenditures primarily include purchases of new airplanes as part of the operational expansion, which does not have a significant impact on the Company's financial operations.

7.5 Investment Policy during the Last Year, Main reasons for Profits/Losses, Improvement Plans and Investment Plans for the Coming Year

To support our primary airline operations and enhance competitiveness of the CAL Group, investments are made primarily in airline industry-related companies. Currently, these include air transport, ground services, logistics and warehousing, air cargo terminals, airline catering, laundry, information networks, aeronautics, tourism services, and investing and leasing industries to create a comprehensive air service network and wide-ranging services. Due to the year-long impact of the COVID-19 epidemic in 2020, the Company's loss on investments accounted for using the equity method amounted to approximately NT\$1.85 billion.

In the coming year, the Company will continue to evaluate potential investments in passenger, cargo, aircraft maintenance and aviation training.

7.6 Analysis of Risk Management

7.6.1 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Impact of changes in interest rates, foreign exchange rates, and inflation on Company income

Although changes in interest and foreign exchange rates have an impact on Company income, effective control on the impact is limited.

B. Response measures to changes in interest rates, foreign exchange rates, and inflation

To prevent changes in interest rates, foreign exchange rates, and inflation from creating risks to the Company's overall finances, we hold regular meetings of the Board of Directors Risk Committee, and remain alert to economic and financial developments both in Taiwan and overseas to develop a hedging strategy, evaluate performance of derivatives, and set an appropriate hedge ratio. These controls help prevent changes by utilizing financial hedging instruments in the financial environment and oil prices from creating systemic financial risks and enable CAL to properly manage risk.

7.6.2 Policies, Main reasons for Gain/Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

A. The Company does not involve in high-risk, highly-leveraged investments.

B. The Company has developed the Operational Procedures for Lending Funds to Others and Operational Procedures for Endorsements/Guarantees, and risks of such operations are controlled through strict assessment. Therefore, loans and endorsements/guarantees do not bring profits or cause losses to the Company.

C. Company's derivative products include forward foreign exchange and foreign exchange options contracts and oil options contracts, which are primarily to hedge against the risk of fluctuations in oil prices, interest rates, and foreign exchange rates. Transactions are performed in accordance with the Company's Operational Procedures for Derivatives Trading and are regularly evaluated to ensure effective risk controls.

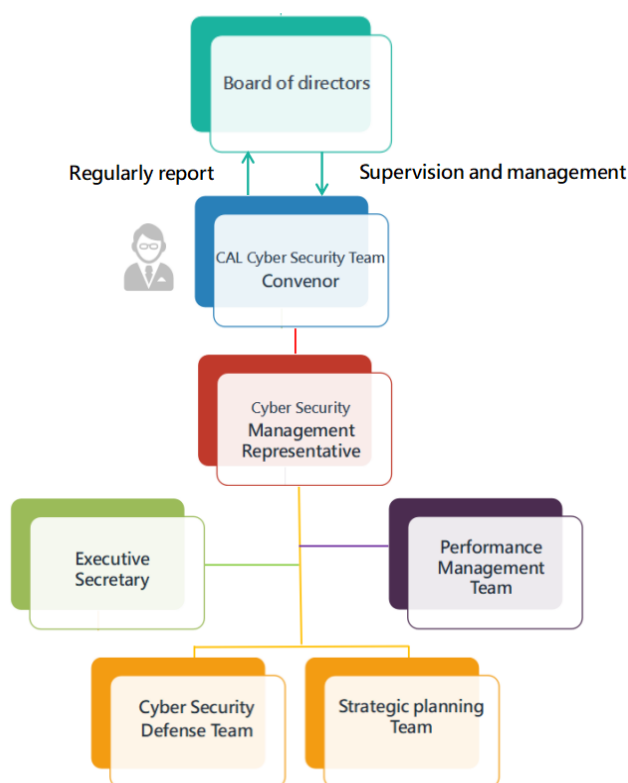
**7.6.3 Future Research & Development Projects and Corresponding Budget:
Please refer to page 95-96.**

7.6.4 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales: None.

7.6.5 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

1. Information Security Management Structure

China Airlines' information operations are in compliance with international information security standards and domestic information security regulations and are implemented in its daily general business; to this end, the "Information and Communication Security Promotion Team" of China Airlines was set up, in which the Vice President of the Information Management Division acts as the convener and reports the information and communication security business to the Board annually. Chairman Hsieh, Su-Chien is well qualified and has wide experience in management and cybersecurity. He has earlier served as the chairman of Sabre (Taiwan) Ltd., and is quite conversant with cybersecurity governance and monitors information operations in a timely manner.



2. Information Security Management Practices

In response to external attack methods, China Airlines has deployed relevant defense mechanisms and commissioned external information security experts to conduct penetration tests and information security health checks (including network structure inspection, network malicious activity inspection, etc.) on an annual basis. China Airlines also conducted internal information and communication security incident notification and response drills to review the effectiveness of the defense mechanisms. In each stage of system development and maintenance, weakness identification and repair are performed with various testing technologies to ensure the safety of our service.

3. Information Security Maintenance

(1) Regular Evaluations and Exercises

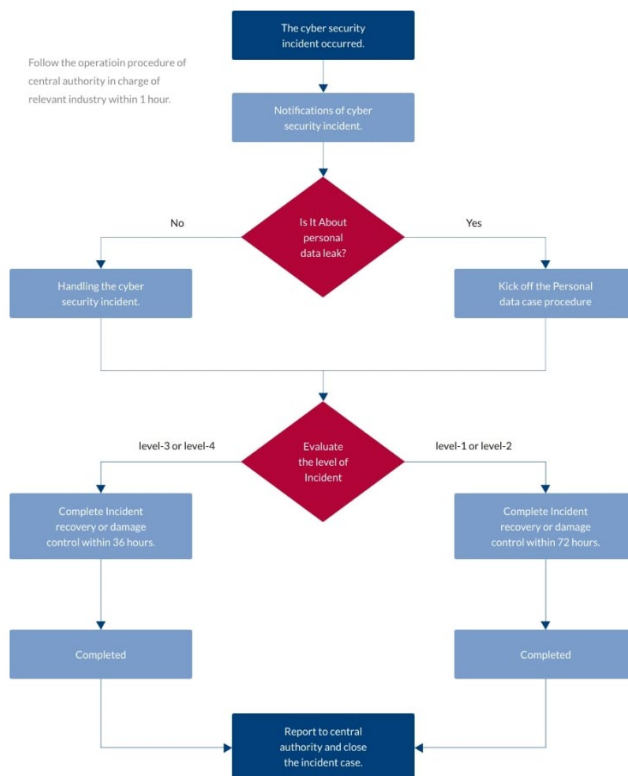
In accordance with the Cyber Security Management Act, CAL conducts risk assessment of information and information and communication systems every year, and evaluates the cybersecurity responsibility levels of the core information and communication systems in aspects of confidentiality, integrity, availability, and compliance. CAL also develops a business continuity plan for the core information and communication systems and conducts a business continuity drill at least once every six months. This ensures timely and effective recovery of operational conditions to minimize possible losses in the event of disruptions. In addition, operational continuity plans are re-examined and evaluated periodically to ensure availability and integrity.

(2)Transportation Safety Training

Every year, at least 4 cybersecurity and information personnel receive at least 12 hours of professional training or functional training on cybersecurity; other employees receive at least 3 hours of general cybersecurity education and training. Additionally, social engineering exercises are carried out at least once every six months to enhance information security awareness. Through the promotion of information security in multiple ways, the Company also incorporates ethical corporate management into staff performance appraisal and human resources policies, establishes a clear and effective reward and punishment system, and abides by the practices of workplace conduct. The Information Management Division conducts self-inspection and legal compliance evaluations on a semi-annual basis and independent audits are carried out by the audit department to ensure the overall operation of the system is running smoothly.

(3)Notification of Cyber Security Incidents

The cybersecurity incident notification and response mechanism are initiated based on the level of cybersecurity incidents, and emergency preparedness; notification and response procedures are in place to control their impact and post-incident recovery. CAL develops the security incident notification & contingency drill plan at the beginning of each year and completes internal cybersecurity exercise by the end of each year.



4. Information Security Verification and Audit

In order to maintain the effectiveness of the certification and establish a more complete management system, the Company implemented the ISO/IEC 27001: 2013 validation of the core information communication system, the Information Security Management System in 2020. Also, the Company attempted, for the first time, to introduce the ISO/IEC 27701: 2019 standard of the privacy information management system introduced by the International Standard Organization in August 2019. Based on the existing Information Security Management System (ISMS), we expanded the requirements and implementation of the privacy information management system and obtained the certificate of approval in November 2020. Per examination by the Information Management Division in 2020, neither the monitoring nor warning information from the defense system, which detects threats to information security, was confirmed to be a security incident caused by hacker intrusion or virus infection.

5. Responses to the COVID-19 epidemic

In response to the COVID-19 epidemic, the Information Management Division of the Company formulated the “Response Measures and Information for Social Distancing in Office and Remote Working For Employees” and the “Information Management Division's Response Measures for Response to Major Epidemics” and the “Operation Procedures for Maintenance and Operation of Applications System during Major Epidemics” in February 2020, enabling domestic and foreign employees to work at home. If there are network outages caused by cybersecurity threats or other disasters, notification and response can be implemented immediately. According to the Company's regulations, firewall records are reviewed regularly to monitor the network usage via VPN. Accounts with no usage records or have expired, as well as accounts of transferred or terminated employees are deleted to reduce the cybersecurity risks.

6. Personal Information Protection Management System

The Company places great importance on customer privacy and regards it as a basic service principle. In addition to complying with international and foreign laws related to personal information, the Company established the Personal Information Management Committee in 2014. Through the establishment of the Personal Information Protection Management System, the Company implements personal data protection and complies with the relevant regulations to protect our customers' rights and minimize the impact of personal data breach risks. In 2018, in order to comply with the General Data Protection Regulation (GDPR) put into effect by the European Union, the role of Data Protection Officer (DPO) has been established in the Company to oversee the management of personal data. The Company has publicly disclosed the relevant privacy policies and statements on privacy protection on the official website of China Airlines. Internally, it implemented the personal information management system, set up channels for the exercise of personal information rights, held annual personal information incident drills, confirmed the implementation of personal information inventory and risk assessment, comprehensively strengthened the concept of privacy protection and code of conduct of employees through education and training, and completed the personal information audit system. In response to various technological changes in the post-epidemic era, the Company continues to monitor the correlation between emerging technologies and privacy protection, and assess its risks through the implementation of the Data Protection Impact Assessment (DPIA) as a reference for future response measures. China Airlines is dedicated to protecting customers' personal information. In the future, CAL will continuously protect customers' personal information to increase its competitive advantage and customer trust.

7.6.6 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has established a long-term safety management system, complied with standard operating procedures, continued to improve aviation and aircraft maintenance, and implemented the highest standard of flight safety. In the spirit of SOP+, various services were implemented, which were recognized by major domestic and overseas awards. The Company also actively invested in social welfare, fulfilled corporate responsibilities and incorporated environmental management into its operational focus. If there is any untrue or negative news, message, or incident that affects the Company's image, we will respond immediately, explaining and clarifying to the public, and post explanations on our website or social media platform if necessary, to reduce the negative effects.

At the time of the spread of COVID-19, the global aviation industry was hit and epidemic safety became another focus of operation management. The Company constantly pays attention to market trends, adjusts passenger and cargo flights in response to demand and focuses on cargo transportation, and actively plans to capture opportunities for passenger and cargo passengers such as seasonal travel, themed flights or business charter flights to increase revenue through multi-sales strategies. In addition, correct information on epidemic prevention management is disseminated in a timely manner to ensure the safety of passengers and crew.

7.6.7 Expected Benefits from, Risks Relating to, and Response to Merger and Acquisition Plans: None.

7.6.8 Expected Benefits from, Risks Relating to, and Response to Factory Expansion Plans: None.

7.6.9 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration: None.

7.6.10 Effects of, Risks Relating to, and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%: None.

7.6.11 Effects of, Risks Relating to, and Response to the Changes in Management Rights: None.

7.6.12 Litigation or Non-litigation Matters

Any major litigation, non-litigation, or administrative disputes involving the Company that are already finalized or still pending.

No.	Case Name	Summary	Disputed Amount (NT\$)	Litigants	Current Status
1	Litigation for refunding overpayment on aircraft rental	<p>1. In 2002, the Civil Aeronautics Administration (CAA) unilaterally terminated an aircraft rental contract with the Company for six aircraft, resulting in early termination of the contract, which changed the nature of the lease and the rent calculation basis and resulted in rent overpayment by the Company.</p> <p>2. In 2010, the CAA resolved that the Civil Aeronautics Administration should pay the Company more than NT\$1.5 billion and in 2015 the Supreme Court revoked the arbitration judgment, which resulted in the Company filing a civil lawsuit against the CAA to recoup the aforementioned rent overpayment.</p> <p>3. This case has gone through the First and Second Instance trials. The court agreed that there was an overpayment of rent. However, due to incorrect logic used in the calculation, it mistakenly recognized that the Company had offset the final rent payment, so it was judged that the Company had no reason to request the CAAC to return the overpayment of rent.</p>	More than 1.2 billion	Plaintiff: China Airlines Defendant: Civil Aeronautics Administration	The Third Instance trial of the case has commenced on November 27, 2019, and is under hearing by the Supreme Court.

7.6.13 Other Major Risks:

1. CAL fully understands the importance of risk management and the potential for interaction among different types of risk. We formed a Risk Committee directly under the supervision of the Board of Directors to improve risk management and require subordinate units to control for each major risk category.

The CAL risk management organization and units responsible for implementation:

Type of Risk	Responsible Department	Risk Management Measures
Operating Risk	Corporate Development Office	The operating environment for the aviation industry is ever changing. Major political and economic events as well as unexpected internal or external events can have a huge impact on the company's operations. The Corporate Development Office analyzes potential political, economic, aviation industry, and internal Company situations that could affect the Company and proposes concrete response plans to reduce their impact on China Airlines' strategic direction and annual business plan.
Safety Risk	Corporate Safety Office	Safety is the most basic principle and core value of China Airlines' business operation, as well as our responsibility and commitment to each customer. According to the Safety Management System (SMS), the Company constructs safety risk management. In relation to internal and external operation risks, such as navigation, maintenance, air service, and ground operation, the Company maintains operational risk within an acceptable range through continuous hazard identification and risk management, and proposes improvement measures to effectively enhance the overall safety performance of the Company.
Financial Risk	Finance Div.	Both domestic and global economy affect the operating results of the Company. Primary operating costs for airlines include interest rate, exchange rate, and fuel, and outside factors that can result in significant volatility. Therefore, the Finance Division utilizes financial hedging instruments to fix the above factors within a certain range, regularly monitors financial risk, and develops relevant strategies and measures to effectively manage financial risk.

2. Business strategy improvement measures in response to the impact of COVID-19 in 2020 are as follows:
- (1) A rolling schedule review and increase/decrease program of passenger flights will be carried out in accordance with national quarantine regulations and changes in market supply and demand, while a flexible deployment of passenger aircraft to support loading mails will reduce the impact of the epidemic on passenger transportation business.
 - (2) Strive to capture all kinds of business opportunities (students, enterprises, Taiwanese businesses, themed and chartered flights) during the epidemic period to increase revenue.
 - (3) Comprehensive review and timely revision of various fares, keeping abreast of developments in the airline alliance, strengthening membership and e-commerce relationships, and visiting and developing potential enterprise customers.
 - (4) For flights with rigid demand, China Airlines no longer follows the previous forward control method with reference to the sales price and location arrangement to increase the revenue of passenger operations.
 - (5) Strengthen passenger reservation and ticketing refresher courses to enhance the professional education of transport-related personnel globally.

7.7 Other Important Matters: None.

Special Disclosure

8.1 Summary of Affiliated Companies

**8.2 Private Placement Securities in the Most Recent
Years**

**8.3 Shares in the Company Held or Disposed of by
Subsidiaries in the Most Recent Years**

8.4 Special Notes

**8.5 Situations with Major Impacts on Shareholder
Equity or Share Prices**

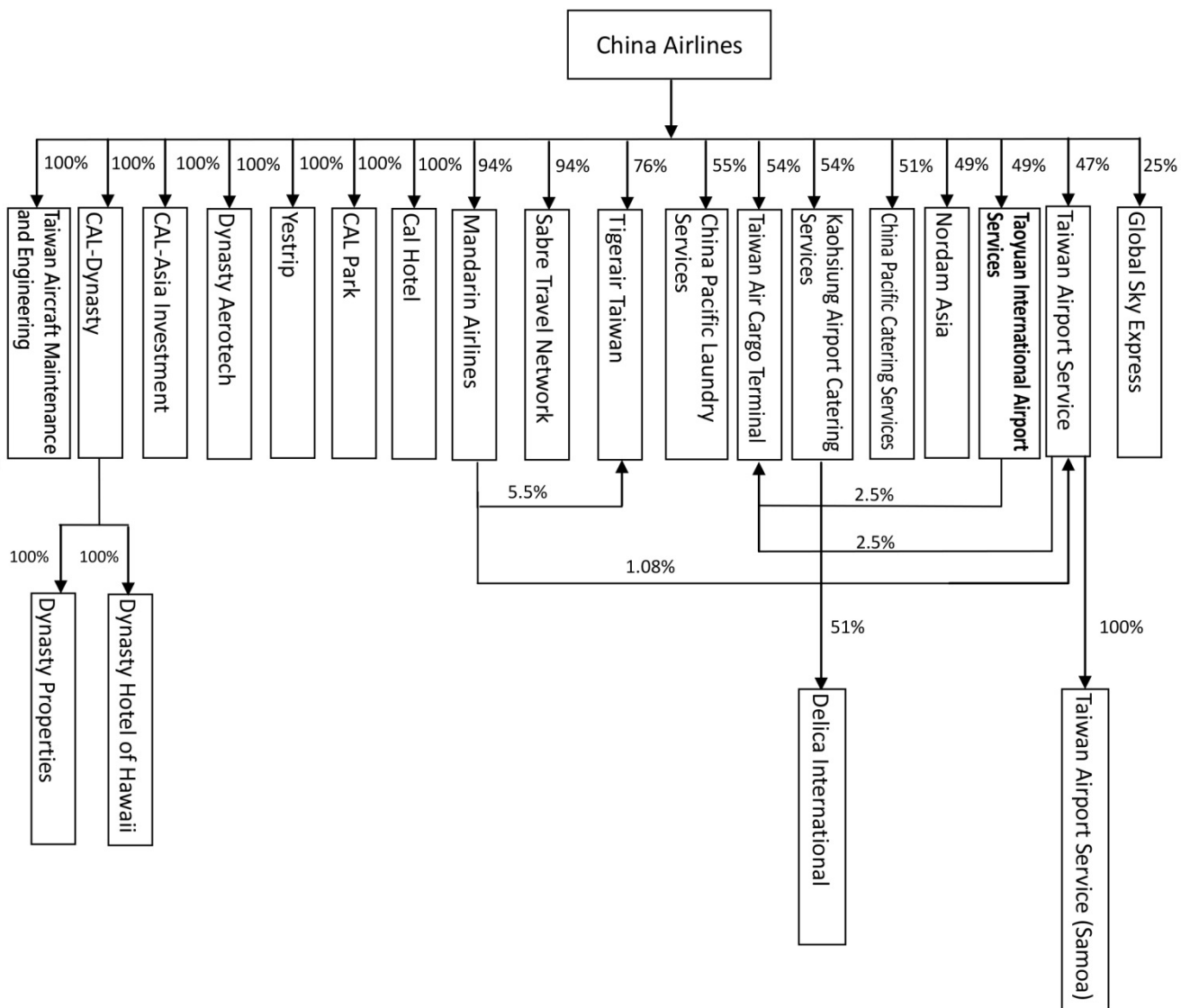
VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Basic information of Affiliated Companies

A. Affiliated Companies Chart

Dec 31, 2020



Note 1: The affiliates listed above are companies in which the company has invested and has a 50% or higher voting share, or the means to control, either directly or through a subsidiary company. China Pacific Laundry Services, China Pacific Catering Services, and Nordam Asia are joint ventures.

Note 2: Yestrip Co., Ltd. was liquidated on October 26, 2020 after the approval of the Taipei City Government. The liquidation procedure is underway.

B. Basic information of Affiliated Company

Dec 31, 2020/Unit: NT\$ thousands

Company	Date Founded	Address	Capital (Note)	Principal Activities
1. CAL-Dynasty International, Inc.	07/01/1991	200 Continental Blvd. Suite #101 El Segundo, CA90245, U.S.A.	775,241	Holding & investing
1A Dynasty Properties Co., Ltd.	08/15/1973	200 Continental Blvd. Suite #101 El Segundo, CA90245, U.S.A.	14,826	Real estate investing, property leasing
1B Dynasty Hotel of Hawaii, Inc.	12/10/1973	1830 Ala Moana Blvd. Honolulu, Hawaii 96815, U.S.A.	118,606	Hotel service
2. CAL-Asia Investment Inc.	06/29/1995	Mandar House, 3rd Floor, P.O. Box 2196, Johnson's Ghut, Tortola, VG1110, Virgin Islands, British	212,671	Holding & investing
3. Dynasty Aerotech International Corp.	05/11/1989	No.6, Hangqin S. Rd., Dayuan District, Taoyuan City	77,270	Aviation ground handling service, cleaning service
4. Yestrip Co., Ltd.	01/18/2001	1,2F, No.131, Section 3, Nanjing E Rd., Zhongshan District, Taipei City	16,000	Travel service
5. CAL Park Co., Ltd.	09/06/2006	No.1, Hangzhan S. Rd., Dayuan District, Taoyuan City	1,500,000	Real estate leasing, parking lot management
6. CAL Hotel Co., Ltd.	01/03/2007	No.1-1, Hangzhan S. Rd., Dayuan District, Taoyuan City	465,000	Hotel business
7. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	01/16/2015	No.15, Hangqin S. Rd., Dayuan District, Taoyuan City	1,350,000	Aircraft maintenance and repair
8. Mandarin Airlines, Ltd.	04/29/1991	No.3, Alley 123, Lane 405, Dunhua N. Rd., Songshan District, Taipei City	2,001,825	Civil air transport
9. Sabre Travel Network (Taiwan) Ltd.	10/09/1990	15F, No.57, Fuxing N. Rd., Songshan District, Taipei City	138,618	IT service & GDS
10. Tigerair Taiwan Co., Ltd.	04/21/2014	No.3, Alley 123, Lane 405, Dunhua N. Rd., Songshan District, Taipei City	2,800,000	Civil air transport
11. China Pacific Laundry Services Ltd.	09/08/1997	No.7, Lane 54, Sande Street, Luzhu District, Taoyuan City	250,000	Laundry service
12. Taiwan Air Cargo Terminal Ltd.	12/22/1999	No.10-1, Hangqin N. Rd., Dayuan District, Taoyuan City	2,500,000	Air cargo and storage service
13. Kaohsiung Airport Catering Services Ltd.	09/27/1999	No.2-10, Zhongshan 4th Rd., Xiaogang District, Kaohsiung City	400,500	Catering service
13A Delica International Co., Ltd.	05/24/2016	No.2-10, Zhongshan 4th Rd., Xiaogang District, Kaohsiung City	20,000	Catering service
14. China Pacific Catering Services Ltd.	08/19/1994	No.22, Lane 156, Section 2, Haishan Rd., Luzhu District, Taoyuan City	861,000	Catering service
15. NORDAM Asia Ltd.	12/07/2017	No.15, Hangqin S. Rd., Dayuan Dist., Taoyuan City	77,500	Aircraft maintenance and repair
16. Taoyuan International Airport Services Co., Ltd.	11/08/1978	No.15, Hangqin N. Rd., Dayuan District, Taoyuan City	700,000	Aviation ground handling service
17. Taiwan Airport Service Co., Ltd.	07/19/1966	3F, No.340, Dunhua N. Rd., Songshan District, Taipei City	435,600	Aviation ground handling service
17A Taiwan Airport Service (Samoa) Co., Ltd.	03/22/2004	TrustNet Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	174,262	Holding & investing
18. Global Sky Express Ltd.	09/29/1994	8F-3, No.186, Section 4, Nanjing East Rd., Songshan District, Taipei City	10,000	Air freight forwarder

Note 1: Capital was calculated using the exchange rate at the end of 2020: 1TWD=0.0337 USD.

Note 2: Yestrip Co., Ltd. was liquidated on October 26, 2020 after the approval of the Taipei City Government. The liquidation procedure is underway.

C. Overall Description of the Industries in which Affiliated Companies (Including Subsidiaries and Other Invested Companies) Operate

China Airlines' affiliated companies can be divided into seven categories, each of which is highly dependent on the Company's operations, and include airlines, ground services, air transport support, aerospace technology, logistics and warehousing, tourism and leisure, and investment holdings and leasing. The categories are described below:

Classification	Description
Airlines	Mandarin Airlines provides domestic and international passenger and cargo air transport services to further capitalize on our competitive advantage in the cross-strait market. Tigerair Taiwan is tasked with operating in the Asian low-cost carrier market to develop new business opportunities.
Ground Handling Services	Ground services at Taiwan Taoyuan and Taitung Airports are provided by Taoyuan International Airport Services Co., Ltd., while those for Kaohsiung Airport and all other domestic airports are serviced by Taiwan Airport Service Co., Ltd. Overseas, the Company has invested in Jardine Aviation Services in Hong Kong, which serves as China Airlines' ground handling agent in Hong Kong. Cleaning and repair ground services are provided by Dynasty Aerotech International Corp.
Air Transport Support	The Company has invested in domestic airline reservation system operations and maintenance provider Sabre Travel Network (Taiwan) Ltd. Overseas, the Company has invested in Singapore's Everest Company. In-flight catering services are provided for northern Taiwan by China Pacific Catering Services Ltd. and by Kaohsiung Airport Catering Services in the South. Delica International Co., Ltd. is the subsidiary of Kaohsiung Airport Catering Services. China Pacific Laundry Services Ltd. provides laundry services for textiles and clothing used aboard aircraft and general laundry services for the hospitality industry.
Logistics and Warehousing	Domestically, Taiwan Air Cargo Terminal Ltd. is responsible for providing warehousing services at Taiwan Taoyuan Airport and Kaohsiung International Airport. In Mainland China, the Company made indirect investments in Airport Air Cargo Terminal (Xiamen) Co., Ltd. and Airport Air Cargo Service (Xiamen) Co., Ltd. Logistics services are provided domestically by invested companies Global Sky Express Ltd. and Chung Hwa Express Corp. Overseas, the Company has indirectly invested in Hong Kong's Eastern United International Logistics.
Aerospace Technology	In the aerospace technology industry in Taiwan, the Company has invested in Taiwan Aircraft Maintenance and Engineering Ltd., which is responsible for all aspects of maintenance and repair services for Boeing 777 and 737 and Airbus A320 and A350 models; NORDAM Asia provides thrust reverser and composite material maintenance services in the Asian region; overseas, the Company invests in Xiamen Taiko Landing Gear Co. in Mainland China, which provides and maintains landing gear, and HAECO Composite Structures (Jinjiang) Co. Ltd., which provides composite material maintenance. In Hong Kong, the Company invests in China Aircraft Services Ltd., which provides aircraft maintenance capacity.
Tourism and Leisure	Domestic investments include Yestrip and CAL Hotel Co., Ltd. Overseas investments include an indirect investment in Dynasty Hotel of Hawaii, Inc. in the USA and investment in Japan's Dynasty Holidays.
Investment Holdings and Leasing Business Group	Established CAL-Dynasty International, Inc., which makes indirect investments in Chinese and American companies engaged in real estate investments and leasing management. CAL-Asia Investment Inc. and Taiwan Airport Service (Samoa) Co., Ltd. are engaged in general investment holdings.

D. Directors, Supervisors, and Presidents of Affiliated Companies

Dec 31, 2019
Units: Shares; %

Company	Title	Name	Shareholding			
			Shares	%		
1. CAL-Dynasty International, Inc.	Chairman	Hsieh, Su-Chien (Note 1)	2,614,500 (USD10, share)	100		
	Director	Wang, Chen-Min (Note 1)				
	Director (President)	Hsu, Pao-Chieh (Note 1)				
1A Dynasty Properties Co., Ltd.	Chairman (President)	Hsu, Pao-Chieh (Note 2)	5,000 (USD100, share)	100		
	Director	Hsieh, Su-Chien; Yen, Yang (Note 2)				
1B Dynasty Hotel of Hawaii, Inc.	Chairman	Hsu, Pao-Chieh (Note 2)	400,000 (USD10, share)	100		
	Director	Yen, Yang (Note 2)				
	Director (President)	Pan, Wen-Tsung (Note 1)				
2. CAL-Asia Investment Inc.	Chairman	Hsieh, Su-Chien (Note 1)	7,172,346 (USD1, share)	100		
	Director	Chang, Young (Note 1)				
	Director (President)	Wang, Chen-Min (Note 1)				
3. Dynasty Aerotech International Corp. (Note 3)	Chairman	Sun, Jia-Min (Note 1)	77,270	100		
	Director	Liu, Der-Chuan; Lee, Jung-Hui; Chen, Wei-Tau (Note 1)				
	Supervisor	Chen, I-Chieh (Note 1)				
	President	Shih, Hui Huang (Note 1) (Nominated by China Airlines)				
4. Yestrip Co., Ltd. (Note 3)	Supervisor	Huang, Hui-Na (Note 1)	1,600,000	100		
5. CAL Park Co., Ltd.	Chairman	Hsieh, Su-Chien; (Note 1)	150,000,000	100		
	Director	Chen, Wei-Tau (Note 1)				
	Supervisor	Fang, Juo-Ling (Note 1)				
	Director (President)	Chang, Young (Note 1)				
6. CAL Hotel Co., Ltd.	Chairman	Hsieh, Su-Chien; (Note 1)	46,500,000	100		
	Director	Wang, Chen-Min; Kao, Shing-Hwang; Wang, Houng; Hong, Tsu-Kuang (Note 1)				
	Supervisor	Fang, Juo-Ling; Chen, I-Chieh (Note 1)				
	President	Eric Rimbeuf				
7. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Chairman	Wang, Houng (Note 1)	135,000,000	100		
	Director	Chang, Young; Sun, Jia-Min; Lee, Jung-Hu; Wang, Chen-Min (Note 1)				
	Supervisor	Fang, Juo-Ling; Yen, Yang (Note 1)				
	President	Tsai, Chih Hung (Nominated by China Airlines)				
8. Mandarin Airlines, Ltd.	Chairman	Hsieh, Su-Chien (Note 1)	188,154,025	93.99		
	Director	Chang, Young; Kao, Shing-Hwang; Wang, Houng; Wang, Chen-Min; Peng, Pao-Chu (Note 1)				
	Independent Director	Hsieh, Yung-Ming (Independent Directors Undertaking Public Welfare)				
	Supervisor	Chen, I-Chieh				
	Director (President)	Tsao, Jyh-Fen (Note 1)				
9. Sabre Travel Network (Taiwan) Ltd.	Chairman	Wu, Wen-Kuo (Note 1)	13,021,042	93.93		
	Director	Chung, Ming-Jyh; Chiu, Wei-Tuan; Peng, Pao-Chu (Note 1)				
	Director	Alan Chen (Represent Sabre Travel Network Asia Pacific)	609,000	4.39		
	Supervisor	Ho, Hui-Fen				
	President	Lee, Hsien-Kuang (Nominated by China Airlines)				
10. Tigerair Taiwan Co., Ltd.	Chairman	Chen, Han-Ming (Note 1)	212,420,046	75.86		
	Director	Chang, Young; Wang, Chen-Min; Chang, Cheng-Hao; Chen, I-Chieh; Tsao, Jyh-Fen (Note 1)				
	Director	Hsiao, Po Jen; Hsu, Yang Che; Jao, Shihchen; Yen, Sin-Hui				
	Independent Director	Chen, I-Heng (Independent director undertaking public welfare); Fan, Hung-Shu; Yang, David				
	President	Chang, Ming-Wei				
11. China Pacific Laundry Services Ltd.	Chairman	Chung, Wan-Chun (Note 1)	13,750,000	55		
	Director	Hong, Tsu-Kuang; Chu, Te-Hsiu; (Note 1)				
	Director	Chan, Derrick (Represent Hendriz Holding)			3,750,000	15
	Director	Yeung, Maggie (Represent Heathlee Int'l)			3,750,000	15
	Supervisor	Caho, Wen-Kan (Represent Merton Lake)			3,750,000	15
	Supervisor	Chen, I-Chieh				
12. Taiwan Air Cargo Terminal Ltd.	Chairman	Wang, Chen-Min (Note 1)	135,000,000	54		
	Deputy Chairman	Charles C. Y. Chen (Represent Eyon Industrial Co.)			6,000,000	2.4
	Director	Chang, Cheng-Hao; Liu, Der-Chuan (Note 1)	20,000,000	8		
	Director	UPS				
	Director	Michael Shea (Represent Hsin Feng Corp.)	7,000,000	2.8		
	Supervisor	Ho, Hui-Fen	15,000,000	6		
	Supervisor	Chen, Jyi-Fu (Represent Express Container Terminal Corp.)				

Company	Title	Name	Shareholding	
			Shares	%
13. Kaohsiung Airport Catering Services Ltd.	Chairman	Chang, Young (Note 1)	21,494,637	53.67
	Director	Chung, Wan-Chun; Wang, Wei (Note 1)		
	Director	Lin, Jyh-Jong; Tsai, Ta-Wei (Nominated by Uni Airways Corporation)	16,178,945	40.4
	Supervisor	Han, Lan-Ping (Nominated by Evergreen International Corporation)	10,000	0.02
	Supervisor	Yen, Yang		
	President	Lee, Ho-Yuan		
13A. Delica International Co., Ltd	Chairman	Lee, Ho-Yuan (Nominated by Kaohsiung Airport Catering Services)	1,020,000	51
	Director	Lin, Jyh-Jong (Nominated by Kaohsiung Airport Catering Services)		
	Director	Tokuyama, Keiichi; Tokuyama, Keisuke (Nominated by F. TEC Co., Ltd)	980,000	49
	Supervisor	Lai, Li Chao; Araki, Osamu		
14. China Pacific Catering Services Ltd.	Chairman	Yeh, Chu-Lan (Note 1)	43,911,000	51
	Director	Hong, Tsu-Kuang; Chung, Wan-Chun (Note 1)		
	Director	Wu, Hsiu-Lan; Mao, Chi-Chiung (Represent Aldeburgh Limited)	21,045,500	24.5
	Supervisor	Fang, Juo-Ling		
	Supervisor	Caho, Wen-Kan (Represent Deli Holdings Limited)	21,045,500	24.5
	President	Chen, Jo-Ching (Nominated By China Airlines)		
15. NORDAM Asia Ltd.	Chairman	T. Hastings Siegfried (Nominated by The NORDAM Group)	3,952,500	51
	Deputy Chairman	Wang, Houng (Note 1)	3,797,500	49
	Director	Li, Chih-Wei (Note 1)		
	Director	J.Terrell Siegfried · Jamie Lane (Nominated By The NORDAM Group)		
	Supervisor	Ralph McDavid		
	Supervisor	Wang, Wei		
16. Taoyuan International Airport Services Co., Ltd.	Chairman (President)	Lee, Chih-Chiang (Represent Motc)	31,500,000	45
	Director	Hsu, Cheng-Chang; Chang, Chang-Chi; Li, Hung-Sheng; Lee, Chun-Hsiung (Represent Motc)		
	Director	Hsieh, Su-Chien; Chang, Young; Wang, Houng; Chu, Te-Hsiu; Yeah, Shao-Ting (Note 1)	34,300,000	49
	Director	Hung, Ngai (Represent UPS)	4,200,000	6
	Supervisor	Li, Mi; Li, Shen-Yi		
17. Taiwan Airport Service Co., Ltd.	Chairman	Chang, Young (Note 1)	20,626,644	47.35
	Director (President)	Peng, Long-Min (Note 1)		
	Director	Chang, Cheng-Hao (Note 1)		
	Director	Li, Li-Yu (Representing juridical person shareholder Rih Hsin Asset Management Company)	7,085,300	16.27
	Director	Chang, Chieh-Tang (Represent Goldsun Building Materials)	7,405,200	17
	Supervisor	Fang, Juo-Ling		
17A Taiwan Airport Service (Samoa) Co., Ltd.	Authorized Signatory	Chang, Young (Represent Taiwan Airport Service Co.)	5,876,976 (1 USD, per share)	100
18. Global Sky Express Ltd.	Chairman	Li, Chung-Hui	50,000	5
	Director	Liu, Der-Chuan; Shann, Da-Sin; Chang, Cheng-Hao (Note 1)	250,000	25
	Director	Pao, Hsueh-Chao	40,000	4
	Director	Huang, Nan-Sheng	50,000	5
	Director	Wei, Ching-Li	20,000	2
	Director	Hsiao, Yu-Hsin	20,000	2
	Director	Chung, Mei-Chih (Represent Leader Mutual Freight System)	20,000	2
	Supervisor	Huang, Hui-Na		
	Supervisor	Yeh, Chien-Tien	10,000	1
	Supervisor	Chiang, Ming-Fang (Represent Morrison Express)	50,000	5
	President	Hwang, Chun-Chyuan (Nominated by China Airlines)		

Note 1: Representative of juridical person shareholder China Airlines.

Note 2: Representative of juridical person shareholder CAL-Dynasty International, Inc.

Note 3: Yestrip Co., Ltd. was liquidated on October 26, 2020 after the approval of the Taipei City Government. Its Board of Directors no longer exists.

E. Affiliated Company Business Overview

Dec 31, 2019

Unit: NT\$ thousands; EPS=NT\$

Company	Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income (Loss)	Profit (Loss)	EPS (Dollars)
1. CAL-Dynasty International, Inc.	775,241	1,349,213	110,620	1,238,593	154,223	(32,649)	(21,960)	(8.40)
1A Dynasty Properties Co., Ltd.	14826	696181	176822	519359	93269	26052	19263	3852.62
1B Dynasty Hotel of Hawaii, Inc.	118,606	413,702	37,437	376,265	61,316	(61,265)	(46,577)	(116.44)
2. CAL-Asia Investment Inc.	212,671	462,453	6,567	462,446	0	(1,157)	45,068	6.28
3. Dynasty Aerotech International Corp.	77,270	344,123	207,492	136,630	382,834	43,279	33,986	439.84
4. Yestrip Co., Ltd.	16,000	10,392	286	10,106	4,326	(16,567)	(15,067)	(9.42)
5. CAL Park Co., Ltd.	1,500,000	5,180,342	3,666,260	1,514,082	309,284	55,456	9,350	0.06
6. CAL Hotel Co., Ltd..	465,000	533,457	129,017	404,440	339,310	(101,805)	(73,586)	(1.58)
7. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	1,350,000	3,360,075	2,660,312	699,763	46,559	(222,643)	(222,223)	(1.65)
8. Mandarin Airlines, Ltd.	2,001,825	8,256,878	6,930,337	1,326,541	3,823,365	(297,996)	(376,255)	(1.88)
9. Sabre Travel Network (Taiwan) Ltd.	138,618	319,008	71,076	247,932	18,546	(74,188)	(49,995)	(3.61)
10. Tigerair Taiwan Co., Ltd.	2,800,000	11,694,612	8,657,483	3,037,129	1,880,636	(1,808,558)	(1,371,056)	(4.90)
11. China Pacific Laundry Services Ltd.	250,000	361,629	90,077	271,552	125,081	(48,609)	(28,137)	(1.13)
12. Taiwan Air Cargo Terminal Ltd.	2,500,000	5,216,303	2,334,637	2,881,666	2,121,992	422,645	318,494	1.27
13. Kaohsiung Airport Catering Services Ltd.	400,500	1,059,589	367,878	691,712	1,317,060	1,246	9,129	0.23
13A Delica International Co., Ltd.	20,000	15,653	220	15,434	0	0	7	0.00
15. China Pacific Catering Services Ltd.	861,000	3,631,885	2,244,852	1,387,032	701,120	(598,856)	(306,623)	(3.56)
16. NORDAM Asia Ltd.	77,500	77,156	80	77,076	0	(121)	(93)	(0.01)
17. Taoyuan International Airport Services Co., Ltd.	700,000	2,345,219	1,115,243	1,229,975	2,060,716	(393,726)	(258,894)	(3.70)
18. Taiwan Airport Service Co., Ltd.	435,600	1,367,067	943,003	424,064	343,106	(224,397)	(156,739)	(3.60)
18A Taiwan Airport Service (Samoa) Co., Ltd.	174,262	367,456	0	367,456	0	0	22,328	3.80
19. Global Sky Express Ltd.	10,000	45,664	15,092	30,572	166,040	9,732	7,796	7.80

Note 1: Capital, total assets, total liabilities, total equity were calculated using the exchange rate at the end of 2020.

Note 2: Operating revenue, operating profit, and income for the period were calculated using the 2020 quarterly average exchange rates.

Note 3: Exchange rates at the end of 2020 were 1TWD=0.0337 USD, 0.2340 CNY.

Note 4: Quarterly average exchange rates in 2020 were as follows:

Q1 : 1TWD=0.0331USD0.2310CNY.

Q2 : 1TWD=0.0333 USD0.2365CNY.

Q3 : 1TWD=0.0338 USD0.2359CNY.

Q4 : 1TWD=0.0347USD0.2324CNY.

(2) Affiliated Company Consolidated Financial Statements: Information required to be disclosed regarding affiliated company's consolidated financial statements is included in Appendix 1 Consolidated Financial Statements. The Company will no longer prepare a separate consolidated financial statement for affiliated companies.

(3) Relationship Report: China Airlines is not the subsidiary of any company, so a relationship report is not required.

8.2 Private Placement Securities in the Most Recent Years: None.

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years:

MAR 27, 2021
Units: NT\$; shares; %

Company	Capital	Source of Funds	Stake in Subsidiary (%)	Date of Acquisition or Disposal	Number of Shares and Value of Stocks Acquired	Number of Shares and Value of Stocks Disposed	Investment Gain/Loss	Number of Shares and Value of Stock Held as of the Printing Date of this Report	Amount of Company Endorsement /Guarantee of Subsidiary
Dynasty Aerotech International Corp.	77,270,000	Equity Fund	100%	109/02/20	-	152	220	0 shares NT\$0	-
				109/02/21	-	300,000	485,539		
				109/02/25	-	300,000	398,925		
				109/02/26	-	214,000	270,365		
Mandarin Airlines, Ltd.	2,001,825,000	Equity Fund	93.99%	-	-	-	-	2,074,628 shares NT\$31,223,000	-

Note: No subsidiary has a Company stock pledge nor has the Company lent money to any subsidiary.

8.4 Special Notes: None.

8.5 Situations with Major Impact on Shareholder Equity or Share Prices:

8.5.1 Change in the chairman of the board, general manager, or one-third or more of the directors of the Company.

The Board has resolved to remove Mr. Hsieh, Su-Chien from the position of President on 18 March 2021 and to appoint Mr. Kao, Shing-Hwang to succeed as President.

8.5.2 Signing of major memoranda, strategic alliances or other plans for business cooperation or major contracts

A. In order to strengthen the capital structure of the Company's subsidiary, Tigerair Taiwan Co., Ltd., the Board of Directors resolved to participate in its cash capital increase on 6 August 2020.

B. On December 31, 2020, the Company renewed its land lease contract with Taiwan Air Cargo Terminal Ltd.

8.5.3 Others

A. In response to the COVID-19 pandemic, the Company and its group members have improved their pandemic prevention measures and adjusted the service content of catering and supplies for mainland-Taiwan air routes and Hong Kong-Macau-Taiwan air routes starting from January 28, 2020; the main consideration is to reduce personnel contact and reduce the unnecessary use of re-used products and use disposable products instead. At the same time, we also encourage passengers to bring their own products, such as environmental protection cups, to reduce the risk of infection. In addition to the normal disinfection procedures for all cross-strait, Hong Kong and Macao flights arrival to Taiwan, the disinfection of the dining trays, handrails and overhead luggage cabinets in the cabin are carried out to maintain the health of passengers and crew members.

B. The Company received an Italian aviation notice informing that, at the request of the country's health bureau, the CI75 Taipei-Rome flight on February 2 and the CI76 Rome-Taipei flight on February 3 were canceled; In order to assist with the evacuation of the passengers, China Airlines obtained an agreement from the Italian Civil Aviation Authority to allow CI75 Taipei-Rome flight on February 2 and to reinstate CI76 Rome-Taipei flight on February 3.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2020 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA AIRLINES, LTD.

By

Hsieh, Su-Chien

March 18, 2021

INDEPENDENT AUDITORS’ REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of China Airlines, Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. (collectively referred to as the “consolidated financial statements”)

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Recognition of Cargo Revenue

In accordance with IFRS 15 "Revenue from Contracts with Customers", cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2020, cargo revenue amounted to NT\$81,692,574 thousand. Refer to Notes 4 and 27 to the accompanying consolidated financial statements for detailed information.

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

Our main audit procedures performed included the following:

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

Other Matter

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

As of December 31, 2020, total assets of these subsidiaries amounted to NT\$11,694,612 thousand, representing 4.12% of the consolidated total assets. For the year ended December 31, 2020, revenue from these subsidiaries amounted to NT\$1,880,636 thousand, representing 1.63% of the consolidated total revenue.

We have also audited the parent company only financial statements of China Airlines, Ltd. as of and for the years ended December 31, 2020 and 2019 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
REVENUE (Notes 4, 27 and 34)	\$ 115,250,550	100	\$ 168,444,160	100
COSTS (Notes 4, 9, 11, 17, 24, 25, 27 and 34)	<u>105,031,349</u>	<u>91</u>	<u>151,757,232</u>	<u>90</u>
GROSS PROFIT	10,219,201	9	16,686,928	10
OPERATING EXPENSES (Notes 4, 25 and 27)	<u>8,034,785</u>	<u>7</u>	<u>14,021,107</u>	<u>8</u>
OPERATING PROFIT	<u>2,184,416</u>	<u>2</u>	<u>2,665,821</u>	<u>2</u>
NON-OPERATING INCOME AND LOSS				
Other income (Notes 4, 8 and 27)	686,574	1	718,988	-
Other gains and losses (Notes 12, 14, 15, 27 and 31)	(265,990)	-	(473,812)	-
Finance costs (Notes 27 and 32)	(3,057,963)	(3)	(3,340,119)	(2)
Share of the profit of associates and joint ventures (Note 14)	(200,834)	-	332,305	-
Total non-operating income and loss	<u>(2,838,213)</u>	<u>(2)</u>	<u>(2,762,638)</u>	<u>(2)</u>
PRETAX LOSS	(653,797)	-	(96,817)	-
INCOME TAX (BENEFIT) EXPENSE (Notes 4, 5 and 28)	<u>373,983</u>	<u>-</u>	<u>(578,185)</u>	<u>-</u>
NET (LOSS) INCOME	<u>(279,814)</u>	<u>-</u>	<u>(675,002)</u>	<u>-</u>
Other comprehensive gain for the year, net of income tax				
Items that will not be reclassified subsequently to profit or loss:				
(Loss) gain on hedging instruments subject to basis adjustment (Notes 4, 26 and 32)	(474,202)	(1)	(17,705)	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income (Note 8)	(45,588)	-	79,392	-
Remeasurement of defined benefit plans (Notes 4 and 25)	(399,150)	-	(781,793)	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	34,271	-	(32,102)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>144,158</u>	<u>-</u>	<u>145,166</u>	<u>-</u>
	<u>(740,511)</u>	<u>(1)</u>	<u>(607,042)</u>	<u>-</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2020		2019	
	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)	\$ (97,948)	-	\$ (72,952)	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 32)	2,103,332	2	1,411,623	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>(400,801)</u>	<u>-</u>	<u>(268,871)</u>	<u>-</u>
	<u>1,604,583</u>	<u>2</u>	<u>1,069,800</u>	<u>-</u>
Other comprehensive gain (loss) for the year, net of income tax	864,072	1	462,758	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 584,258</u>	<u>1</u>	<u>\$ (212,244)</u>	<u>-</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	\$ 140,000	-	\$ (1,199,798)	(1)
Non-controlling interests	<u>(419,814)</u>	<u>-</u>	<u>524,796</u>	<u>1</u>
	<u>\$ (279,814)</u>	<u>-</u>	<u>\$ (675,002)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ 966,968	1	\$ (647,085)	-
Non-controlling interests	<u>(382,710)</u>	<u>-</u>	<u>434,841</u>	<u>-</u>
	<u>\$ 584,258</u>	<u>1</u>	<u>\$ (212,244)</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ 0.03</u>		<u>\$ (0.22)</u>	
Diluted	<u>\$ 0.03</u>		<u>\$ (0.22)</u>	

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company										Non-Controlling Interests	Total Equity		
	Share Capital	Capital Surplus	Legal Reserve	Retained Earnings		Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of Financial Statements of Foreign	Other Equity					Treasury Shares Held by Subsidiaries	Total
				Special Reserve	Unrealized Gain on Financial Asset at Fair Value Through Other Comprehensive Income			Gain (Loss) on Hedging Instruments	Total					
BALANCE AT JANUARY 1, 2019	\$ 54,209,846	\$ 1,241,214	\$ 351,923	\$ 118,810	\$ 1,144,928	\$ (9,664)	\$ 42,619	\$ 25,268	\$ (43,372)	\$ 57,081,572	\$ 2,965,512	\$ 60,047,084		
Basis adjustment to loss on hedging instruments	-	-	-	-	-	-	-	(603)	-	(603)	-	(603)		
Appropriation of 2018 earnings	-	-	114,493	-	(114,493)	-	-	-	-	-	-	-		
Legal reserve	-	-	-	(105,843)	105,843	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	(1,136,278)	-	-	-	-	(1,136,278)	-	(1,136,278)		
Cash dividends - \$0.20960737 per share	-	-	-	-	-	-	-	-	-	-	-	-		
Changes in capital surplus from dividends distributed to subsidiaries	-	606	-	-	-	-	-	-	-	606	-	606		
Actual disposal of interests in subsidiaries	-	1,247,087	-	-	-	-	-	-	-	1,247,087	7,546	1,254,633		
Net profit (loss) for the year ended December 31, 2019	-	-	-	-	(1,199,798)	-	-	-	-	(1,199,798)	524,796	(675,002)		
Other comprehensive income (loss) for the year ended December 31, 2019 net of income tax	-	-	-	-	(577,427)	(53,411)	64,538	1,119,013	-	552,713	(89,955)	462,758		
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(1,777,225)	(53,411)	64,538	1,119,013	-	(647,085)	434,841	(212,244)		
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	611,841	611,841		
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(416,438)	(416,438)		
Loss of control of subsidiaries	-	-	-	-	-	8,368	105	-	-	8,473	(24,957)	(16,484)		
BALANCE AT DECEMBER 31, 2019	54,209,846	2,488,907	466,416	12,967	(1,777,225)	(54,707)	107,262	1,143,678	(43,372)	56,553,772	3,578,345	60,132,117		
Issuance of employee share options by subsidiaries	-	172	-	-	-	-	-	-	-	172	52	224		
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(169,272)	-	-	-	-	(169,272)	331,427	162,155		
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	200,989	-	200,989	-	200,989		
Appropriation of 2019 earnings	-	-	(466,416)	-	466,416	-	-	-	-	-	-	-		
Legal reserve	-	-	-	(12,967)	12,967	-	-	-	-	-	-	-		
Special reserve	-	-	-	-	1,297,843	-	-	-	-	-	-	-		
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	-	-	-	-	-	-	-	-		
Net profit (loss) for the year ended December 31, 2020	-	-	-	-	140,000	-	-	-	-	140,000	(419,814)	(279,814)		
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(319,576)	(79,545)	(35,903)	1,261,992	-	826,968	37,104	864,072		
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(179,576)	(79,545)	(35,903)	1,261,992	-	966,968	(382,710)	584,258		
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	12,497	6,854	-	6,854		
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(375,024)	(375,024)		
BALANCE AT DECEMBER 31, 2020	\$ 54,209,846	\$ 1,187,327	\$ -	\$ -	\$ (350,581)	\$ (134,232)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	\$ 3,152,090	\$ 60,711,573		

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (653,797)	\$ (96,817)
Adjustments for operating activities:		
Depreciation expense	31,167,247	32,601,400
Amortization expense	206,936	198,237
Expected credit loss recognized on trade receivables	4,895	24,096
Net gain on fair value changes of financial assets and liabilities held for trading	(2,287)	(27,580)
Interest income	(282,506)	(417,446)
Dividend income	(23,043)	(21,422)
Share of loss (profit) of associates and joint ventures	200,834	(332,305)
Gain on disposal of property, plant and equipment	(13,347)	(32,460)
Gain on disposal of investments accounted for using the equity method	-	(7,656)
Loss on disposal of non-current assets held for sale	-	10,462
Impairment loss recognized on property, plant, equipment	424,573	-
Loss on inventories and property, plant and equipment	471,507	572,026
Net gain on foreign currency exchange	(1,338,716)	(59,987)
Compensation costs of employee share options	224	-
Finance costs	3,057,963	3,340,119
Impairment loss of investments accounted for using the equity method	46,757	-
Recognition of provisions	6,075,077	4,608,924
Amortization of unrealized sale-leasebacks	-	103,775
Others	(2,435)	(1,484)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	241,592	(278,741)
Financial liabilities mandatorily classified as at fair value through profit or loss	(11,749)	11,528
Notes and accounts receivable	(1,073,959)	1,564,298
Accounts receivable - related parties	593,365	66,538
Other receivables	(85,263)	(49,138)
Inventories	(83,341)	(118,317)
Other current assets	1,830,887	548,156
Notes and accounts payable	(628,780)	(14,326)
Accounts payable - related parties	(1,043,501)	(224,931)
Other payables	(4,295,509)	(832,288)
Contract liabilities	(17,966,621)	1,847,286
Provisions	(1,308,170)	(2,799,314)
Other current liabilities	(2,620,022)	202,815
Accrued pension liabilities	(97,570)	(149,678)
Other liabilities	(17,082)	(5,155)
Cash generated from operations	12,774,159	40,230,615
Interest received	304,642	401,190

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	2020	2019
Dividends received	\$ 32,433	\$ 355,311
Interest paid	(3,209,074)	(3,124,960)
Income tax paid	(178,685)	(335,544)
Net cash generated from operating activities	9,723,475	37,526,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(6,235,773)	(2,089,871)
Disposal of financial assets at amortized cost	1,934,516	3,447,202
Payments to acquire financial assets for hedging	(10,269,055)	-
Disposal of financial assets for hedging	2,363,897	-
Proceeds from disposal of non-current assets held for sale	-	35,692
Payments for property, plant and equipment	(1,237,515)	(3,316,078)
Proceeds from disposal of property, plant and equipment	45,620	71,194
Increase in refundable deposits	(63,005)	(440,443)
Decrease in refundable deposits	122,324	218,547
Increase in prepayments for equipment	(11,407,502)	(15,658,898)
(Increase) decrease in computer software costs	(130,461)	(172,639)
Decrease in restricted assets	(171,219)	38,636
Proceeds from disposal of associates accounted for using the equity method	-	1,866,474
Proceeds from acquisition of joint ventures accounted for using the equity method	-	(35,525)
Net cash outflow on disposal of subsidiaries (Note 31)	-	(17,413)
Net cash used in investing activities	(25,048,173)	(16,053,122)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term debts	1,552,000	380,000
Increase in short-term bill payable	8,088,882	-
Proceeds from issuance of bonds payable	-	3,500,000
Repayments of bonds payable	(9,850,000)	(4,445,900)
Proceeds from long-term debts	45,605,919	9,078,690
Repayments of long-term debts	(20,746,998)	(17,819,750)
Repayments of the principal portion of lease liabilities	(10,583,872)	(11,692,310)
Proceeds from guarantee deposits received	165,404	180,360
Refunds of guarantee deposits received	(156,143)	(149,198)
Proceeds from sale - leasebacks	-	4,905,660
Dividends paid to owners of the Company	-	(1,135,672)
Issuance of ordinary shares of subsidiaries	162,155	-
Cash dividends paid to non-controlling interests	(375,024)	(416,438)
Proceeds from disposal of treasury shares	6,854	-
Net cash generated from (used in) financing activities	13,869,177	(17,614,558)

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ 121,930	\$ (336,941)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,333,591)	3,521,991
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>28,459,528</u>	<u>24,937,537</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 27,125,937</u>	<u>\$ 28,459,528</u>

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2020 and 2019, CADF and NDF jointly held 44.03% 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 March 18, 2021.

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)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group's accounting policies:

Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	January 1, 2021

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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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 to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

The application of new IFRSs in issue but not yet endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies. 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. SIGNIFICANT ACCOUNTING POLICIES

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 IFRSs as endorsed and issued into effect by the FSC.

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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 inputs are unobservable inputs for an asset or liability.

Current and Non-current Assets and Liabilities

Current assets include:

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

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

- c. Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Foreign Currencies

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

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

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

Business Combinations

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in an acquiree is remeasured to fair value at the acquisition date, and the resulting is recognized in profit or loss or other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if those interests were directly disposed of by the Group.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

Inventories

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

Non-current Assets Held for Sale

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

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Investments in Associates and Joint Ventures

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

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

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

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

When the Group subscribes for additional new shares of an associate and joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's ownership interest is reduced due to the subscription of additional new shares of the associate and joint venture, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Property, Plant and Equipment

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

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

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

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

Depreciation is recognized using the straight-line method. The estimated useful lives and residual values are reviewed at the end of each reporting period.

Any gain or loss arising on the derecognition of investment properties is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Group uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 33.

b) Financial assets at amortized cost

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

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

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

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

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

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

3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by the entity in the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

d. Convertible bonds

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

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

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

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

e. Derivative financial instruments

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

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

Hedge Accounting

The Group enters into some derivative transactions that aim to manage interest rates, foreign exchange rates, fuel prices, and other factors affecting gains or losses on assets and liabilities. The hedging transactions are defined as cash flow hedges. When entering into hedging transactions, the Group has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

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

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

Starting from 2018, the Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period in which the hedge was effective remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation as of the balance sheet date. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Aircraft lease contracts

When an aircraft lease contracts expires and the leased item will be returned to the lessor, the Group will assess if there are existing obligations exist and if it is required to recognize a provision when signing the lease contract.

Revenue Recognition

When applying IFRS 15 during 2018, the Group recognizes revenue by applying the following steps:

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

Shipping service revenue

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

Leasing

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

The Group as Lessee

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

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit in the Group's defined benefit plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets which are substantially ready for their intended use or sale through a fairly long period) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

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

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

Frequent Flyer Programs

The Company has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards and operates a "Tigerclub Member Privilege Program" to provide members with accumulated ticket reward bonuses, which can be used to offset the payments for airfare, luggage fees, priority check-ins, and ordering of meals in flight cabins. A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Company should recognize this deferred revenue as revenue only when the Company has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the granted share options are vested immediately.

Taxation

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

a. Current tax

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of these earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred taxes for the year

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

Maintenance and Overhaul Costs

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

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

Defined Benefit Obligations

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

6. CASH AND CASH EQUIVALENTS

	December 31	2019
	2020	
Cash on hand and revolving funds	\$ 333,677	\$ 483,951
Checking accounts and demand deposits	17,690,186	7,206,938
Cash equivalents	6,980,493	16,565,821
Time deposits with original maturities of less than three months	<u>2,121,581</u>	<u>4,202,818</u>
Repurchase agreements collateralized by bonds	<u>\$ 27,125,937</u>	<u>\$ 28,459,528</u>

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

	December 31	2019
	2020	
Bank balance	0%-1.9%	0%-1.9%
Time deposits with original maturities of less than three months	0.24%-2.20%	0.59%-3.55%
Repurchase agreements collateralized by bonds	0.22%-0.55%	0.47%-0.7%

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
December 31, 2020	2021.1.4-2021.11.1	Financial assets for hedging - current	\$ 7,613,636

Impact on comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the year ended December 31, 2020	\$ (372,632)

The amount of hedging instrument settlements recognized as prepayments for equipment in 2020 was \$81,111 thousand.

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

	December 31	2019
	2020	
Financial assets - current		
Financial assets mandatorily classified at FVTPL		
Derivative financial instruments (not under hedge accounting)	\$ -	\$ 434
Foreign exchange forward contracts	<u>274,761</u>	<u>511,758</u>
Non-derivative financial assets		
Beneficiary certificates	<u>\$ 274,761</u>	<u>\$ 512,192</u>
Financial liabilities - current		
Derivative financial instruments (not under hedge accounting) - Foreign exchange forward contracts	\$ -	\$ 1,749

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)	
			December 31, 2019	December 31, 2020
Buy forward contracts	NTD/USD	2020.01.15-2020.07.31	NTD570,571/USD19,000	

8. FINANCIAL ASSETS AT FVTOCI

Investments in Equity Instruments

	December 31	
	2020	2019
<u>Non-current</u>		
Foreign investments		
Unlisted shares	\$ 134,042	\$ 182,356
Domestic investments		
Unlisted shares	29,704	26,865
	<u>\$ 163,746</u>	<u>\$ 209,221</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes 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

	December 31	
	2020	2019
<u>Current</u>		
Time deposits with original maturities of more than 3 months	<u>\$ 6,551,693</u>	<u>\$ 2,355,095</u>
<u>Non-current</u>		
Time deposits with original maturities of more than 1 year	<u>\$ 311,596</u>	<u>\$ 105,586</u>

The interest rates for time deposits with original maturities of more than 3 months were 0.21%-1.90% and 0.60%-1.30% as of December 31, 2020 and 2019, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2020	2019
<u>Notes receivable</u>	<u>\$ 655</u>	<u>\$ 299,245</u>
<u>Accounts receivable</u>		
Accounts receivable	9,903,008	8,440,254
Less: Allowance for impairment loss	<u>(206,152)</u>	<u>(218,665)</u>
	<u>9,696,856</u>	<u>8,221,589</u>
	<u>\$ 9,697,511</u>	<u>\$ 8,520,834</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 trade receivables. The expected credit losses on trade receivables 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 a trade 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 receivables which are due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2020	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
	\$ 9,304,785	\$ 256,178	\$ 134,111	\$ 5,513	\$ 202,421	\$ 9,903,008
	(13,392)	(470)	(1,608)	(2,965)	(187,718)	(206,152)
	<u>\$ 9,291,393</u>	<u>\$ 255,708</u>	<u>\$ 132,503</u>	<u>\$ 2,548</u>	<u>\$ 14,703</u>	<u>\$ 9,696,856</u>

Amortized cost

December 31, 2019

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.12%	0.15%	6.16%	15.25%	97.18%	
Gross carrying amount	\$ 6,705,662	\$ 1,332,640	\$ 97,700	\$ 113,716	\$ 190,536	\$ 8,440,254
Loss allowance (lifetime ECLs)	<u>(8,123)</u>	<u>(2,019)</u>	<u>(6,021)</u>	<u>(17,340)</u>	<u>(185,162)</u>	<u>(218,665)</u>
Amortized cost	<u>\$ 6,697,539</u>	<u>\$ 1,330,621</u>	<u>\$ 91,679</u>	<u>\$ 96,376</u>	<u>\$ 5,374</u>	<u>\$ 8,221,589</u>

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

	For the Year Ended December 31	
	2020	2019
Balance at January 1		\$ 227,306
Add: Net remeasurement of loss allowance	\$ 218,665	\$ 24,096
Less: Amounts written off	4,895	(32,717)
Foreign exchange gains and losses	(17,398)	(3)
Loss of control of subsidiaries	(10)	(17)
	(-)	(17)
Balance at December 31	<u>\$ 206,152</u>	<u>\$ 218,665</u>

11. INVENTORIES

	December 31	
	2020	2019
Aircraft spare parts	\$ 7,898,482	\$ 7,578,125
Items for in-flight sale	627,437	571,601
Work in process - maintenance services	214,362	283,933
Others	<u>47,824</u>	<u>36,454</u>
	<u>\$ 8,788,105</u>	<u>\$ 8,470,113</u>

The operating costs recognized for the years ended December 31, 2020 and 2019 included losses from inventory write-downs of \$190,548 thousand and \$327,919 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2020	2019
Long-term equity investments held for sale - Asian Compressor Technology Services	<u>\$ 89,296</u>	<u>\$ -</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original book value which was higher than the expected sale price and which was recognized as an impairment loss. However, the actual loss shall be identified by the actual sale price.

The Company completed the disposal procedures of some aircraft and recognized a loss on disposal of \$10,462 thousand in 2019. The fair value was determined by transactions of the related market, and the proposed sale price was based on the current status of the aircraft. The fair value is classified as Level 3.

13. SUBSIDIARIES

Subsidiary included in the consolidated financial statements:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)	
			December 31, 2020	2019
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	81	77
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100
	CAL-Dynasty International	A holding company, real estate and hotel services	100	100
	CAL-Asia Investment	General investment	100	100
	Dynasty Aerolech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100
	Yestrip	Travel business	100	100
	Cal Park	Real estate lease and international trade	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	94	94
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54
	Taoyuan International Airport Services	Airport services	49	49
	Taiwan Airport Services (Note)	Airport services	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100

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

Except that the Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express, the others are investees that the Company had more than 50% of their voting shares. The above financial information of the subsidiaries for the years ended December 31, 2020 and 2019 was reported according to financial reports that were not reviewed by independent auditors.

In order to prepare for the listing of Tigerair Taiwan Co., Ltd. and comply with the rules relating to the examination for public listing, the release of the shares of Tigerair Taiwan Co., Ltd. held by the Company and Mandarin Airlines was resolved in the shareholders' meeting of the Company on June 25, 2019, and in the shareholders' meeting of Mandarin Airlines on June 27, 2019. The shares shall be subscribed by all shareholders of the Company and Mandarin Airlines on the basis of the percentage of shareholdings. For the waiver of subscribed shares by the original shareholders or the undersubscribed portion, the chairman was authorized to designate specific persons for subscription. The subscription price was set at \$41 per share. In October and December 2019, the shares were fully paid and were completely delivered and transferred. A total of 45,661,000 shares were disposed of, and the Group's issued share capital decreased to 77%. The amount of proceeds from disposal was \$1,866,474 thousand, and the related gain on disposal was \$1,254,633 thousand and recognized as capital surplus.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd., the board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 6, 2020. The Company subscribed for 47,228 thousand shares in October 2020 and 26,286 thousand shares in November 2020. The proportion of ownership of the Group increased to 81%. Because the shares are subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$169,272 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	2019
Investments in associates	\$ 1,079,852	\$ 1,208,495
Investments in jointly controlled entities	<u>890,950</u>	<u>1,015,298</u>
	<u>\$ 1,970,802</u>	<u>\$ 2,223,793</u>

	December 31	2019
<u>Unlisted companies</u>		
China Aircraft Services	\$ 277,234	\$ 461,263
Dynasty Holidays	5,237	10,004
Airport Air Cargo Terminal (Xiamen)	476,219	446,161
Airport Air Cargo Service (Xiamen)	270,046	248,350
Eastern United International Logistics (Holdings) Ltd.	<u>51,116</u>	<u>42,717</u>
	<u>\$ 1,079,852</u>	<u>\$ 1,208,495</u>

a. The amount of investment in associates were as follows:

The investment income of associates accounted for using the equity method was as follows:

	2020	2019
China Aircraft Services	\$ (102,758)	\$ 10,365
Dynasty Holidays	(4,740)	15
Airport air Cargo Terminal (Xiamen)	25,578	21,535
Airport air Cargo Service (Xiamen)	19,124	25,146
Eastern United International Logistics (Holdings) Ltd.	<u>13,940</u>	<u>3,387</u>
	<u>\$ (48,856)</u>	<u>\$ 60,448</u>

Other comprehensive income of associates accounted for using the equity method in 2020 and 2019 comprised of losses in the amount of \$0.

The financial statements used as a basis of the amounts and related information on the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were all independently audited, except those of China Aircraft Services and Eastern United International Logistics (Holding) Ltd. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

The board of directors of the Company decided to sell part of the equity of Dynasty Holidays to H.I.S. Taiwan Co., Ltd. on January 21, 2019, and completed the transaction on January 31, 2019. After the sale of the equity, the Group's issued share capital decreased from 51% to 20%. Dynasty Holidays was classified as an associate since the Group lost control of the subsidiary. Therefore, the relevant assets and liabilities were not consolidated in the current period, and only the profit and loss from January 1, 2019 to January 31, 2019 were consolidated. For information about the disposal of the subsidiary, please refer to Note 30.

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	December 31	2019
China Pacific Catering Services	\$ 695,959	\$ 801,071
China Pacific Laundry Services	149,353	168,547
NORDAM Asia Ltd.	37,767	37,813
Delica International Co., Ltd.	<u>7,871</u>	<u>7,867</u>
	<u>\$ 890,950</u>	<u>\$ 1,015,298</u>

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

	Proportion of Ownership and Voting Rights	
	December 31	2019
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia Ltd.	49%	49%
Delica International Co., Ltd.	51%	51%

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

	Proportion of Ownership and Voting Rights	
	December 31	2019
China Aircraft Services	20%	20%
Dynasty Holidays	20%	20%
Airport air Cargo Terminal (Xiamen)	28%	28%
Airport air Cargo Service (Xiamen)	28%	28%
Eastern United International Logistics (Holdings) Ltd.	35%	35%

15. PROPERTY, PLANT AND EQUIPMENT

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 parties have the majority of voting power in the board of directors to pass a motion for veto, and therefore the Group does not have control.

To enhance the Group's maintenance capabilities, the Company established a joint venture with the US NORDAM Aerospace Group in December 2017, to provide thrust reversers and composite repair services in Asia under the NORDAM brand. NORDAM has filed for Chapter 11 bankruptcy reorganization in the USA on July 22, 2018 to solve the business dispute with its cooperative partner, so its operation was not impacted. As a result, NORDAM Asia suspended its operation from October 5, 2018 to October 4, 2019 and resumed business on October 4, 2019. The Company increased the capital of NORDAM Asia by \$35,525 thousand in November 2019.

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.

Details of investment income attributable to investment in jointly controlled entities were as follows:

	2020	2019
China Pacific Catering Services	\$ (136,459)	\$ 256,899
China Pacific Laundry Services	(15,475)	15,030
NORDAM Asia Ltd.	(46)	(70)
Delica International Co., Ltd.	<u>2</u>	<u>(2)</u>
	<u>\$ (151,978)</u>	<u>\$ 271,857</u>

Other comprehensive income of associates accounted for using the equity method in 2020 and 2019 comprised of losses in the amounts of \$34,271 thousand and \$(32,102) thousand, respectively.

The financial statements used as a basis of the amounts and related information on the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were all independently audited, except for NORDAM Asia Limited. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

For details on services, major business offices and the country where the above associates and jointly controlled entities are registered, refer to Table 6 "Names, Locations, And Other Information of Investees Over Which the Company Exercises Significant Influence", and Table 7 "Investments In Mainland China", following these notes to the consolidated financial statements.

Cost	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
Balance at January 1,						
2019	\$ 1,015,564	\$ 13,993,585	\$ 259,695,130	\$ 25,805,008	\$ 17,917,780	\$ 318,427,067
Additions	-	209,413	2,248,856	-	864,223	3,322,492
Disposals	-	(1,130)	(20,698,042)	-	(393,058)	(21,760,951)
Reclassification	-	1,906,078	30,831,748	(25,131,813)	(1,537,494)	6,068,519
Net exchange difference	(13,065)	(23,883)	-	-	(2,458)	(39,406)
Loss of control of subsidiaries	-	-	-	(4,474)	(2,158)	(6,632)
Balance at December 31,	<u>\$ 1,002,499</u>	<u>\$ 16,084,063</u>	<u>\$ 272,077,692</u>	<u>\$ -</u>	<u>\$ 16,846,835</u>	<u>\$ 306,011,089</u>
Accumulated depreciation and impairment						
Balance at January 1,						
2019	-	\$ (6,574,873)	\$ (123,507,657)	\$ (14,634,822)	\$ (10,601,997)	\$ (155,319,349)
Depreciation expense	-	(466,943)	(18,571,992)	(741,832)	(921,246)	(20,702,033)
Disposals	-	1,014	14,899,562	79,866	355,222	15,335,664
Reclassification	-	-	(14,706,083)	15,294,696	(45,103)	543,510
Net exchange difference	-	12,262	-	-	1,989	14,251
Loss of control of subsidiaries	-	-	-	2,112	-1,727	3,839
Balance at December 31,	<u>\$ -</u>	<u>\$ (7,028,540)</u>	<u>\$ (141,886,170)</u>	<u>\$ -</u>	<u>\$ (11,209,408)</u>	<u>\$ (160,124,118)</u>
Balance at December 31,	<u>\$ 1,002,499</u>	<u>\$ 9,055,523</u>	<u>\$ 130,191,522</u>	<u>\$ -</u>	<u>\$ 5,637,427</u>	<u>\$ 145,886,971</u>
2019, net value						
Cost						
Balance at January 1,						
2020	\$ 1,002,499	\$ 16,084,063	\$ 272,077,692	\$ -	\$ 16,846,835	\$ 306,011,089
Additions	-	48,809	653,519	-	535,187	1,237,515
Disposals	(18,026)	(375,083)	(3,724,658)	-	(387,858)	(4,505,625)
Reclassification	-	304	13,000,382	-	70,081	13,070,967
Net exchange difference	(28,650)	(52,458)	-	-	(5,597)	(86,705)
Balance at December 31,	<u>\$ 955,823</u>	<u>\$ 15,705,635</u>	<u>\$ 282,007,135</u>	<u>\$ -</u>	<u>\$ 17,058,648</u>	<u>\$ 315,727,241</u>
2020						
Accumulated depreciation and impairment						
Balance at January 1,						
2020	-	\$ (7,028,540)	\$ (141,886,170)	-	\$ (11,209,408)	\$ (160,124,118)
Depreciation expense	-	(492,734)	(18,007,550)	-	(925,138)	(19,425,422)
Disposals	-	371,933	3,452,870	-	381,037	4,205,840
Reclassification	-	-	1,489,158	-	1,348	1,490,506
Net exchange difference	-	27,704	-	-	4,516	32,220
Impairment losses	-	-	(424,573)	-	-	(424,573)
Balance at December 31,	<u>\$ -</u>	<u>\$ (7,121,637)</u>	<u>\$ (155,376,265)</u>	<u>\$ -</u>	<u>\$ (11,747,645)</u>	<u>\$ (174,245,547)</u>
2020						
Balance at December 31,	<u>\$ 955,823</u>	<u>\$ 8,583,998</u>	<u>\$ 126,630,870</u>	<u>\$ -</u>	<u>\$ 5,311,003</u>	<u>\$ 141,481,694</u>
2020, net value						

The reclassification mostly 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:

Building	45-55 years
Main buildings	10-25 years
Others	25 years
Machinery and equipment	3-13 years
Electro-mechanical equipment	3-15 years
Others	5 years
Office equipment	3-5 years
Leasehold improvements	3-5 years
Building improvements	15-25 years
Others	7-20 years
Assets leased to others	10-20 years
Flight equipment and equipment under finance leases	6-8 years
Airframes	3-10 years
Aircraft cabins	7-12 years
Engines	3-15 years
Heavy maintenance on aircraft	5-12 years
Engine overhauls	
Landing gear overhauls	
Repairable spare parts	
Leased aircraft improvements	

Regarding changes in fleet composition, current and forecasted market value, and other technical factors, the Company recognized impairment losses on aircraft equipment of \$424,573 thousand in 2020. The fair value was determined based on aircraft conditions and market estimates.

Refer to Note 34 for the carrying amounts of property, plant and equipment 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.

The Group generated the following non-cash investment activities related to the purchase of property, plant and equipment in 2020 and 2019:

	December 31	2019
	2020	2019
Increase in property, plant and equipment	\$ 1,237,515	\$ 3,322,492
Capitalized interest paid	-	(6,414)
Purchase of property, plant and equipment paid	<u>\$ 1,237,515</u>	<u>\$ 3,316,078</u>

	December 31	2019
	2020	2019
Carrying amount	<u>\$ 2,074,798</u>	<u>\$ 2,075,068</u>
Investment properties		

16. INVESTMENT PROPERTIES

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 value of the investment properties held by the Group was \$2,488,931 thousand and \$2,506,230 thousand as of December 31, 2020 and 2019, respectively. In addition, management assessed that there was no significant difference in the fair value as of December 31, 2020 and 2019. The above fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

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

	Cost	Accumulated	Net Value
Balance at January 1, 2019	\$ 2,082,390	\$ (7,045)	\$ 2,075,345
Depreciation expense	-	(277)	(277)
Balance at December 31, 2019	<u>\$ 2,082,390</u>	<u>\$ (7,322)</u>	<u>\$ 2,075,068</u>
Balance at January 1, 2020	\$ 2,082,390	\$ (7,322)	\$ 2,075,068
Depreciation expense	-	(270)	(270)
Balance at December 31, 2020	<u>\$ 2,082,390</u>	<u>\$ (7,592)</u>	<u>\$ 2,074,798</u>

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Relationship Between Clients	Accumulated Amortization	Net Value
Balance at January 1, 2019	\$ 2,237,382	\$ 186,197	\$ (1,212,783)	\$ 1,210,796
Additions	172,639	-	-	172,639
Amortization expenses	-	-	(198,237)	(198,237)
Disposal of subsidiaries	(3,858)	-	1,357	(2,501)
Effects of exchange rate changes	-	-	(5)	(5)
Balance at December 31, 2019	<u>\$ 2,406,163</u>	<u>\$ 186,197</u>	<u>\$ (1,409,668)</u>	<u>\$ 1,182,692</u>
Balance at January 1, 2020	\$ 2,406,163	\$ 186,197	\$ (1,409,668)	\$ 1,182,692
Additions	130,461	-	-	130,461
Reclassification	(765,426)	-	735,881	(29,545)
Amortization expenses	-	-	(206,936)	(206,936)
Disposal	(7,554)	-	7,243	(311)
Effects of exchange rate changes	-	-	(10)	(10)
Balance at December 31, 2020	<u>\$ 1,763,644</u>	<u>\$ 186,197</u>	<u>\$ (873,490)</u>	<u>\$ 1,076,351</u>

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

18. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Temporary payments	\$ 136,681	\$ 296,759
Prepayments	348,554	1,690,368
Restricted assets	11,065	14,618
Others	<u>364,879</u>	<u>653,966</u>
	<u>\$ 861,179</u>	<u>\$ 2,655,711</u>
<u>Non-current</u>		
Prepayments for aircraft	\$ 5,725,340	\$ 8,863,861
Prepayments - long-term	2,216,049	2,819,575
Refundable deposits	1,138,943	1,261,611
Restricted assets	240,467	64,213
Other financial assets	18,078	19,103
Others	<u>14,015</u>	<u>142,700</u>
	<u>\$ 9,352,892</u>	<u>\$ 13,171,063</u>

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of ATR72-600, A321neo, A320neo and B777F aircraft. For details on the aircraft purchase contracts, refer to Note 35.

19. BORROWINGS

a. Short-term loans

	December 31	
	2020	2019
Bank loans - unsecured	<u>\$ 1,932,000</u>	<u>\$ 380,000</u>
Interest rates	0.92%-1.28%	0.95%-1.07%
a. Short-term bills payable		
Commercial paper	\$ 8,100,000	\$ -
Less: Unamortized discount on bills payable	(11,118)	-
	<u>\$ 8,088,882</u>	<u>\$ -</u>
Annual discount rate	0.99%-1.00%	-

b. Long-term borrowings

	December 31	
	2020	2019
Unsecured bank loans	\$ 23,470,696	\$ 1,929,827
Secured bank loans	39,584,540	34,064,099
Commercial paper	29,490,000	31,730,000
Proceeds from issue	<u>22,532</u>	<u>60,143</u>
Less: Unamortized discount	<u>92,522,704</u>	<u>67,663,783</u>
	<u>15,234,374</u>	<u>14,148,892</u>
Less: Current portion	<u>\$ 77,288,330</u>	<u>\$ 53,514,891</u>
Interest rates	0.81%-1.63%	0.55%-1.73%

For information on secured bank loans which were secured by buildings, machinery equipment and flight equipment, refer to Note 34.

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

	December 31	
	2020	2019
Periods	2009.2.4- 2032.6.30	2008.2.26- 2030.4.25

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until March 2025, were used by the Group to guarantee commercial papers issued. As of December 31, 2020 and 2019, the commercial papers were issued at discount rates of 1.0263%-1.1629% and 1.1300%-1.3380%, respectively.

In accordance with the "Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens" endorsed by the Ministry of Transportation and Communications and the "Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens", the Company applied for project finance loans from financial institutions to maintain its operations; and special funds, credit guarantees along with subsidized interest rates were provided by the government. The total amount of the loans is \$24,390,000 thousand, which shall be repaid within 2 years from the date of initial drawdown. As of December 31, 2020, the Company had made a drawdown in the amount of \$23,480,000 thousand.

20. BONDS PAYABLE

	December 31	
	2020	2019
Unsecured corporate bonds first-time issued in 2013	\$ -	\$ 2,750,000
Unsecured corporate bonds first-time issued in 2016	2,350,000	4,700,000
Unsecured corporate bonds second-time issued in 2016	2,500,000	5,000,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	2,350,000
Unsecured corporate bonds second-time issued in 2017	2,600,000	3,500,000
Unsecured corporate bonds first-time issued in 2018	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000
Convertible bonds - sixth-time issued	<u>5,832,859</u>	<u>5,752,625</u>
Less: Current portion and put option of convertible bonds	<u>22,282,859</u>	<u>32,052,625</u>
	<u>11,982,859</u>	<u>10,000,000</u>
	<u>\$ 10,300,000</u>	<u>\$ 22,052,625</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in January 2013; repayable in January 2019 and 2020; 1.85% interest p.a., payable annually.	2013.01.17-2020.01.17	Principal repayable in January of 2019 and 2020; indicator rate; payable annually.	1.85
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually.	2016.05.26-2021.05.26	Principal repayable in May of 2020 and 2021; interest p.a. 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.	2016.09.27-2021.09.27	Principal repayable in September of 2020 and 2021; interest p.a. 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.	2017.05.19-2020.05.19	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.	2017.05.19-2024.05.19	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 1.4% 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

(Continued)

Category	Period	Conditions	Rate (%)
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.45% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; 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 December 2013; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30-2023.01.30	Except for converting to share capital or buying back, principal repayable in December of 2023	-

(Concluded)

The Company issued its 2016 first unsecured corporate bonds with a face value of \$5,000,000 thousand, and the purchasers of the bonds included Mandarin Airlines Co., Ltd. and Sabre Travel Network (Taiwan) Co., Ltd., which had a face value of \$150,000 thousand, and the amount was eliminated in the consolidated financial statements.

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

- The holders may demand a lump-sum payment for the bonds upon maturity.
 - 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.
 - The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions.
 - Between January 26, 2014 and December 16, 2018 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to 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.
- 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
Equity component

\$ 6,012,000
(409,978)

Liability component at the date of issuance

\$ 5,602,022

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 7, 2019. The cumulative face value of the bonds shall not exceed \$3,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years. During the period of public offerings, the stock market and the domestic capital market were volatile due to Coronavirus Pneumonia and the changes in the share price of the Company were unfavorable to the seventh issue of the Company's unsecured convertible bonds. After comprehensive consideration, the issuance was suspended with the permission of the competent authority based on the best interest of the Company and the shareholders' equity.

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 6, 2020. The cumulative face value of the bonds shall not exceed \$6,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years.

21. LEASING

a. Right-of-use assets

	December 31	2019
Carrying amounts		
Land	\$ 7,813,335	\$ 8,153,382
Buildings	1,394,386	824,955
Flight equipment	50,644,652	62,052,701
Other equipment	9,164	2,579
	<u>\$ 59,861,537</u>	<u>\$ 71,033,617</u>
	For Year Ended December 31	2019
Additions to right-of-use assets	<u>\$ 2,463,869</u>	<u>\$ 5,863,625</u>
Depreciation for right-of-use assets		
Land	\$ 362,386	\$ 376,425
Buildings	335,553	798,933
Flight equipment	11,041,881	10,721,575
Other equipment	1,535	2,157
	<u>\$ 11,741,555</u>	<u>\$ 11,899,090</u>

b. Lease liabilities

	December 31	2019
Carrying amounts		
Current	<u>\$ 2,525,957</u>	<u>\$ 2,340,873</u>
Non-current	<u>\$ 13,279,792</u>	<u>\$ 15,801,724</u>

Range of discount rate for lease liabilities (include US lease hedging instruments):

	December 31	2019
Land	1.09%-1.80%	1.09%-1.65%
Buildings	0%-3.56%	0%-3.56%
Flight equipment	0.68%-3.34%	2.49%-3.34%
Other equipment	1.06%-1.50%	1.06%-1.50%

c. Financial liabilities under hedge accounting

The Group specifies a part of US lease contract as hedging instruments to avoid exchange rate fluctuations in passenger revenue, and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2020	2022.2.9-2028.5.15	Financial liabilities for hedging - current	\$ 8,120,445
December 31, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - non-current	32,455,333
December 31, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - current	8,577,482
December 31, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - non-current	42,420,205

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the year ended December 31, 2020	\$ 2,099,550	\$ 352,674
For the year ended December 31, 2019	1,457,058	(24,029)

d. As lessees, China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, fifteen A330-300 planes, fifteen 737-800 planes, ten A320-200 planes, five ERJ190 planes and three ARJ72-600 planes for operation, lease period are 6 to 12 years from February 2006 to May 2028. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

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

	December 31	2019
Refundable deposits	\$ 725,135	\$ 737,895
Credit guarantees	1,756,656	1,717,953

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 35. 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 will increase by \$885,657 thousand on December 31, 2020.

Taiwan Air Cargo Terminal Co. and CAA signed a BOT contract with a land lease agreement. For details, please refer to Note 35.

e. 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.

In October 2019, the Company signed a rental letter of intent for eight A321neo with CALC Lease Corporation, which is expected to be introduced in 2022.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental letter of intent for eight A321neo with ICBC Lease Corporation, which is expected to be introduced in 2021.

The Company also signed related aircraft purchase agreement, please refer to note 35 for details.

f. In order to revitalize assets and strengthen the financial structure, the Company sold five of its own A330-300 aircraft to Altavair L.P. in September 2019 through sale and leaseback arrangement for \$4,905,660 thousand. The lease term was 5 to 6 years and a loss of \$103,775 thousand was incurred. The lease agreement had no terms for lease renewal or offtake rights. The annual lease payments for each aircraft are from US\$5,389 thousand to US\$5,437 thousand.

g. Other lease information

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Short-term and low price lease payment	\$ 41,568	\$ 52,675
Total of lease cash outflow	<u>\$ (12,410,357)</u>	<u>\$ (13,884,367)</u>

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

22. OTHER PAYABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fuel costs	\$ 1,853,717	\$ 3,723,213
Ground service expenses	956,956	1,262,878
Repair expenses	366,589	1,208,875
Interest expense	120,550	219,660
Short-term employee benefits	1,948,982	2,040,718
Terminal surcharges	420,194	1,122,532
Commission expenses	184,363	509,520
Others	<u>2,454,906</u>	<u>3,100,576</u>
	<u>\$ 8,306,257</u>	<u>\$ 13,187,972</u>

23. CONTRACT LIABILITIES/DEFERRED REVENUE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Contract Liabilities</u>	<u>Contract Liabilities</u>
Frequent flyer programs	\$ 2,671,203	\$ 2,895,535
Advance ticket sales	2,659,093	20,401,549
Others	168	-
	<u>\$ 5,330,464</u>	<u>\$ 23,297,084</u>
Current	\$ 3,569,360	\$ 21,060,773
Non-current	<u>1,761,104</u>	<u>2,236,311</u>
	<u>\$ 5,330,464</u>	<u>\$ 23,297,084</u>

24. PROVISIONS

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Operating leases - aircraft	<u>\$ 14,534,286</u>	<u>\$ 10,371,857</u>
Current	\$ 164,800	\$ 360,393
Non-current	<u>14,369,486</u>	<u>10,011,464</u>
	<u>\$ 14,534,286</u>	<u>\$ 10,371,857</u>

	<u>Aircraft Lease Contract</u>	
Balance at January 1, 2019	\$ 8,794,539	
Additional provisions recognized	4,608,924	
Usage	(2,799,314)	
Effect of exchange rate changes	<u>(232,292)</u>	
Balance at December 31, 2019	<u>\$ 10,371,857</u>	

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1, 2020	\$ 10,371,857	
Additional provisions recognized	6,075,077	
Usage	(1,308,170)	
Effect of exchange rate changes	<u>(604,478)</u>	
Balance at December 31, 2020	<u>\$ 14,534,286</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 revolutions. 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 to the contract, Tigerair must pay maintenance reserves monthly according to the actual number of flight hours.

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Employees based in the United States and Japan of China Airlines Co., Ltd. and subsidiaries are members of the United States and Japan government retirement benefit plans. Subsidiaries should appropriate a specific portion to retirement benefit plans. The obligation to the government retirement benefit plans of China Airlines Co., Ltd. and subsidiaries is to appropriate a specific portion amount.

b. Defined benefit plans

The defined benefit plan adopted by the Company and in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and subsidiary contribute amounts equal to 2%-15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2020	2019
Present value of defined benefit obligation	\$ 18,793,509	\$ 18,457,304
Fair value of plan assets	<u>(9,055,768)</u>	<u>(9,022,269)</u>
Deficit (net defined benefit liabilities)	<u>\$ 9,737,741</u>	<u>\$ 9,435,035</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	\$ 17,464,856	\$ (8,661,474)	\$ 8,803,382
Current service cost	1,321,600	-	1,321,600
Net interest expense (income)	<u>161,808</u>	<u>(86,234)</u>	<u>75,574</u>
Recognized in profit or loss	<u>1,483,408</u>	<u>(86,234)</u>	<u>1,397,174</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (308,223)	\$ (308,223)
Actuarial (gain) loss - changes in demographic assumptions	15,959	-	15,959
Actuarial (gain) loss - changes in financial assumptions	440,374	-	440,374
Actuarial (gain) loss - experience adjustments	633,683	-	633,683
Recognized in other comprehensive income	<u>1,090,016</u>	<u>(308,223)</u>	<u>781,793</u>
Contributions from the employer	-	(1,418,970)	(1,418,970)
Benefits paid	(1,452,632)	1,452,632	-
Others	<u>(128,344)</u>	<u>(9,022,269)</u>	<u>(128,344)</u>
Balance at December 31, 2019	18,457,304	(9,022,269)	9,435,035
Current service cost	1,323,036	-	1,323,036
Net interest expense (income)	<u>126,390</u>	<u>(63,554)</u>	<u>62,836</u>
Recognized in profit or loss	<u>1,449,426</u>	<u>(63,554)</u>	<u>1,385,872</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(303,407)	(303,407)
Actuarial (gain) loss - changes in demographic assumptions	9,770	-	9,770
Actuarial (gain) loss - changes in financial assumptions	658,370	-	658,370
Actuarial (gain) loss - experience adjustments	34,417	-	34,417
Recognized in other comprehensive income	<u>702,557</u>	<u>(303,407)</u>	<u>399,150</u>
Contributions from the employer	-	(1,304,769)	(1,304,769)
Benefits paid	(1,638,230)	1,638,230	-
Others	<u>(177,547)</u>	<u>-</u>	<u>(177,547)</u>
Balance at December 31, 2020	<u>\$ 18,793,509</u>	<u>\$ (9,055,768)</u>	<u>\$ 9,737,741</u>

(Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

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

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

	December 31	
	2020	2019
Discount rate(s)	0.32%-0.80%	0.63%-1.10%
Expected rate(s) of salary increase	1.00%-2.50%	1.00%-2.50%

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

	December 31	
	2020	2019
Discount rate(s)		
0.25%/0.5% increase	\$ (438,527)	\$ (939,308)
0.25%/0.5% decrease	457,422	1,000,771
Expected rate(s) of salary increase		
0.5% increase	830,329	969,324
0.5% decrease	(772,927)	(927,180)

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

	December 31	
	2020	2019
The expected contributions to the plan for the next year	\$ 916,627	\$ 930,963
The average duration of the defined benefit obligation	8-11 years	8-11 years

26. EQUITY

a. Share capital

	December 31	
	2020	2019
Ordinary shares		
Numbers of authorized shares (in thousands)	7,000,000	7,000,000
Amount of authorized shares	\$ 70,000,000	\$ 70,000,000
Amount of issued shares	\$ 54,209,846	\$ 54,209,846

b. Capital surplus

	December 31	
	2020	2019
Issuance of convertible bonds in excess of par value and conversion premium	\$ 146,351	\$ 315,114
Dividend distributed to subsidiaries	-	3,909
Retirement of treasury shares	33,513	33,513
Expired employee share options	11,747	11,747
Long-term investments	119,134	118,962
Bonds payable equity component	409,978	409,978
Difference in sale price of shares of subsidiaries and book value	-	1,129,080
Others	466,604	466,604
	<u>\$ 1,187,327</u>	<u>\$ 2,488,907</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from issuance of ordinary shares and treasury share transactions) and the difference in sale price of shares of subsidiaries and book value may be used to offset deficits; in addition, 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 yearly basis).

The capital surplus from long-term investments, employee share options expired, dividends distributed to subsidiaries and retirement of treasury shares may not be used for any purpose. Besides, capital surplus from conversion of employee shares and convertible bonds payable 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 Group has no loss, according to laws and regulations, the Group 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 2019

On June 23, 2020, the board proposed to offset the accumulated deficit in 2019. The deficit included a net loss of \$1,199,798 thousand, negative adjustment of other retained earnings of \$577,427 thousand, the remaining amount of accumulated deficit was \$1,777,225 thousand.

The offsetting of deficit for 2019 is subject to the resolution of the shareholders in their meeting to be held on June 23, 2020.

2) Offsetting of deficit in 2020

On March 18, 2021, the board proposed to offset the accumulated deficit in 2020. The deficit included a net income of \$140,000 thousand and the beginning balance of undistributed retained earnings of \$0, negative adjustment of other retained earnings of \$490,581 thousand, the remaining amount of accumulated deficit was \$350,581 thousand and was offset by capital reserve of \$350,581 thousand.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2019	\$ (9,664)	\$ 42,619	\$ 25,268	\$ 58,223
Exchange differences on translation of the financial statements of foreign operations	(65,246)	-	-	(65,246)
Cumulative loss on changes in fair value of hedging instruments	-	-	1,378,603	1,378,603
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	20,014	20,014
Unrealized gain on financial assets at FVTOCI	11,835	79,392	(279,604)	79,392
Effects of income tax	(53,411)	64,538	1,119,013	1,130,140
Other comprehensive income (loss) recognized in the period	8,368	105	-	8,473
Transfers of initial carrying amount of hedged items	-	-	(603)	(603)
Balance at December 31, 2019	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Balance at January 1, 2020	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Exchange differences on translation of the financial statements of foreign operations	(99,774)	-	-	(99,774)
Cumulative loss on changes in fair value of hedging instruments	-	-	1,921,255	1,921,255
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(293,518)	(293,518)
Unrealized gain on financial assets at FVTOCI	20,229	(45,588)	(365,745)	(45,588)
Effects of income tax	(79,545)	(35,903)	1,261,992	1,146,544
Other comprehensive income (loss) recognized in the period	-	-	200,989	200,989
Transfers of initial carrying amount of hedged items	-	-	-	-
Balance at December 31, 2020	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766

e. Non-controlling interests

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 3,578,345	\$ 2,965,512	
Net (loss) income attributable to non-controlling interests	(419,814)	524,796	
Foreign exchange differences	1,826	(7,706)	
Actuarial gains and losses on defined benefit plans	43,157	(100,136)	
Cash flow hedge on changes in fair value of hedging instruments	2,993	(13,227)	
Cumulative (loss) gain arising on changes in fair value of hedging instruments reclassified to profit or loss	(1,600)	8,528	
Effect of income tax	(9,272)	22,586	
	<u>37,104</u>	<u>(89,955)</u>	
Disposal of subsidiaries	-	(24,957)	
Disposal of part equity of subsidiaries	-	619,387	
Outstanding share options held by employees of subsidiaries	52	-	
Acquisition of non-controlling interests in subsidiaries	331,427	-	
Dividends paid by subsidiaries	<u>(375,024)</u>	<u>(416,438)</u>	
Ending balance	<u>\$ 3,152,090</u>	<u>\$ 3,578,345</u>	

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of December 31, 2020 and 2019 were as follows:

Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year	(In Thousands of Shares)	
				Shares (In Thousands)	Market Value
For the year ended December 31, 2020	<u>2,889</u>	<u>(814)</u>	<u>2,075</u>		
For the year ended December 31, 2019	<u>2,889</u>	<u>-</u>	<u>2,889</u>		
Subsidiary		Carrying Amount		Market Value	
<u>December 31, 2020</u>	2,075	<u>\$ 24,999</u>		<u>\$ 24,999</u>	
Mandarin Airlines					
<u>December 31, 2019</u>	2,075	<u>\$ 18,796</u>		<u>\$ 18,796</u>	
Mandarin Airlines	814	<u>7,376</u>		<u>7,376</u>	
Dynasty Aerotech International Corp.		<u>\$ 26,172</u>		<u>\$ 26,172</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.

Dynasty Aerotech International Corp. sold a total of 814 thousand shares of the Company in 2020 and the disposal price was \$6,854 thousand.

27. NET INCOME

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
a. Revenue			
Passenger	\$ 25,704,367	\$ 111,413,435	
Cargo	81,917,976	43,793,256	
Others	<u>7,628,207</u>	<u>13,237,469</u>	
	<u>\$ 115,250,550</u>	<u>\$ 168,444,160</u>	
b. Other income			
Interest income	\$ 282,506	\$ 417,446	
Subsidy income	29,309	38,621	
Dividend income	23,043	21,422	
Others	<u>351,716</u>	<u>241,499</u>	
	<u>\$ 686,574</u>	<u>\$ 718,988</u>	
c. Other gains and losses			
Gain on disposal property, plant and equipment	\$ 13,347	\$ 32,460	
Net gain on financial assets at FVTPL	2,287	27,580	
Gain (loss) on foreign exchange, net	527,234	(141,611)	
Impairment loss on flying equipment	(424,573)	-	
Foreign investment impairment loss under equity method	(46,757)	-	
Gain on disposal of investments	-	7,656	
Loss on non-current assets held for sale	-	(10,462)	
Loss on sale and leaseback	-	(103,775)	
Others	<u>(337,528)</u>	<u>(285,660)</u>	
	<u>\$ 265,990</u>	<u>\$ (473,812)</u>	

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
d. Finance costs			
Interest expense			
Bonds payable	\$ 342,963	\$ 429,457	
Bank loans	930,083	771,280	
Interest on lease liabilities	<u>1,784,917</u>	<u>2,139,382</u>	
	<u>\$ 3,057,963</u>	<u>\$ 3,340,119</u>	
Capitalization interest	\$ 78,863	\$ 46,528	
Capitalization rate	0.71%-1.92%	1.01%-1.35%	

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
e. Depreciation and amortization expense			
Property, plant, equipment	\$ 19,425,422	\$ 20,702,033	
Right of use assets	11,741,555	11,899,090	
Investment properties	270	277	
Intangible assets	<u>206,936</u>	<u>198,237</u>	
Depreciation and amortization expense	<u>\$ 31,374,183</u>	<u>\$ 32,799,637</u>	
An analysis of depreciation by function			
Operating costs	\$ 30,171,665	\$ 30,927,997	
Operating expenses	<u>995,582</u>	<u>1,673,403</u>	
	<u>\$ 31,167,247</u>	<u>\$ 32,601,400</u>	
An analysis of amortization by function			
Operating costs	\$ 14,312	\$ 12,380	
Operating expenses	<u>192,624</u>	<u>185,857</u>	
	<u>\$ 206,936</u>	<u>\$ 198,237</u>	

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
f. Employee benefits expense			
Post-employment benefits			
Defined contribution plan	\$ 551,154	\$ 574,809	
Defined benefit plan	<u>1,385,872</u>	<u>1,397,174</u>	
	<u>\$ 1,937,026</u>	<u>\$ 1,971,983</u>	

(Continued)

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Other employee benefits			
Salary expenses	\$ 17,958,185	\$ 20,813,757	
Personnel service expenses	<u>5,400,252</u>	<u>5,506,867</u>	
	<u>\$ 23,358,437</u>	<u>\$ 26,320,624</u>	
An analysis of employee benefits expense by function			
Operating costs	\$ 20,466,080	\$ 23,699,685	
Operating expenses	<u>4,829,383</u>	<u>4,592,922</u>	
	<u>\$ 25,295,463</u>	<u>\$ 28,292,607</u>	

(Concluded)

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, and accrues profit bonus at a certain rate of profit before tax on the basis of the collective agreement signed with the China Airlines Employees Union. For the years ended December 31, 2020 and 2019, the Company has experienced a deficit, and therefore, no compensation of employees is estimated.

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 bonuses and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 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 were as follows:

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Current tax			
Current year	\$ 118,814	\$ 523,670	
Prior year adjustment	(29,845)	(5,546)	
Income tax on unappropriated earnings	628	378	
Deferred tax			
Current year	(551,574)	35,149	
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>87,994</u>	<u>24,534</u>	
Income tax expense recognized in profit or loss	<u>\$ (373,983)</u>	<u>\$ 578,185</u>	

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

	For the Year Ended December 31, 2020	2019
Profit before tax	<u>\$ (653,797)</u>	<u>\$ (96,817)</u>
Income tax expense calculated at the statutory rate (% for 2019, 20% for 2018)	\$ (130,759)	\$ (19,362)
Effect of different tax of subsidiaries	(8,456)	1,680
Effect of adjustment to income tax		
Non-deductible expenses in determining taxable income	388,066	16,936
Tax-exempt income	(711,001)	(45,861)
Income tax on unappropriated earnings (5%)	628	378
Basic income tax	-	8,468
Overseas income tax expense	16,244	11,157
Unrecognized loss carryforwards, investment tax credits and temporary difference	12,129	586,135
Adjustments for prior years' tax	(29,845)	(5,546)
Adjustments to deferred tax attributable to changes in tax rates and laws	87,994	24,534
Adjustments to changes in tax rates and laws	1,017	(334)
Other		
Income tax expense recognized in profit or loss	<u>\$ (373,983)</u>	<u>\$ 578,185</u>

b. Income tax recognized in other comprehensive income

	2020	2019
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of financial statements of foreign operations	\$ 19,864	\$ 13,454
Fair value changes of financial assets at FVTOCI	9,685	(14,854)
Hedging instruments fair value revaluation for cash flow hedging	(366,022)	(278,664)
Actuarial gain or loss on defined benefit plan	<u>79,830</u>	<u>156,359</u>
Total income tax recognized in other comprehensive income	<u>\$ (256,643)</u>	<u>\$ (123,705)</u>

c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences	\$ 1,891,851	\$ (15,520)	\$ 80,246	\$ -	\$ 1,956,577
Defined benefit plans	592,977	(42,447)	-	-	550,530
Frequent flyer programs	2,240,003	282,021	-	-	2,522,024
Maintenance reserves	296,857	(41,590)	-	-	255,267
Allowance for reduction of inventory	315,938	367,228	77,917	(17,281)	745,802
Others	<u>\$ 5,337,626</u>	<u>\$ 549,692</u>	<u>\$ 188,163</u>	<u>\$ (17,281)</u>	<u>\$ 6,028,200</u>
<u>Deferred tax liabilities</u>					
Temporary differences	\$ 81,777	\$ 81,656	\$ -	\$ -	\$ 163,433
Unrealized foreign exchange gains	475,365	4,456	414,806	(34,976)	859,651
Others (Note)	<u>\$ 557,142</u>	<u>\$ 86,112</u>	<u>\$ 414,806</u>	<u>\$ (34,976)</u>	<u>\$ 1,023,084</u>

For the year ended December 31, 2019

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
<u>Deferred tax assets</u>					
Temporary differences	\$ 1,765,052	\$ (29,560)	\$ 156,359	\$ -	\$ 1,891,851
Defined benefit plans	510,060	82,917	-	-	592,977
Frequent flyer programs	1,811,848	428,155	-	-	2,240,003
Maintenance reserves	335,711	(38,854)	-	-	296,857
Allowance for reduction of inventory	729,399	(429,580)	15,113	1,006	315,938
Others	<u>\$ 5,152,070</u>	<u>\$ 13,078</u>	<u>\$ 171,472</u>	<u>\$ 1,006</u>	<u>\$ 5,337,626</u>
<u>Deferred tax liabilities</u>					
Temporary differences	\$ 17	\$ 81,760	\$ -	\$ -	\$ 81,777
Unrealized foreign exchange gains	188,430	(8,999)	295,177	757	475,365
Others (Note)	<u>\$ 188,447</u>	<u>\$ 72,761</u>	<u>\$ 295,177</u>	<u>\$ 757</u>	<u>\$ 557,142</u>

Deductible temporary differences, and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets.

	December 31	
	2020	2019
Loss carryforwards		
2021	\$ -	\$ 2,899,496
2022	-	619,799
2025	18,124	18,124
2026	344,200	546,899
2027	68,415	68,415
2028	671,529	1,706,913
2029	1,645,438	955,250
2030	<u>852,281</u>	<u>-</u>
	<u>\$ 3,599,987</u>	<u>\$ 6,814,896</u>
Difference in depreciation	<u>\$ 4,563,924</u>	<u>\$ 1,348,096</u>

d. Unused tax loss carryforwards as of December 31, 2020 were as follows:

	Expiry Year	Unused Amount
<u>China Airlines, Ltd.</u>		
2028		\$ 495,779
2029		<u>1,439,287</u>
		<u>\$ 1,935,066</u>
<u>Mandarin Airline Co., Ltd.</u>		
2026		\$ 312,724
2028		72,589
2030		<u>524,678</u>
		<u>\$ 909,991</u>
<u>Tigerair Taiwan Co., Ltd.</u>		
2030		<u>\$ 2,056,978</u>
<u>Taoyuan International Airport Services</u>		
2030		<u>\$ 556,790</u>
<u>Taiwan Airport Services</u>		
2030		<u>\$ 223,805</u>

(Continued)

	Expiry Year	Unused Amount
<u>Sabre Travel Network (Taiwan)</u>		
2030		<u>\$ 75,188</u>
<u>Cal Hotel Co., Ltd.</u>		
2030		<u>\$ 114,975</u>
<u>Kaohsiung Catering Services, Ltd.</u>		
2030		<u>\$ 85,648</u>
<u>Taiwan Aircraft Maintenance And Engineering Co., Ltd.</u>		
2025		\$ 18,124
2026		31,476
2027		68,415
2028		103,161
2029		206,151
2030		<u>241,955</u>
		<u>\$ 669,282</u>

(Concluded)

e. Income tax assessment

The income tax returns for 2018 of the Company and its subsidiaries have been examined by the tax authorities.

29. EARNING PER SHARE

The numerators and denominators used in calculating earnings per share were as follows:

	For the Year Ended December 31	
	2020	2019
Basic earnings (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.22)</u>
Diluted earnings (loss) per share	<u>\$ 0.03</u>	<u>\$ (0.22)</u>
Earnings (loss) used in the computation of basic earnings per share	\$ 140,000	\$ (1,199,798)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>-</u>	<u>-</u>
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 140,000</u>	<u>\$ (1,199,798)</u>

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>In thousands</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	5,418,776	5,418,096
Effect of potentially dilutive ordinary shares:		
Convertible bonds	-	-
Compensation of employees or bonuses issued to employees	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>5,418,776</u>	<u>5,418,096</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. DISPOSAL OF SUBSIDIARIES

On January 21, 2019, the board of directors of the Company decided to sell part of Dynasty Holidays to H.I.S. Taiwan Co., Ltd. for disposal price of \$34,036 thousand and a gain on disposal of \$7,656 thousand. After the disposal, the proportion of ownership decreased from 51% to 20%, and the Company lost control of the subsidiary.

a. Consideration received from disposals	<u>\$ 34,036</u>
Consideration received in cash and cash equivalents	
b. Analysis of assets and liabilities on the date control was lost	
Current assets	
Cash and cash equivalents	\$ 51,449
Other current assets	47,510
Non-current assets	17,035
Current liabilities	(49,742)
Non-current liabilities	<u>(15,318)</u>
Net assets disposed of	<u>\$ 50,934</u>
c. Gain on disposals of subsidiaries	
Consideration received	\$ 34,036
Net assets disposed of	(50,934)
Fair value of equity	10,187
Non-controlling interests	24,957
Reclassification of other comprehensive income in respect of subsidiaries	<u>(10,590)</u>
Gain on disposal	<u>\$ 7,656</u>

d. Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 34,036
Less: Cash and cash equivalent balances disposed of	<u>(51,449)</u>
	<u>\$ (17,413)</u>

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

To support its operating activities and purchase of aircraft, the Group needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment and dividend expenses and other needs.

32. 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>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>		
Bonds payable	\$ 22,282,859	\$ 22,459,685
	\$ 32,052,625	\$ 32,062,874

Some long-term borrowings and capital lease obligations 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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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).

	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>				
Financial assets at FVTPL				
Domestic money market funds	\$ 274,761	\$ -	\$ -	\$ 274,761
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 46,289	\$ 46,289
Unlisted shares - foreign	-	-	117,457	117,457
	\$ -	\$ -	\$ 163,746	\$ 163,746
Financial assets for hedging	\$ 7,613,636	\$ -	\$ -	\$ 7,613,636
Financial liabilities for hedging	\$ 40,575,778	\$ 9,307	\$ -	\$ 40,585,085
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Domestic money market funds	\$ 511,758	\$ -	\$ -	\$ 511,758
Foreign exchange agreement	-	434	-	434
	\$ 511,758	\$ 434	\$ -	\$ 512,192
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 26,865	\$ 26,865
Unlisted shares - foreign	-	-	182,356	182,356
	\$ -	\$ -	\$ 209,221	\$ 209,221

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative instruments	\$ -	\$ 11,749	\$ -	\$ 11,749
Financial assets for hedging	\$ -	\$ 147	\$ 9,479	\$ 9,626
Financial liabilities for hedging	\$ 50,997,687	\$ 37,069	\$ 3,955	\$ 51,038,711

(Concluded)

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives instruments	Discounted cash flows.

Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

The fair values of foreign exchanges and 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 foreign exchange forward contracts and fuel options.

The domestic unlisted equity investment is 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 movements of Level 3 financial instruments are as follows:

	Multiplier	Liquidity Discount
December 31, 2020	0.79-16.32	80%
December 31, 2019	0.75-13.23	80%

In addition, the Group has a risk management 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 US dollar.

The following details the Group's sensitivity to a one dollar increase or decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies (i.e. the US dollar). This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and 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 foreign currency forward contracts designated as cash flow hedges and adjusts their translation at the end of the reporting period for US\$1 increase/decrease against the New Taiwan dollar.

When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be an increase in pre-tax profit and other comprehensive income for the year ended December 31, 2020 of \$345,440 thousand and \$1,150,896 thousand and a decrease in pre-tax profit and other comprehensive income for the year ended December 31, 2019 of \$105,266 thousand and \$1,612,256 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.

	Derivative Instruments	Equity Instruments
Balance at January 1, 2020	\$ 5,524	\$ 209,221
Recognized in other comprehensive income	<u>(5,524)</u>	<u>(45,475)</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 163,746</u>
Balance at January 1, 2019	\$ 4,901	\$ 132,191
Recognized in other comprehensive income	<u>623</u>	<u>77,030</u>
Balance at December 31, 2019	<u>\$ 5,524</u>	<u>\$ 209,221</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

	December 31	2019
	2020	
<u>Financial assets</u>		
Financial assets at FVTPL	\$ 274,761	\$ 512,192
Financial assets for hedging	7,613,636	9,626
Financial assets at amortized cost (Note 1)	45,898,091	43,143,106
Financial assets at FVTPCI - equity instrument investment	163,746	209,221
<u>Financial liabilities</u>		
Financial liabilities at FVTPL	-	11,749
Financial liabilities for hedging	40,585,085	51,038,711
Financial liabilities at amortized cost (Note 2)	165,458,441	144,459,429

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, 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 debts, short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable, long-term loans, lease liabilities payable, 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 rates, in 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 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.

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

December 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD 127,906/ USD 4,371	2021.1.8/ 2021.11.9	28.5-29.7	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 3,513
Aviation fuel - forward exchange contracts	NTD/USD	NTD 142,045/ USD 5,000	2021.1.29/ 2021.5.28	29.9-29.8	Financial assets for hedging - current/ liabilities for hedging - current	-	5,794

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars and aviation fuel) was \$(3,513) thousand and \$(5,794) thousand, respectively.

For the year ended December 31, 2020

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge	\$ 4,939	\$ 11,908 (Note)
Aircraft rentals	4,367	(16,616)
Aviation fuel	(101,570)	-
Aircraft prepayments	-	5
Maintenance cost	\$ (92,264)	\$ (4,703)

Note: Increase in operating costs or exchange loss.

The amount of gains and losses on hedging instruments for the year ended December 31, 2020 reclassified from profit or loss to prepayments for equipment was \$119,878 thousand.

December 31, 2019

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD 509,507/ USD 16,967	2020.1.21/ 2020.12.24	29.5-30.8	Financial assets for hedging - current/ liabilities for hedging - current	\$ 38	\$ 8,491
Aviation fuel - forward exchange contracts	NTD/USD	NTD 660,661/ USD 22,000	2020.2.27/ 2020.11.30	29.7-30.7	Financial assets for hedging - current/ liabilities for hedging - current	32	10,193
Aircraft prepayments - exchange contracts	NTD/USD	NTD 411,411/ USD 17,000	2020.11.4	29.6-30.5	Financial assets for hedging - current/ liabilities for hedging - current	77	18,385

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars, aviation fuel and aircraft prepayments) was \$(8,453) thousand, \$(10,161) thousand and \$(18,308) thousand, respectively.

For the year ended December 31, 2019

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge	\$ (35,897)	\$ 9,137 (Note)
Aircraft rentals	(10,161)	(53)
Aviation fuel	(17,705)	-
Aircraft prepayments	\$ (63,763)	\$ 9,084

Note: Decrease in operating costs or exchange loss.

And the amount of gains and losses on hedging instruments for the year ended December 31, 2019 reclassified from profit or loss to prepayments for equipment was \$(603) thousand.

b) Interest rate risk

The Group enters into interest swap contracts to hedge against the risks on change in net liabilities interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts.

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

	2020	2019
Fair value interest rate risk	\$ 68,883,667	\$ 91,414,806
Cash flow interest rate risk	112,324,305	77,821,887

Sensitivity analysis

The sensitivity analyses below were 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 year (25 basis) point 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 pre-tax profit for the year ended December 31, 2020 would have decreased by \$280,811 thousand.

Had interest rates increased by one yard (25 basis) points and had all other variables been held constant, the Group's pre-tax profit for the year ended December 31, 2019 would have decreased by \$194,555 thousand.

c) Other price risk

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

December 31, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
					Asset	Liability
Cash flow hedges - fuel options	USD	-	-	-	Financial assets for hedging - current/ liabilities for hedging - current	\$ -

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments) was \$0.

For the year ended December 31, 2020

	Amount	
	Reclassified to Profit and Loss and the Other Comprehensive Income	
	Adjusted Line Item	
Cash flow hedges - fuel options	\$ (5,524)	\$ (52,853) (Note)

Note: Increase in operating costs.

December 31, 2019

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
					Asset	Liability
Cash flow hedges - fuel options	USD	NT\$5,524	2020.3.31-2020.12.31	US\$49,655 / US\$80,75	Financial assets for hedging - current/ liabilities for hedging - current	\$ 9,479 \$ 3,955

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments) was \$5,524 thousand.

For the year ended December 31, 2019

	Amount	
	Reclassified to Profit and Loss and the Other Comprehensive Income	
	Adjusted Line Item	
Cash flow hedges - fuel options	\$ 623	\$ (13,597) (Note)

Note: Increase in operating costs.

Sensitivity analysis

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

For the Year Ended December 31

	2020	2019
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase of 5%	\$ 1,479	\$ -
Fuel price decrease of 5%	(1,479)	-
2) Credit risk	-	-
		Other Comprehensive Income Increase (Decrease)
		\$ 7,973

2) Credit risk

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

Operation - related credit risk

The Group has established procedures to management operations related credit risk to maintain the quality of accounts receivable.

To assess individual customers, the Group consider into the financial condition of the customers, the credit rating agency rating, the Group's internal credit rating, transaction history and current economic conditions and many other factors that may affect the repayment. Sometimes, the Group uses certain credit enhancement tools to reduce the credit risk of specific customers. Since the customers of the industry is dispersed and non-related, the credit risk concentration is not critical aviation.

Financial credit risk

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

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.

	Unused Bank Loan Limit (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 22,429,000

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.

December 31, 2020

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	1.1128	\$ 3,494,299	\$ 9,770,964	\$ 7,982,767
Floating interest rate liabilities	1.6269	26,195,346	60,977,026	17,175,894
Derivative instruments	3.0492	9,249,609	32,978,809	1,815,449
Bonds payable	2.4622	12,531,511	9,303,608	1,280,778
		<u>\$ 51,470,765</u>	<u>\$ 113,030,407</u>	<u>\$ 28,254,888</u>

December 31, 2019

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	1.1613	\$ 3,357,996	\$ 10,622,204	\$ 8,949,194
Floating interest rate liabilities	1.9058	15,254,687	36,274,033	16,785,664
Derivative instruments	3.1131	10,060,822	39,729,062	6,373,333
Bonds payable	2.2573	10,823,905	19,871,174	3,383,401
		<u>\$ 39,497,410</u>	<u>\$ 106,496,473</u>	<u>\$ 35,491,592</u>

33. RELATED-PARTY TRANSACTIONS

The transactions, account balances, income and expenses between related parties were eliminated from the consolidated report and, therefore, were not disclosed in this note. Except for the disclosures stated in other notes, transactions between the Group and its related parties are disclosed below:

a. Related parties' names and relationships

Name	Relationship with the Company
Dynasty Holidays	Associate (become associate in January 2019)
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
China Pacific Catering Services	Joint venture investment
China Pacific Laundry Services	Joint venture investment
NORDAM Asia Ltd.	Joint venture investment
Delica International Co., Ltd.	Joint venture investment
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

Account Items	Related Party Type	For the Year Ended December 31
		2020
Other income	Major shareholder of the Company	\$ 5,097
	Associate	\$ 122
	Joint venture investment	\$ 22,445
		<u>\$ 27,664</u>
		2019
		\$ 25,457
		\$ 1,239
		<u>\$ 42,457</u>

c. Purchases

Related Party Type	For the Year Ended December 31	
	2020	2019
Major shareholder of the Company Associate	\$ 11,417	\$ 56,474
Joint venture investment	\$ 457,005	\$ 414,106
	\$ 516,347	\$ 1,911,091

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

Related Party Type	December 31	
	2020	2019
Joint venture investment	\$ 1,667	\$ 7,760
Major shareholder of the Company	-	2,588
	\$ 1,667	\$ 10,348

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

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

Related Party Type	December 31	
	2020	2019
Associate	\$ 52,187	\$ 51,333
Joint venture investment	76,380	484,700
Major shareholder of the Company	-	5,982
	\$ 128,567	\$ 542,015

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

f. Leases of properties (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. In 2020 and 2019, the Company had paid rentals of about \$11,417 thousand and \$56,474 thousand, respectively.

g. Endorsements and guarantees

	December 31		
	2020 Authorized Amount	Actual Amount Used	2019 Authorized Amount Actual Amount Used
<u>The Company</u>			
CAL Park	\$ 3,850,000	\$ 1,892,540	\$ 3,850,000
Taiwan Air Cargo Terminal	-	-	1,080,000
Tigerair Taiwan	2,656,591	265,062	3,012,668
Taiwan Air Craft Maintenance	2,000,000	1,336,000	2,000,000
			\$ 2,129,400
			685,444
			1,279,827

h. Compensation of key management personnel

	For the Year Ended December 31	
	2020	2019
Short-term employee benefits	\$ 33,376	\$ 39,693
Post-employment benefits	2,525	2,362
	\$ 35,901	\$ 42,055

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

34. PLEDGED ASSETS

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

	December 31	
	2020	2019
Property, plant and equipment	\$ 34,170,076	\$ 31,260,801
Right-of-use assets	59,861,537	71,033,617
Restricted assets - non-current		
Pledged certificate deposits	302,807	130,052
	\$ 94,334,420	\$ 102,424,470

35. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2020, except for the disclosures stated in other notes, the Group had commitments and contingent liabilities as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the 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. The terminal expansion and improvements and the equipment installation and upgrade in the Taiwan Taoyuan International Airport cargo terminal and Kaohsiung cargo terminal were expected to be completed in the first 10 years of the COP. This construction project was approved by TACT's board of directors in 2003. 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 the Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

The original total expenditure of the previous main construction project was \$8,490,000 thousand. However, TACT filed an arbitration for the total amount of expenditure in 2012 to revise the total amount to \$6,840,000 thousand.

As of December 31, 2020, 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 Contract	\$ 552,285
Bin Li Construction Co., Ltd., Taiwan	Cargo Terminal Expansion and Enhancement Construction	275,000
Trade-Van Information Services Co.	TACT warehouse management system integrated revision contract	30,000

As of December 31, 2020, the cumulated consultant service expense and construction equipment had amounted to \$487,645 thousand (VAT included) and \$5,372,129 thousand (VAT included), respectively. Upon completion of the projects, the amount of \$468,754 thousand (VAT included) and \$5,306,700 thousand (VAT included) were reclassified to property, plant, and equipment. The remaining cumulative payments were recognized under construction in progress.

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 the 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 the 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 once 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 fee.

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 period of the eleven aircraft ranges from 2024 to 2026. As of December 31, 2020, the list price has 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. The total list price of the four engines is US\$60,289 thousand.

d. In July and August 2019, the Company signed a contract with the Boeing Company to purchase three B777F aircraft and exercised the option to purchase three B777F aircraft. The total list price of the six aircraft is US\$2,320,315 thousand, and the expected delivery period is from 2020 to 2023. As of December 31, 2020, two out of the six aircraft has been delivered, the list price had been paid in the amount of US\$122,186 thousand (recognized as prepayments for aircraft), and the total list price of the remaining four aircraft is US\$1,552,879.

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 December 31, 2020, 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 December 31, 2020, the list price has been paid in the amount of US\$2,988 thousand (recognized as prepayments for aircraft). In February 2020, Tigerair Taiwan Co., Ltd. rented three A320neo aircraft from Sky High 117 Leasing Company Limited, one A320neo aircraft from Sky High 118 Leasing Company Limited, one A320neo aircraft from Sky High 119 Leasing Company Limited and one A320neo aircraft from Sky High 120 Leasing Company Limited. The total list price was around US\$250,000 thousand and lease payment will change on the basis of actual differences of the year. The aircraft was initially scheduled to be delivered between 2021 and 2024. As of December 31, 2020, one aircraft that was supposed to be delivered in 2021 had been postponed.

36. 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.

Also, the Group received several remedy measures such as government subsidy for operation and reduction on rent. In 2020, because of the Covid-19, the Group received subsidy of \$1,293,388 thousand for the airport landing fees and parking fees, etc. The subsidy for housing and land rental, and salary expenses was \$961,208 thousand, recognized as deduction from other income and expenses.

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

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 702,507	28.4091	\$ 19,957,598
EUR	18,250	34.8432	635,899
HKD	344,577	3.6603	1,261,257
JPY	3,475,525	0.2750	955,769
CNY	560,252	4.3440	2,433,737

Financial liabilities

Monetary items			
USD	2,208,214	28.4091	62,733,383
EUR	6,513	34.8432	226,949
HKD	73,825	3.6603	270,223
JPY	3,725,514	0.2750	1,024,509
CNY	144,376	4.3440	627,168

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 658,407	30.0300	\$ 19,771,957
EUR	18,401	33.6700	619,571
HKD	228,234	3.8595	880,868
JPY	6,262,272	0.2766	1,732,130
CNY	425,343	4.3048	1,831,012

Financial liabilities

Monetary items			
USD	2,480,896	30.0300	74,501,305
EUR	7,638	33.6700	257,155
HKD	74,651	3.8595	288,117
JPY	6,584,434	0.2766	1,821,237
CNY	153,196	4.3048	659,478

For the years ended December 31, 2020 and 2019, the Group's net foreign exchange gain (losses) were \$527,234 thousand and \$(141,611) 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.

38. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
 - 1) Financing provided: 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 or price of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estates at costs or prices 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) Derivative financial transactions (Notes 7 and 32)

b. Investment 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)

39. SEGMENT INFORMATION

a. Segment information

The Group mainly engages in air transportation services for passengers and cargo; the services include airport service, storage service, and other air transportation services which are below the financial threshold for an operating segment of the Group. Therefore, the Group's main reportable segment is air transportation. The accounting policies of the reportable segment are consistent with the accounting policies described in Note 4.

	For the Year Ended December 31, 2020		
	Air Transportation	Others	Adjustments and Write-offs
Operating revenue	\$ 112,031,124	\$ 7,263,997	\$ (4,044,571)
Operation profit and losses	\$ 2,778,301	\$ (509,281)	\$ (84,604)
Interest revenue			
Investments income accounted for using the equity method			
Revenue			
Financial costs			
Expenses			
Profit before income tax			
Identifiable assets			
Investments accounted for using the equity method			
Assets			
Total assets			

For the Year Ended December 31, 2019

	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	\$ 164,492,453	\$ 11,067,323	\$ (7,115,616)	\$ 168,444,160
Operation profit and losses	\$ 1,302,647	\$ 1,449,620	\$ (86,446)	\$ 2,665,821
Interest revenue				417,446
Investments income accounted for using the equity method				332,305
Revenue				495,249
Financial costs				(3,340,119)
Expenses				(667,519)
Profit before income tax				\$ (96,817)
Identifiable assets				\$ 218,995,656
Investments accounted for using the equity method				2,223,793
Assets				71,828,530
Total assets				\$ 293,047,979

b. Geographical segment

The geographical segment information of the Company and its subsidiaries in 2020 and 2019 is listed below:

	For the Year Ended December 31, 2020						Consolidation
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	
Operating revenue	\$ 51,556,499	\$ 10,515,522	\$ 21,354,124	\$ 9,576,245	\$ 4,152,261	\$ 2,524,622	\$ 110,683,533
Operation profit and losses	\$ 1,356,029	\$ 168,326	\$ 213,926	\$ 20,588	\$ 15,383	\$ 53,322	\$ 201,419,029
Interest revenue							2,185,406
Investments income accounted for using the equity method							385,546
Revenue							(200,834)
Financial costs							(3,057,963)
Expenses							(573,230)
Profit before income tax							(653,797)
Identifiable assets							\$ 201,419,029
Investments accounted for using the equity method							1,970,802
Assets							78,805,253
Total Assets							\$ 284,194,084

	For the Year Ended December 31, 2019						Consolidation
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	
Operating revenue	\$ 46,294,049	\$ 9,232,038	\$ 33,554,005	\$ 15,638,652	\$ 7,023,129	\$ 1,209,635	\$ 103,952,508
Operation profit and losses	\$ 309,501	\$ 222,268	\$ 154,071	\$ 26,307	\$ 8,985	\$ 50,628	\$ 718,315
Interest revenue							2,665,821
Investments income accounted for using the equity method							417,446
Revenue							332,305
Financial costs							(3,340,119)
Expenses							(667,519)
Profit before income tax							(96,817)
Identifiable assets							\$ 218,995,656
Investments accounted for using the equity method							2,223,793
Assets							71,828,530
Total Assets							\$ 293,047,979

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 Borrowing 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	Cat-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 103,244	\$ 99,432	\$ 28,409	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ 144,128	\$ 288,256		

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

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No.	Endorsement/ Guarantee Provider	Counterparty		Limit on Each Counterparty's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collaterals Property, Plant or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (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	Nature of Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary 75.86% owned subsidiary by direct and indirect holdings 100% owned subsidiary	\$ 11,511,896 11,511,896 11,511,896	\$ 3,850,000 3,038,197 2,000,000	\$ 3,850,000 2,656,591 2,000,000	\$ 1,892,540 265,062 1,336,000	\$ - - -	6.69 4.62 3.47	\$ 28,779,741 28,779,741 28,779,741	Y Y Y	N N N	N N N

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
DECEMBER 31, 2020

(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	December 31, 2020			Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	
China Airlines ("Parent company")	Shares Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	1,359,368	\$ 106,779	13.59	Note 1
	Everest Investment Holdings Ltd. - preference shares	-	Financial assets at FVTOCI - non-current	135,937	10,678	-	
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	29,704	11.00	-
	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	Shares China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	24,999	-	-
	Shares Taikoo (Xiamen) Landing Gear Services HAECO Composite Structures (Jinjiang)	- -	Financial assets at FVTPL - current Financial assets at FVTOCI - non-current	- 16,585	- 16,585	2.59 5.45	Note 2 Note 2
Sabre Travel Network (Taiwan)	Beneficiary certificates Franklin Templeton SinoAm Money Market Fund FSITC Money Market Fund	- -	Financial assets at FVTPL - current Financial assets at FVTPL - current	4,051,153 308,094	42,247 55,411	- -	- -
	Shares TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-
Dynasty Aerotech International Corp.	Beneficiary certificates Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	349,523	4,771	-	-
	Beneficiary certificates Prudential Financial Money Market Fund Prudential Financial Return Fund Taishin 1699 Money Market Fund	- - -	Financial assets at FVTPL - current Financial assets at FVTPL - current Financial assets at FVTPL - current	5,407,832 4,493,628 1,106,807	86,281 70,949 15,103	- - -	- - -

Note 1: The subsidiary's net asset value was \$117,457 thousand, which included ordinary shares and preference shares as of and for the year ended December 31, 2020.

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 YEAR ENDED DECEMBER 31, 2020

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

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction		Note/Account Payable or Receivable		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
China Airlines, Ltd. ("China Airlines")	Taiwan Air Cargo Terminal	Subsidiary	Purchase	\$ 659,596	0.69	30 days	\$	\$ (67,465)	(3.39)	-
	Taiwan Airport Services	Subsidiary	Purchase	107,482	0.11	40 days	-	(13,046)	(0.76)	-
	Mandarin Airlines	Subsidiary	Sale	(221,527)	(0.21)	2 months	-	69,179	0.71	-
	Tigerair Taiwan	Subsidiary	Sale	(240,768)	(0.23)	1 month	-	12,008	0.12	-
	Taoyuan International Airport Service	Subsidiary	Purchase	1,043,264	1.10	40 days	-	(215,542)	(12.56)	-
	Dynasty Aerotech International Corp.	Subsidiary	Purchase	352,214	0.37	2 months	-	(49,108)	(2.86)	-
	CAL Park	Subsidiary	Purchase	209,701	0.22	2 months	-	-	-	-
	Global Sky Express	Subsidiary	Sale	(139,335)	(0.13)	15 days	-	8,180	0.08	-
	Eastern United International Logistics	Equity-method investee	Purchase	388,451	0.41	2 months	-	(41,725)	(2.43)	-
	China Pacific Catering Services	Equity-method investee	Purchase	473,460	0.50	90 days	-	(71,674)	(4.18)	-
Mandarin Airlines	Taiwan Airport Services	Same parent company	Purchase	152,475	4.14	1 month	-	(22,407)	(5.58)	-
	Tigerair Taiwan	Same parent company	Purchase	149,048	4.05	1 month	-	(11,711)	(2.92)	-
Cal Hotel	CAL Park	Same parent company	Purchase	102,220	48.59	1 month	-	(76)	(0.25)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020**

(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 Bad Debts
					Amount	Action Taken		
Mandarin Airlines	China Airlines	Parent company	\$ 101,725	Note	\$ -	-	\$ 56,870	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	215,542	3.71	-	-	215,542	-

Note: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore the turnover rate was not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		Balance as of December 31, 2020		Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2020	December 31, 2019	Number of Shares/Units	Percentage of Ownership (%)			
China Airlines, Ltd.	CAL Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	150,000,000	100.00	\$ 9,350	\$ 53,770	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	(376,255)	(353,642)	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	318,494	172,017	-
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	(21,960)	(20,542)	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	(267,566)	(136,459)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	(258,894)	(126,858)	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	45,068	45,068	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	(49,995)	(46,951)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	20.00	(513,790)	(102,758)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	(156,739)	(74,214)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	9,129	(8,309)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	(73,586)	(73,906)	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	149,353	(15,475)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	33,986	33,967	Note 4
Mandarin Airlines	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	(15,067)	(14,998)	Note 4
	Dynasty Holidays	Tokyo, Japan	Travel business	8,000	JPY 20,400	160	20.00	(23,701)	(4,740)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,796	1,949	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	3,109,907	1,272,063	212,420,046	75.86	(1,371,056)	(956,008)	Note 4
CAL-Asia Investment	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	135,000,000	100.00	(222,223)	(222,196)	-
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Aircraft maintenance	37,975	2,450	3,797,500	49.00	(93)	(46)	-
Taiwan Airport Services	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	5.51	(1,371,056)	(104,501)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	(156,739)	(1,688)	-
Kaohsiung Catering Services	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	51,116	13,940	-
	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	373,442	22,355	Note 3
	Deltea International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,871	2	-

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: Difference caused by lease arrangement between consolidated entities.

Note 5: Difference caused by acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars, Unless Stated Otherwise)

China Airlines

Investee Company Name	Main Business and Product	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flow		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,474 (RMB 254,480)	Indirect (Note 1)	\$ 118,920 (US\$ 4,186)	\$ -	\$ -	\$ 118,920 (US\$ 4,186)	\$ 91,311 (RMB 21,367)	14.00	\$ 12,794 (RMB 2,991)	\$ 238,717 (RMB 54,953)	\$ 100,470 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,817 (RMB 14,000)	Indirect (Note 1)	55,325 (US\$ 1,947)	-	-	55,325 (US\$ 1,947)	68,272 (RMB 15,976)	14.00	9,566 (RMB 2,237)	134,918 (RMB 31,058)	44,333 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,360,511 (US\$ 83,090)	Indirect (Note 1)	61,114 (US\$ 2,151)	-	-	61,114 (US\$ 2,151)	-	2.589	-	-	-
HAECO Composite Structures (Jinjiang)	Composite material	331,335 (US\$ 11,663)	Indirect (Note 1)	18,068 (US\$ 636)	-	-	18,068 (US\$ 636)	-	5.45	-	16,585 (RMB 3,818)	10,128 (US\$ 357)

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
\$253,427 (US\$88,920)	\$618,216 (Note 3)	\$34,535,690 (Note 4)

(Continued)

Investee Company	Main Business and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,474 (RMB 254,480)	Indirect (Note 5)	\$ 114,158 (US\$ 4,018)	\$ -	\$ -	\$ 114,158 (US\$ 4,018)	\$ 91,311 (RMB 21,367)	14.00	\$ 12,784 (RMB 2,991)	\$ 237,502 (RMB 54,673)	\$ 129,010 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,817 (RMB 14,000)	Indirect (Note 5)	54,737 (US\$ 1,927)	-	-	54,737 (US\$ 1,927)	68,272 (RMB 15,976)	14.00	9,558 (RMB 2,237)	135,128 (RMB 31,107)	59,426 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$168,895 (US\$5,945)	\$168,895 (US\$5,945)	\$254,438 (Note 6)

Note 1: China Airlines, Ltd. the "Company" invested in CAL-Asia Investment, which, in turn, invested in a company located in mainland China.

Note 2: The inward remittance of earnings in 2020 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, "Investment or Technical Cooperation in Mainland China Adjustment Rule," 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 in return, invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are translated at year-end rates and those of gains (losses), at the average of the year-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 YEAR ENDED DECEMBER 31, 2020**

(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			% of Total Consolidated Total Revenue or Assets
				Financial Statement Account	Amount	Transaction Criteria	
0	China Airlines, Ltd.	Global Sky Express Mandarin Airlines Tigerair Taiwan Co., Ltd. Taoyuan International Airport Services Taiwan Airport Service Dynasty Aerotech International Corp. Taiwan Air Cargo Terminal CAL Park Mandarin Airlines Taoyuan International Airport Services Mandarin Airlines	a a a a a a a a a a a	Cargo revenue Other operating revenue Other operating revenue Airport service costs Airport service costs Airport service costs Other operating costs Other operating costs Accounts payable - related parties Accounts payable - related parties Bonds payable - non-current	\$ 137,081 123,469 240,768 1,043,264 107,482 352,214 659,596 209,701 101,725 215,542 125,000	The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions	0.12 0.11 0.21 0.91 0.09 0.31 0.57 0.18 0.03 0.07 0.04
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	659,596	The same as ordinary transactions	0.57
2	Mandarin Airlines	Taiwan Airport Service China Airlines, Ltd. China Airlines, Ltd. China Airlines, Ltd.	c b b b	Airport service costs Operating expenses Accounts receivable - related parties Financial assets at amortized costs	152,475 123,469 101,725 125,000	The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions The same as ordinary transactions	0.13 0.11 0.03 0.04
3	Taoyuan International Airport Services	China Airlines, Ltd. China Airlines, Ltd.	b b	Airport service revenue Accounts receivable - related parties	1,043,264 215,542	The same as ordinary transactions The same as ordinary transactions	0.91 0.07
4	Taiwan Airport Service	China Airlines, Ltd. Mandarin Airlines	b c	Operating revenue Operating revenue	107,482 152,475	The same as ordinary transactions The same as ordinary transactions	0.09 0.13
5	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	352,214	The same as ordinary transactions	0.31
6	Global Sky Express	China Airlines, Ltd.	b	Operating expense	137,081	The same as ordinary transactions	0.12
7	CAL Park	China Airlines, Ltd. Cal Hotel Co., Ltd.	b c	Operating revenue Operating revenue	209,701 102,220	The same as ordinary transactions The same as ordinary transactions	0.18 0.09
8	Cal Hotel Co., Ltd.	CAL Park	c	Operating costs	102,220	The same as ordinary transactions	0.09
9	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expenses	240,768	The same as ordinary transactions	0.21

(Continued)

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.

(Concluded)

TABLE 9

CHINA AIRLINES, LTD.**INFORMATION OF MAJOR STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	34.44
National Development Fund (NDF)	519,750,519	9.59

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 preferred 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.

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

Our main audit procedures performed included the following:

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

Other Matter - Audit by Other Independent Auditors

The financial statements of some investments accounted for using the equity method in Note 13 were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors. As of December 31, 2020, the aforementioned investments accounted for using the equity method amounted to NT\$2,304,113 thousand, representing 0.88% of total assets. For the year ended December 31, 2020, comprehensive income (loss) (including share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method) amounted to NT\$(952,289) thousand.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of China Airlines, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and other regulations.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Recognition of Cargo Revenue

In accordance with IFRS 15 "Revenue from Contracts with Customers", cargo sales are accounted for as cargo revenue after relevant transportation services have been provided. For the year ended December 31, 2020, cargo revenue amounted to NT\$81,692,574 thousand. Refer to Notes 4 and 26 to the accompanying financial statements for detailed information.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2021

Notice to Readers

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

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

CHINA AIRLINES, LTD.

BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

ASSETS	2020	%	2019	%
	Amount		Amount	
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 19,959,820	8	\$ 20,626,014	8
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	5,863,137	2	1,460,450	434
Financial assets at amortized cost - current (Notes 9 and 30)	7,613,636	3	9,588	-
Notes and accounts receivable - current (Notes 4, 6 and 30)	9,198,055	4	7,694,431	3
Accounts receivable - related parties (Note 31)	101,424	-	232,386	-
Other receivables	427,722	-	560,819	-
Current tax assets (Notes 4 and 27)	60,129	-	52,776	-
Inventories, net (Notes 4 and 11)	8,093,152	3	8,246,515	3
Non-current assets held for sale (Notes 4 and 12)	89,296	-	-	-
Other current assets (Note 17)	452,414	-	2,106,199	1
Total current assets	51,838,785	20	40,989,612	15
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	147,161	5	107,856	5
Investments accounted for using the equity method (Notes 4 and 15)	12,321,157	5	13,882,877	5
Property, plant and equipment (Notes 4, 14 and 32)	126,545,462	48	131,043,886	49
Right-of-use assets (Notes 4, 20 and 32)	8,545,408	21	6,763,380	24
Intangible assets (Notes 4 and 15)	2,017,148	1	2,017,448	1
Other intangible assets (Notes 4 and 16)	867,453	1	971,298	1
Deferred tax assets (Notes 4 and 27)	4,981,859	2	4,757,142	2
Other non-current assets (Notes 17, 20 and 30)	7,715,679	3	11,227,556	4
Total non-current assets	209,050,980	80	227,886,893	85
TOTAL	\$ 260,909,765	100	\$ 268,876,505	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term bills payable (Notes 18 and 30)	\$ 8,088,882	3	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	8,126,239	3	11,749	-
Financial liabilities for hedging - current (Notes 4, 20 and 30)	1,128,517	1	1,222,410	3
Notes and accounts payable (Note 30)	588,234	1	1,469,434	1
Accounts payable - related parties (Note 31)	7,128,080	3	10,892,203	4
Other payables (Notes 21 and 26)	2	-	-	-
Tax liabilities - current	842,592	2	695,215	2
Lease liabilities - current (Notes 4 and 20)	3,218,846	7	18,384,287	7
Contract liabilities current (Notes 4 and 22)	12,132,859	5	10,000,000	4
Bonds payable and put option of convertible bonds - current portion (Notes 4, 19, 30 and 31)	14,798,442	6	13,708,320	5
Loans and debts - current portion (Notes 18, 30 and 32)	687,317	-	2,806,540	1
Other current liabilities	-	-	-	-
Total current liabilities	56,740,010	22	68,000,173	25
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 20 and 30)	32,455,333	13	42,420,205	16
Bonds payable (Notes 4, 19, 30 and 31)	10,300,000	4	22,352,625	8
Loans and debts (Notes 18, 30 and 32)	68,815,985	26	48,618,168	18
Contract liabilities (Notes 4 and 22)	1,761,004	1	2,236,311	1
Provisions (Notes 4 and 23)	13,741,244	5	9,431,736	4
Deferred tax liabilities (Notes 4 and 27)	875,888	-	399,253	-
Lease liabilities - non-current (Notes 4 and 20)	10,055,776	4	10,909,262	4
Accrued pension costs (Notes 5 and 24)	8,217,395	3	7,588,745	3
Other non-current liabilities	388,637	-	366,255	-
Total non-current liabilities	146,610,272	56	144,322,560	54
Total liabilities	203,350,282	78	212,322,733	79
EQUITY (Notes 19 and 25)				
Share capital	54,209,846	21	54,209,846	20
Capital surplus	1,187,327	-	2,488,907	1
Retained earnings (accumulated deficit)	-	-	466,416	-
Legal reserve	-	-	12,967	-
Special reserve	-	-	-	-
Unappropriated retained earnings (accumulated deficit)	(350,581)	-	(1,777,225)	-
Total retained earnings	(350,581)	-	(1,297,842)	-
Other equity	2,543,766	1	1,196,233	-
Treasury shares	(30,875)	-	(43,372)	-
Total equity	57,559,483	22	56,553,772	21
TOTAL	\$ 260,909,765	100	\$ 268,876,505	100

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

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2020	%	2019	%
	Amount		Amount	
REVENUE (Notes 4, 26 and 31)	\$ 106,327,123	100	\$ 146,372,401	100
COSTS (Notes 4, 11, 26 and 31)	95,190,179	89	135,008,166	92
GROSS PROFIT	11,136,944	11	11,364,235	8
OPERATING EXPENSES (Notes 4, 26 and 31)	6,252,089	6	11,284,000	8
OPERATING PROFIT	4,884,855	5	80,235	-
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	440,761	-	524,233	-
Other gains and losses (Notes 12, 13, 14 and 26)	(523,827)	-	(569,582)	-
Finance costs (Notes 26 and 31)	(2,780,363)	(3)	(3,034,172)	(2)
Share of the profit of associates and joint ventures (Note 13)	(1,850,331)	(2)	1,811,960	1
Total non-operating income and expenses	(4,713,760)	(5)	(1,267,561)	(1)
PROFIT (LOSS) BEFORE INCOME TAX	171,095	-	(1,187,326)	(1)
INCOME TAX EXPENSE (Notes 4 and 27)	31,095	-	12,472	-
NET INCOME (LOSS)	140,000	-	(1,199,798)	(1)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Loss on hedging instruments subject to basis adjustments (Notes 4, 25 and 30)	(474,202)	-	(17,705)	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 25)	39,305	-	24,490	-
Remeasurement of defined benefit plans (Notes 4 and 24)	(494,218)	(1)	(562,259)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4 and 25)	(9,095)	-	(72,718)	-

(Continued)

CHINA AIRLINES, LTD.

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)**

	2020		2019	
	Amount	%	Amount	%
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	\$ 163,172	-	\$ 101,259	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 25)	(101,142)	-	(59,174)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4 and 25)	4,205	-	(13,259)	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 25 and 30)	2,098,393	2	1,425,306	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 27)	(399,450)	-	(273,227)	-
Other comprehensive income (loss) for the year, net of income tax	826,968	1	552,713	1
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 966,968	1	\$ (647,085)	-
EARNINGS (LOSS) PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
Basic	\$ 0.03		\$ (0.22)	
Diluted	\$ 0.02		\$ (0.22)	

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

(Concluded)

CHINA AIRLINES, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)**

	Retained Earnings			Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translation of Financial Statements of Foreign Operations	Other Equity				
	Share Capital	Capital Surplus	Legal Reserve			Special Reserve	Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 54,209,846	\$ 1,241,214	\$ 351,923	\$ 118,810	\$ 1,144,928	\$ (9,664)	\$ 42,619	\$ 25,268	\$ (43,372)	\$ 57,081,572
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	(603)	-	(603)
Appropriation of 2018 earnings	-	-	114,493	-	(114,493)	-	-	-	-	-
Legal reserve	-	-	-	(105,843)	105,843	-	-	-	-	-
Special reserve	-	-	-	-	(1,136,278)	-	-	-	-	(1,136,278)
Cash dividends - \$0.20960737 per share	-	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	606	-	-	-	-	-	-	-	606
Actual disposal or acquisition of interests in subsidiaries	-	1,247,087	-	-	-	-	-	-	-	1,247,087
Net loss for the year ended December 31, 2019	-	-	-	-	(1,199,798)	-	-	-	-	(1,199,798)
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(53,411)	(53,411)	64,538	1,119,013	-	552,713
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(1,777,225)	(53,411)	64,538	1,119,013	-	(647,085)
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	-	-	-	8,368	105	-	-	8,473
BALANCE AT DECEMBER 31, 2019	54,209,846	2,488,907	466,416	12,967	(1,777,225)	(54,707)	107,262	1,143,678	(43,372)	56,553,772
Issuance of employee share options by subsidiaries	-	172	-	-	-	-	-	-	-	172
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	(169,272)	-	-	-	-	(169,272)
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	200,989	-	200,989
Appropriation of 2019 earnings	-	-	(466,416)	-	466,416	-	-	-	-	-
Legal reserve	-	-	-	(12,967)	12,967	-	-	-	-	-
Special reserve	-	-	-	-	1,297,843	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	140,000	-	-	-	-	140,000
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(319,576)	(79,545)	(35,903)	1,261,992	-	826,968
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	(179,576)	(79,545)	(35,903)	1,261,992	-	966,968
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	12,497	6,854
BALANCE AT DECEMBER 31, 2020	\$ 54,209,846	\$ 1,187,327	\$ -	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483

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

CHINA AIRLINES, LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
(In Thousands of New Taiwan Dollars)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ 171,095	\$ (1,187,326)
Adjustments for:		
Depreciation expense	28,018,746	29,398,635
Amortization expense	169,158	165,981
Expected credit loss recognized on trade receivables	3,000	24,000
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(3,596)	(25,700)
Interest income	(208,081)	(314,944)
Dividend income	(8,720)	(10,112)
Share of loss (profit) of associates and joint ventures	1,850,331	(1,811,960)
Gain on disposal of property, plant and equipment	(8,005)	(26,377)
Gain on disposal of investments accounted for using the equity method	-	(7,656)
Loss on disposal of non-current assets held for sale	-	10,462
Loss on inventories and property, plant and equipment	471,518	571,960
Impairment loss recognized on property, plant and equipment	424,573	-
Net (gain) loss on foreign currency exchange	(1,048,369)	41,292
Impairment loss recognized on investments accounted for using the equity method	46,757	-
Finance costs	2,780,363	3,034,172
Recognition of provisions	5,580,416	3,616,519
Loss on sale-leasebacks	-	103,775
Others	1,876	5
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	4,030	25,266
Financial liabilities mandatorily classified as at fair value through profit or loss	(11,749)	11,528
Notes and accounts receivable	(1,467,229)	1,507,192
Accounts receivable - related parties	130,962	65,925
Other receivables	107,524	101,047
Inventories	(70,344)	(128,037)
Other current assets	1,701,803	351,186
Notes and accounts payable	(59,328)	53,077
Accounts payable - related parties	(881,200)	(114,250)
Other payables	(3,724,692)	(731,599)
Contract liabilities	(15,840,648)	1,851,452
Provisions	(705,117)	(1,970,226)
Other current liabilities	(1,915,678)	(120,655)
Accrued pension liabilities	134,432	93,703
Cash generated from operations	15,643,828	34,578,335
Interest received	228,141	307,503
Dividends received	842,919	940,039
	(Continued)	

CHINA AIRLINES, LTD.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**
(In Thousands of New Taiwan Dollars)

	2020	2019
Interest paid	\$ (2,966,777)	\$ (3,038,729)
Income tax paid	(23,308)	(41,260)
Net cash generated from operating activities	13,724,803	32,745,888
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(5,896,451)	(1,467,317)
Disposal of financial assets at amortized cost	1,460,450	2,310,000
Payments to acquire financial assets for hedging	(10,269,055)	-
Proceeds from disposal of financial assets for hedging	2,363,897	-
Acquisition of investments accounted for using the equity method	(1,837,845)	(35,525)
Payments for disposal of property, plant and equipment	(859,654)	(2,397,742)
Proceeds from disposal of property, plant and equipment	23,385	38,596
Proceeds from disposal of non-current assets held for sale	-	35,692
Proceeds from disposal of investments accounted for using the equity method	-	1,713,825
Increase in refundable deposits	(18,214)	(387,244)
Decrease in refundable deposits	34,599	104,825
Increase in prepayments for equipment	(9,966,342)	(13,699,043)
Increase in computer software costs	(95,217)	(157,571)
Net cash used in investing activities	(25,060,447)	(13,941,504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term bill payable	8,088,882	-
Proceeds from issuance of bonds payable	-	3,500,000
Repayments of bonds payable	(10,000,000)	(4,445,900)
Proceeds from sale-leasebacks	-	4,905,660
Repayments from long-term debts	40,200,000	5,500,000
Repayments of long-term debts	(18,912,651)	(15,336,255)
Repayments of the principal portion of lease liabilities	(8,909,975)	(9,666,313)
Proceeds from guarantee deposits received	166,697	167,034
Refunds of guarantee deposits received	(146,566)	(133,938)
Dividends paid to owners of the Company	-	(1,136,278)
Net cash generated from (used in) financing activities	10,486,387	(16,645,990)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	183,063	(220,402)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(666,194)	1,937,992
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	20,626,014	18,688,022
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 19,959,820	\$ 20,626,014

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

(Concluded)

CHINA AIRLINES, LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of December 31, 2020 and 2019, CADF and NDF jointly held 44.03% of the Company's shares. As of December 31, 2020 and 2019, the Company had 11,534 and 12,175 employees, respectively.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors on March 18, 2021.

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)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company's accounting policies:

Amendment to IFRS 16 "Covid-19-Related Rent Concessions"

The Company elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. The related accounting policies are stated in Note 4. Prior to the application of the amendment, the Company shall determine whether or not the abovementioned rent concessions need to be accounted for as lease modifications.

The Company applied the amendment from January 1, 2020. Because the abovementioned rent concessions affect only in 2020, retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

b. The IFRSs endorsed by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"	

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
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 IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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 to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: 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.

The application of new IFRSs in issue but not yet endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies. As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

- a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c. Level 3 inputs are unobservable inputs for an asset or liability.

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

Current and Non-current Assets and Liabilities

Current assets include:

- a. Assets held primarily for the purpose of trading;
- b. Assets expected to be realized within 12 months after the reporting period; and

- c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

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

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

Foreign Currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

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

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

Inventories

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

Non-current Assets Held for Sale

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

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Investments Accounted for by the Equity Method

Investments in subsidiaries, associates and jointly controlled entities are accounted for by the equity method.

a. Investment in subsidiaries

Subsidiaries (including special purpose entities) are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the changes in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the investment and the fair value of the consideration paid or received is recognized directly in equity.

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

The acquisition cost in excess of the acquisition-date fair value of the identifiable net assets acquired is recognized as goodwill. Goodwill is not amortized. The acquisition-date fair value of the net identifiable assets acquired in excess of the acquisition cost is recognized immediately in profit or loss.

When the Company ceases to have control over a subsidiary, any retained investment is measured at fair value at that date and the difference between the previous carrying amount of the subsidiary attributable to the retained interest and its fair value is included in the determination of the gain or loss. Furthermore, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream with a subsidiary and side stream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investments in associates and joint ventures

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

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

When the Company subscribes for additional new shares of an associate and joint ventures at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and joint ventures. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the subscription of additional new shares of the associate and jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and joint ventures is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

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

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

Property, Plant and Equipment

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

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

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

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

Any gain or loss arising on the derecognition of investment properties is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

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

a. Financial assets

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

1) Measurement category

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

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

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

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

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

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

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

c) Investments in equity instruments at FVTOCI

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

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

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

2) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), as well as contract assets.

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

d. Convertible bonds

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

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

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

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

e. Derivative financial instruments

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

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

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

Hedge Accounting

The Company enters into some derivative transactions that aim to manage interest rates, foreign exchange rates, fuel prices, and other factors affecting gains or losses on assets and liabilities. The hedging transactions are defined as cash flow hedges. When entering into hedging transactions, the Company has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

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

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

Starting from 2018, the Company discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period in which the hedge was effective remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

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

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

Revenue Recognition

The Company recognizes revenue by applying the following steps:

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

Shipping service revenue

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

Leasing

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

The Company as lessee

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

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

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

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

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

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest),

is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit in the Company's defined benefit plans.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (assets which are substantially ready for their intended use or sale through a fairly long period) are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

Government Grants

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

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

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

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

Frequent Flyer Programs

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

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

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the granted share options are vested immediately.

Taxation

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

a. Current tax

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of these earnings.

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

b. Deferred tax

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

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

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

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

c. Current and deferred taxes for the year

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

Maintenance and Overhaul Costs

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

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

Defined Benefit Obligations

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2020	2019
Cash on hand and revolving funds	\$ 65,987	\$ 58,661
Checking accounts and demand deposits	12,864,010	4,867,015
Cash equivalents		
Time deposits with original maturities of less than three months	5,880,682	12,662,162
Repurchase agreements collateralized by bonds	<u>1,149,141</u>	<u>3,038,176</u>
	<u>\$ 19,959,820</u>	<u>\$ 20,626,014</u>

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

	December 31	2019
	2020	2019
Bank balance	0.00%-1.90%	0.01%-1.90%
Time deposits with original maturities of less than three months	0.30%-0.55%	0.60%-2.55%
Repurchase agreements collateralized by bonds	0.41%-0.49%	0.55%-0.70%

The Company 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
December 31, 2020	2021.1.4-2021.11.1	Financial assets for hedging - current	\$ 7,613,636
<u>Impact on comprehensive income (loss)</u>			
		Recognized in Other Comprehensive Income (Loss)	
For the year ended December 31, 2020			\$ (372,632)

The amount of hedging instrument settlements recognized as prepayments for equipment in 2020 was \$81,111 thousand.

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

	December 31	2019
	2020	2019
<u>Financial assets - current</u>		
Financial assets mandatorily classified at FVTPL		
Derivative financial instruments (not under hedge accounting)	\$ -	\$ 434
Foreign exchange forward contracts		
<u>Financial liabilities - current</u>		
Derivative financial instruments (not under hedge accounting)		
Foreign exchange forward contracts	\$ -	\$ 11,749

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>December 31, 2019</u>			
Buy forward contracts	NTD/USD	2020.01.15-2020.07.31	NTD570,571/USD19,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	December 31	2019
	2020	2019
<u>Non-current</u>		
Foreign investments		
Unlisted shares	\$ 117,457	\$ 80,991
Domestic investments		
Unlisted shares	29,704	26,865
	<u>\$ 147,161</u>	<u>\$ 107,856</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	2019
	2020	2019
<u>Current</u>		
Time deposits with original maturities of more than 3 months	\$ 5,863,137	\$ 1,460,450
The range of interest rates for time deposits with original maturities of more than 3 months was approximately 0.40%-0.53% and 0.60%-2.44% per annum as of December 31, 2020 and 2019, respectively.		

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Notes receivable</u>	\$ -	\$ 297,075
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	9,363,777	7,577,460
Less: Allowance for impairment loss	(165,722)	(180,104)
	<u>9,198,055</u>	<u>7,397,356</u>
	<u>\$ 9,198,055</u>	<u>\$ 7,694,431</u>

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

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

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

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

	<u>December 31, 2020</u>					<u>Total</u>
	<u>Not Past Due</u>	<u>Up to 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	
Expected credit loss rate	-	1.04%	47.77%	100%	100%	-
Gross carrying amount	\$ 9,167,202	\$ 29,463	\$ 3,366	\$ 2,887	\$ 160,859	\$ 9,363,777
Loss allowance (lifetime ECLs)	(59)	(309)	(1,608)	(2,887)	(160,859)	(165,722)
Amortized cost	<u>\$ 9,167,143</u>	<u>\$ 29,154</u>	<u>\$ 1,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,198,055</u>
	<u>December 31, 2019</u>					<u>Total</u>
	<u>Not Past Due</u>	<u>Up to 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	
Expected credit loss rate	0.03%	0.15%	15.89%	22.14%	100%	-
Gross carrying amount	\$ 6,070,753	\$ 1,241,766	\$ 37,891	\$ 73,058	\$ 153,992	\$ 7,577,460
Loss allowance (lifetime ECLs)	(2,052)	(1,862)	(6,020)	(16,178)	(153,992)	(180,104)
Amortized cost	<u>\$ 6,068,701</u>	<u>\$ 1,239,904</u>	<u>\$ 31,871</u>	<u>\$ 56,880</u>	<u>\$ -</u>	<u>\$ 7,397,356</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Balance at January 1	\$ 180,104	\$ 191,079
Add: Net remeasurement of loss allowance	3,000	24,000
Less: Amounts written off	(17,382)	(34,975)
Foreign exchange gains and losses	-	-
Balance at December 31	<u>\$ 165,722</u>	<u>\$ 180,104</u>

11. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Aircraft spare parts	\$ 7,251,353	\$ 7,390,981
Items for in-flight sale	627,437	571,601
Work in process - maintenance services	214,362	283,933
	<u>\$ 8,093,152</u>	<u>\$ 8,246,515</u>

The operating costs for the years ended December 31, 2020 and 2019 included losses from inventory write-downs of 190,548 thousand and \$317,629 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	December 31	2019
	2020	2019
Aircraft held for sale	<u>\$ 89,296</u>	<u>\$ -</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original book value which was higher than the expected sale price and which was recognized as an impairment loss. However, the actual loss shall be identified by the actual sale price.

In 2019, the Company completed the disposal procedures of some aircraft and recognized a loss on disposal of \$10,462 thousand for the year ended December 31, 2019.

The fair value was determined by transactions of the related market, and the proposed sale price was based on the current status of the aircraft. The fair value is classified as Level 3.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	2019
	2020	2019
Investments in subsidiaries	\$ 11,155,607	\$ 12,004,180
Investments in associates	282,471	471,267
Investments in jointly controlled entities	883,079	1,007,430
	<u>\$ 12,321,157</u>	<u>\$ 13,482,877</u>

a. Investment in subsidiaries

Unlisted companies

	December 31	2019
	2020	2019
Tigerair Taiwan Co., Ltd.	\$ 2,304,113	\$ 1,946,328
CAL Park	1,605,033	1,552,310
Mandarin Airlines	1,223,259	1,494,603
CAL-Dynasty International	1,188,110	1,276,546
Taiwan Air Cargo Terminal	1,556,133	1,517,946
Taoyuan International Airport Services	602,688	737,245
CAL-Asia Investment	469,979	559,562
Sabre Travel Network (Taiwan)	232,883	460,213
CAL Hotel	405,353	479,259
Taiwan Airport Services	200,794	276,134
Dynasty Aerotech International Corp	136,630	88,313
Taiwan Aircraft Maintenance And Engineering Co., Ltd.	699,793	921,989
Yestrip	10,270	25,268
Global Sky Express	7,643	7,294
Kaohsiung Catering Services	512,926	661,170
	<u>\$ 11,155,607</u>	<u>\$ 12,004,180</u>

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

	December 31	2019
	2020	2019
Tigerair Taiwan Co., Ltd.	76%	69%
Taiwan Air Cargo Terminal	54%	54%
CAL Park	100%	100%
Mandarin Airlines	94%	94%
CAL-Dynasty International	100%	100%
Taoyuan International Airport Services	49%	49%
CAL-Asia Investment	100%	100%
Sabre Travel Network (Taiwan)	94%	94%
Taiwan Airport Services	47%	47%
CAL Hotel	100%	100%
Dynasty Aerotech International Corp	100%	100%
Taiwan Aircraft Maintenance And Engineering Co., Ltd.	100%	100%
Dynasty Holidays	100%	100%
Yestrip	100%	100%
Global Sky Express	25%	25%
Kaohsiung Catering Services	54%	54%

Each of the Company's holdings of the issued share capital of Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express did not exceed 50%, but since the Company had control over these investees, they were listed as subsidiaries.

In order to prepare for the listing of Tigerair Taiwan Co., Ltd. and comply with the rules relating to the examination for public listing, the release of the shares of Tigerair Taiwan Co., Ltd. held by the Company was resolved in the shareholders' meeting of the Company on June 25, 2019. The shares shall be subscribed by all shareholders of the Company on the basis of the percentage of shareholdings. For the waiver of subscribed shares by the original shareholders or the undersubscribed portion, the chairman was authorized to designate specific persons for subscription. The subscription price was set at \$41 per share. In October and December 2019, the shares were fully paid and were completely delivered and transferred. The amount of proceeds from disposal was \$1,679,789 thousand, and the related gain on disposal was \$1,129,080 thousand and recognized as capital surplus.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd., the board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 6, 2020. The Company subscribed for 47,228 thousand shares in October 2020 and 26,286 thousand shares in November 2020. Because the shares are subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$169,272 thousand.

The share of profit or loss of subsidiaries recognized under the equity method was as follows:

	2020	2019
Share of profit (loss)	\$ (1,590,853)	\$ 1,529,721

b. Investments in associates

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Unlisted companies</u>		
China Aircraft Services	\$ 277,234	\$ 461,263
Dynasty Holidays	<u>5,237</u>	<u>10,004</u>
	<u>\$ 282,471</u>	<u>\$ 471,267</u>

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
China Aircraft Services	20%	20%
Dynasty Holidays (Note)	20%	20%

Note: Dynasty Holidays was listed as an associate on January 31, 2019.

The recognized investment income of associates accounted for using the equity method was as follows:

	<u>2020</u>	<u>2019</u>
China Aircraft Services	\$ (102,758)	\$ 10,365
Dynasty Holidays	<u>(4,740)</u>	<u>15</u>
	<u>\$ (107,498)</u>	<u>\$ 10,380</u>

The board of directors of the Company decided to sell a portion of the equity of its subsidiary, Dynasty Holidays, to H.I.S. Taiwan Co., Ltd. on January 21, 2019 and completed the transaction on January 31, 2109. After the disposal of the equity, the Company's issued share capital decreased from 51% to 20%. Dynasty Holidays was classified as an associate since the Company lost control of the subsidiary. Therefore, the relevant assets and liabilities were not consolidated in the current period and only the profit and loss from January 1, 2019 to January 31, 2019 were consolidated. For information on the disposal of the subsidiary, refer to Note 31.

c. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
China Pacific Catering Services	\$ 695,959	\$ 801,070
China Pacific Laundry Services	149,353	168,547
NORDAM Asia	<u>37,767</u>	<u>37,813</u>
	<u>\$ 883,079</u>	<u>\$ 1,007,430</u>

At the end of the reporting period, the percentages of ownership and voting rights in jointly controlled entities held by the Company were as follows:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia	49%	49%

The Company signed a joint venture agreement with the Taikoo Company to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both parties have the majority of voting power in the board of directors to pass a motion for veto, and therefore the Company does not have control.

To enhance the Company's maintenance capabilities, the Company established a joint venture with the US NORDAM Aerospace Group in December 2017, to provide thrust reversers and composite repair services in Asia under the NORDAM brand. NORDAM has filed for Chapter 11 bankruptcy reorganization in the USA on July 22, 2018 to solve the business dispute with its cooperative partner, so its operation was not impacted. NORDAM Asia suspended its operation from October 5, 2018 to October 4, 2019 and resumed business on October 4, 2019. The Company increased the capital of NORDAM Asia by \$35,525 thousand in November 2019.

Details of the investment income attributable to investments in jointly controlled entities were as follows:

	<u>2020</u>	<u>2019</u>
China Pacific Catering Services	\$ (136,459)	\$ 256,899
China Pacific Laundry Services	<u>(15,475)</u>	<u>15,030</u>
NORDAM Asia	<u>(46)</u>	<u>(70)</u>
	<u>\$ (151,980)</u>	<u>\$ 271,859</u>

The Company's shares of other comprehensive income of subsidiaries, associates and jointly controlled entities were losses of \$4,890 thousand and \$85,977 thousand in 2020 and 2019, respectively.

The financial statements used as a basis of the amounts of and related information on the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 were all independently audited, except for China Aircraft Services. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

For details on services, major business offices and the country where the above associates and jointly controlled entities are registered, refer to Table 6 "Names, Locations, And Other Information of Investees Over Which the Company Exercises Significant Influence", and Table 7 "Investments In Mainland China", following the notes to the financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	45-55 years
Main buildings	10-25 years
Others	
Machinery and equipment	25 years
Electro-mechanical equipment	3-13 years
Others	3-15 years
Office equipment	
Leasehold improvements	5 years
Building improvements	3-5 years
Others	
Flight equipment and equipment under finance leases	
Airframes	18-25 years
Aircraft cabins	10-20 years
Engines	12-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	8-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years

Regarding changes in fleet composition, current and forecasted market values, and other technical factors, the Company recognized impairment losses on a part of aircraft equipment of \$424,573 thousand in 2020.

Refer to Note 32 for the carrying amounts of aircraft equipment and right-of-use assets pledged by the Company.

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

15. INVESTMENT PROPERTIES

	December 31
	2020
	2019
Carrying amount	\$ 2,047,448
Investment properties	\$ 2,047,448

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

The fair value of the investment properties held by the Company was \$2,456,472 thousand and \$2,473,771 thousand as of December 31, 2020 and 2019, respectively. The fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions. All of the Company's investment properties were held under freehold interest.

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
Cost						
Balance at January 1, 2019	\$ 193,013	\$ 7,335,537	\$ 255,579,627	\$ 25,211,677	\$ 6,340,546	\$ 294,660,400
Additions	-	37,725	2,211,321	-	148,696	2,397,742
Disposals	-	(162)	(20,698,042)	(79,866)	(85,852)	(20,863,922)
Reclassification	-	10,658	29,815,008	(25,131,811)	106,257	4,800,112
Balance at December 31, 2019	<u>\$ 193,013</u>	<u>\$ 7,433,758</u>	<u>\$ 266,907,914</u>	<u>\$ -</u>	<u>\$ 6,509,647</u>	<u>\$ 280,994,332</u>
Accumulated depreciation and impairment						
Balance at January 1, 2019	-	\$ (3,880,602)	\$ (122,357,428)	\$ (14,074,608)	\$ (5,318,708)	\$ (145,631,346)
Depreciation expense	-	(175,943)	(18,186,434)	(741,780)	(284,537)	(19,388,694)
Disposals	-	162	14,899,562	79,866	76,586	15,056,176
Reclassification	-	-	(14,692,000)	14,736,522	(45,104)	(52)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ (4,056,383)</u>	<u>\$ (140,336,300)</u>	<u>\$ -</u>	<u>\$ (5,571,763)</u>	<u>\$ (149,964,446)</u>
Balance at December 31, 2019, net value	<u>\$ 193,013</u>	<u>\$ 3,377,375</u>	<u>\$ 126,571,614</u>	<u>\$ -</u>	<u>\$ 937,884</u>	<u>\$ 131,029,886</u>
Cost						
Balance at January 1, 2020	\$ 193,013	\$ 7,383,758	\$ 266,907,914	\$ -	\$ 6,509,647	\$ 280,994,332
Additions	-	19,464	621,587	-	218,603	859,654
Disposals	(11,420)	(369,651)	(3,718,075)	-	(171,769)	(4,270,915)
Reclassification	-	-	11,792,738	-	8,269	11,801,007
Balance at December 31, 2020	<u>\$ 181,593</u>	<u>\$ 7,033,571</u>	<u>\$ 275,604,164</u>	<u>\$ -</u>	<u>\$ 6,564,750</u>	<u>\$ 289,384,078</u>
Accumulated depreciation and impairment						
Balance at January 1, 2020	-	\$ (4,056,383)	\$ (140,336,300)	\$ -	\$ (5,571,763)	\$ (149,964,446)
Depreciation expense	-	(180,609)	(17,588,803)	-	(293,613)	(18,063,025)
Disposals	-	369,651	3,446,678	-	171,378	3,987,707
Impairment losses	-	-	(424,573)	-	-	(424,573)
Reclassification	-	-	1,489,158	-	5,563	1,494,721
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ (3,867,341)</u>	<u>\$ (153,413,840)</u>	<u>\$ -</u>	<u>\$ (5,688,435)</u>	<u>\$ (162,969,616)</u>
Balance at December 31, 2020, net value	<u>\$ 181,593</u>	<u>\$ 3,166,230</u>	<u>\$ 122,190,324</u>	<u>\$ -</u>	<u>\$ 867,315</u>	<u>\$ 126,414,462</u>

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

16. OTHER INTANGIBLE ASSETS

	Computer Software Costs	Accumulated Amortization	Net Value
Balance at January 1, 2019	\$ 2,060,785	\$ (1,081,077)	\$ 979,708
Additions	157,571	-	157,571
Amortization expense	-	(165,981)	(165,981)
Balance at December 31, 2019	<u>\$ 2,218,356</u>	<u>\$ (1,247,058)</u>	<u>\$ 971,298</u>
Balance at January 1, 2020	\$ 2,218,356	\$ (1,247,058)	\$ 971,298
Additions	95,217	-	95,217
Amortization expense	-	(169,158)	(169,158)
Reclassification	(765,786)	735,882	(29,904)
Balance at December 31, 2020	<u>\$ 1,547,787</u>	<u>\$ (680,334)</u>	<u>\$ 867,453</u>

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

17. OTHER ASSETS

	December 31	
	2020	2019
<u>Current</u>		
Temporary payments	\$ 19,111	\$ 94,682
Prepayments	134,055	1,551,113
Others	<u>299,248</u>	<u>460,404</u>
	\$ 452,414	\$ 2,106,199
<u>Non-current</u>		
Prepayments for aircraft	\$ 5,069,541	\$ 8,322,518
Prepayments - long-term	2,042,609	2,264,220
Refundable deposits	585,451	621,715
Other financial assets	<u>18,078</u>	<u>19,103</u>
	<u>\$ 7,715,679</u>	<u>\$ 11,227,556</u>

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of A321neo and B777F aircraft. For details on the A321neo and B777F aircraft purchase contracts, refer to Note 33.

18. BORROWINGS

a. Short-term bills payable

	December 31	
	2020	2019
Commercial paper	\$ 8,100,000	\$ -
Less: Unamortized discount on bills payable	11,118	-
	<u>\$ 8,088,882</u>	<u>\$ -</u>
Annual discount rate	0.99%-1.00%	-

b. Long-term borrowings

	December 31	
	2020	2019
Unsecured bank loans	\$ 21,650,000	\$ 650,000
Secured bank loans	32,885,883	30,435,870
Commercial paper	29,100,000	31,300,000
Proceeds from issue	22,046	59,382
Less: Unamortized discount	83,613,837	62,326,488
	<u>14,798,442</u>	<u>13,708,320</u>
Less: Current portion	<u>\$ 68,815,395</u>	<u>\$ 48,618,168</u>
Interest rates	0.81%-1.22%	1.08%-1.46%

For information on secured bank loans which were secured by flight equipment, refer to Note 32.

Bank loans (New Taiwan dollars and U.S. dollars) are repayable quarterly, semiannually or in lump sum upon maturity. Related information is summarized as follows:

	December 31	
	2020	2019
Periods	2016/6/27-2032/6/30	2008/2/26-2030/4/25

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until March 2025, were used by the Company to guarantee commercial paper which it issued. The commercial paper was issued at discount rates of 1.0263%-1.1167% in 2020 and 1.1300%-1.1680% in 2019.

In accordance with the "Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens" endorsed by the Ministry of Transportation and Communications and the "Operational Guides on Relief/Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens", the Company applied for project finance loans from financial institutions to maintain its operations; and special funds, credit guarantees along with subsidized interest rates were provided by the government. The total amount of the loans is \$20,000,000 thousand, which shall be repaid within 2 years from the date of initial drawdown. As of December 31, 2020, the Company had made a drawdown in the amount of \$20,000,000 thousand.

19. BONDS PAYABLE

	December 31	2019
	2020	
Unsecured corporate bonds first-time issued in 2013	\$ -	\$ 2,750,000
Unsecured corporate bonds first-time issued in 2016	2,500,000	5,000,000
Unsecured corporate bonds second-time issued in 2016	2,500,000	5,000,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	2,350,000
Unsecured corporate bonds second-time issued in 2017	2,600,000	3,500,000
Unsecured corporate bonds first-time issued in 2018	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000
Convertible bonds - sixth-time issue	<u>5,832,859</u>	<u>5,752,625</u>
	<u>22,432,859</u>	<u>32,352,625</u>
	<u>12,132,859</u>	<u>10,000,000</u>
Less: Current portion and put option of convertible bonds	<u>\$ 10,300,000</u>	<u>\$ 22,352,625</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in January 2013; repayable in January 2019 and 2020; 1.85% interest p.a., payable annually	2013.01.17-2020.01.17	Principal repayable in January of 2019 and 2020; indicator rate; payable annually	1.85
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually	2016.05.26-2021.05.26	Principal repayable in May of 2020 and 2021; interest p.a. 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	2016.09.27-2021.09.27	Principal repayable in September of 2020 and 2021; interest p.a. 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	2017.05.19-2020.05.19	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	2017.05.19-2024.05.19	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

(Continued)

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2022 and 2023; 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.	2018.01.30-2023.01.30	Except for converting to share capital or buying back, principal repayable in December of 2023	-

(Concluded)

The Company issued its 2016 first unsecured corporate bonds with a face value of \$5,000,000 thousand, and the purchasers of the bonds included Mandarin Airlines Co., Ltd. and Sabre Travel Network (Taiwan) Co., Ltd., which had a face value of \$150,000 thousand, and the amount was eliminated in the Company's financial statements.

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

- The holders may demand a lump-sum payment for the bonds upon maturity.
 - 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.
 - The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions.
 - Between January 26, 2014 and December 16, 2018 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to 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.
- 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 (409,978)

Liability component at the date of issuance \$ 5,602,022

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 7, 2019. The cumulative face value of the bonds shall not exceed \$3,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years. During the period of public offerings, the stock market and the domestic capital market were volatile due to Coronavirus Pneumonia and the changes in the share price of the Company were unfavorable to the seventh issue of the Company's unsecured convertible bonds. After comprehensive consideration, the issuance was suspended with the permission of the competent authority based on the best interest of the Company and the shareholders' equity.

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 6, 2020. The cumulative face value of the bonds shall not exceed \$6,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years.

20. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	2019
Carrying amounts		
Land	\$ 3,367,875	\$ 3,442,366
Buildings	6,986,866	6,950,330
Flight equipment	44,201,020	53,870,134
	<u>\$ 54,555,761</u>	<u>\$ 64,262,830</u>
	For the Year Ended December 31	2019
Additions to right-of-use assets	<u>\$ 2,084,799</u>	<u>\$ 5,043,409</u>
Depreciation for right-of-use assets		
Land	\$ 172,757	\$ 171,147
Buildings	383,898	767,939
Flight equipment	<u>9,399,066</u>	<u>9,070,855</u>
	<u>\$ 9,955,721</u>	<u>\$ 10,009,941</u>

b. Lease liabilities

	December 31	2019
Carrying amounts		
Current	<u>\$ 842,592</u>	<u>\$ 695,215</u>
Non-current	<u>\$ 10,055,776</u>	<u>\$ 10,909,262</u>

Range of discount rate for lease liabilities (include US lease hedging instruments):

	December 31	2019
Land	1.09%-1.65%	1.09%-1.65%
Buildings	0%-3.56%	0%-3.56%
Flight equipment	0.68%-3.16%	2.49%-3.16%

c. Financial liabilities under hedge accounting

The Company specifies a part of US lease contract as hedging instruments to avoid exchange rate fluctuations is passenger revenue, and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
December 31, 2020	2022.2.9-2028.5.15	Financial liabilities for hedging - current	\$ 8,120,445
		Financial liabilities for hedging - non-current	32,455,333
December 31, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - current	8,577,482
		Financial liabilities for hedging - non-current	42,420,205

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the year ended December 31, 2020	\$ 2,099,550	\$ 352,674
For the year ended December 31, 2019	1,457,058	(24,029)

d. Material leasing activities and terms

As lessee, China Airlines leased ten 777-300ER planes, fifteen A330-300 planes and fifteen 737-800 planes for operation, lease period are 8 to 12 years from February 2006 to May 2028. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

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

	December 31	2019
Refundable deposits	\$ 438,117	\$ 463,115
Credit guarantees	1,330,772	1,406,702

e. Lease agreement

The Company signed a rental contract for six A321neo with Air Lease Corporation on September 2019, which is expected to be introduced between 2021 and 2022.

22. CONTRACT LIABILITIES/DEFERRED REVENUE

The Company signed a rental letter of intent for eight A321neo with CALC Lease Corporation on October 2019, which is expected to be introduced in 2022.

The Company also signed related aircraft purchase agreement, please refer to note 33 for details.

f. Sale and leaseback

In order to revitalize assets and strengthen the financial structure, the Company sold five of its own A330-300 aircraft to Altavair L.P. in September 2019 through sale and leaseback arrangement for \$4,905,660 thousand. The lease term was 5 to 6 years and a loss of \$103,775 thousand was incurred. The lease agreement had no terms for lease renewal or offtake rights. The annual lease payments for each aircraft are from US\$5,389 thousand to US\$5,437 thousand.

As lessee, the Company leased office buildings and equipment from CAL Park. Lease period is 2 years, and the fixed payment (tax included) is \$20,238 thousand per month.

g. Other lease information

The Company uses operating lease agreement for investment properties, refer to Note 15.

	For the Year Ended December 31	
	2020	2019
Short-term and low price lease payment	\$ 16,450	\$ 18,144
Total of lease cash outflow	<u>\$ (10,528,143)</u>	<u>\$ (11,583,349)</u>

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

21. OTHER PAYABLES

	December 31	
	2020	2019
Fuel costs	\$ 1,718,503	\$ 3,419,803
Short-term employee benefits	1,592,141	1,577,322
Ground service expenses	956,831	1,178,184
Terminal surcharges	346,952	914,428
Repair expenses	285,146	1,136,588
Commission expenses	184,363	509,520
Interest expenses	116,168	214,089
Others	<u>1,927,976</u>	<u>1,942,269</u>
	<u>\$ 7,128,080</u>	<u>\$ 10,892,203</u>

	December 31	
	2020	2019
Contract Liabilities	\$ 2,657,942	\$ 2,884,122
	<u>2,322,008</u>	<u>17,936,476</u>
Frequent flyer programs	\$ 4,979,950	\$ 20,820,598
Advance ticket sales	\$ 3,218,846	\$ 18,584,287
	<u>1,761,104</u>	<u>2,236,311</u>
Current	\$ 4,979,950	\$ 20,820,598
Non-current		

23. PROVISIONS

	December 31	
	2020	2019
Operating leases - aircraft	\$ 13,741,244	\$ 9,431,736
Current	\$ -	\$ -
Non-current	<u>13,741,244</u>	<u>9,431,736</u>
	<u>\$ 13,741,244</u>	<u>\$ 9,431,736</u>

The Company rented flight equipment under operating lease agreements. Under the contracts (some of the leased flight equipment's lease payments are calculated monthly), when the lease expires 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 cycle and the number of engine revolutions. The Company had existing obligations to recognize provisions when signing a lease or during the lease term.

	Aircraft Lease Contract	
Balance at January 1, 2019	\$ 7,999,015	
Additional provisions recognized	3,616,519	
Usage	(1,970,226)	
Effect of exchange rate changes	<u>(213,572)</u>	
Balance at December 31, 2019	\$ 9,431,736	
Balance at January 1, 2020	\$ 9,431,736	
Additional provisions recognized	5,580,416	
Usage	(705,117)	
Effect of exchange rate changes	<u>(565,791)</u>	
Balance at December 31, 2020	\$ 13,741,244	

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Company adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"), the Company has no right to influence the investment policy and strategy.

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

	2020	2019
Present value of defined benefit obligation	\$ 14,458,016	\$ 13,932,511
Fair value of plan assets	<u>(6,240,621)</u>	<u>(6,343,766)</u>
Net defined benefit liabilities	<u>\$ 8,217,395</u>	<u>\$ 7,588,745</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	\$ 13,117,255	\$ (6,184,472)	\$ 6,932,783
Service cost			
Current service cost	1,187,281	-	1,187,281
Net interest expense (income)	<u>118,517</u>	<u>(56,049)</u>	<u>62,468</u>
Recognized in profit or loss	<u>1,305,798</u>	<u>(56,049)</u>	<u>1,249,749</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(219,345)	(219,345)
Actuarial loss - changes in financial assumptions	290,044	-	290,044
Actuarial loss - experience adjustments	<u>491,560</u>	<u>-</u>	<u>491,560</u>
Recognized in other comprehensive income	<u>781,604</u>	<u>(219,345)</u>	<u>562,259</u>
Contributions from the employer	<u>(1,038,624)</u>	<u>(1,038,624)</u>	<u>(1,038,624)</u>
Benefits paid	<u>(1,154,724)</u>	<u>1,154,724</u>	<u>-</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Direct payment to employees from the employer	\$ (117,492)	-	\$ (117,492)
Effect of exchange rate changes	<u>70</u>	<u>-</u>	<u>70</u>
Balance at December 31, 2019	<u>13,932,511</u>	<u>(6,343,766)</u>	<u>7,588,745</u>
Service cost			
Current service cost	1,186,945	-	1,186,945
Net interest expense (income)	<u>96,038</u>	<u>(43,803)</u>	<u>52,235</u>
Recognized in profit or loss	<u>1,282,983</u>	<u>(43,803)</u>	<u>1,239,180</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(213,741)	(213,741)
Actuarial loss - changes in financial assumptions	498,254	-	498,254
Actuarial loss - experience adjustments	<u>209,705</u>	<u>-</u>	<u>209,705</u>
Recognized in other comprehensive income	<u>707,959</u>	<u>(213,741)</u>	<u>494,218</u>
Contributions from the employer	<u>-</u>	<u>(933,458)</u>	<u>(933,458)</u>
Benefits paid	<u>(1,294,147)</u>	<u>1,294,147</u>	<u>-</u>
Direct payment to employees	<u>(154,058)</u>	<u>-</u>	<u>(154,058)</u>
Effect of exchange rate changes	<u>(17,232)</u>	<u>-</u>	<u>(17,232)</u>
Balance at December 31, 2020	<u>\$ 14,458,016</u>	<u>\$ (6,240,621)</u>	<u>\$ 8,217,395</u>

(Concluded)

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

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

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

	2020	December 31 2019
Discount rate	0.34%	0.71%
Expected rate of salary increase	1.00%	1.00%

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

	December 31	2019
	2020	
Discount rate	\$ (318,904)	\$ (613,408)
0.25%/0.5% increase	<u>\$ 332,769</u>	<u>\$ 653,413</u>
0.25%/0.5% decrease		
Expected rate of salary increase	\$ 651,673	\$ 626,743
0.5% increase	<u>\$ (610,077)</u>	<u>\$ (600,073)</u>
0.5% decrease		

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

	December 31	2019
	2020	
The expected contributions to the plan for the next year	\$ 740,777	\$ 736,056

The average duration of the defined benefit obligation

9.5 years	9.6 years
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25. EQUITY

a. Share capital

Ordinary shares

	December 31	2019
	2020	
Number of authorized shares (in thousands)	7,000,000	7,000,000
Amount of authorized shares	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of issued shares	<u>\$ 54,209,846</u>	<u>\$ 54,209,846</u>

b. Capital surplus

	December 31	2019
	2020	
Income of convertible bonds in excess of par value and conversion premium	\$ 146,351	\$ 315,114
Dividends distributed to subsidiaries	-	3,909
Retirement of treasury shares	33,513	33,513
Difference in sale price of share of subsidiaries and book value	-	1,129,080
Expired employee share options	11,747	11,747
Long-term investments	119,134	118,962
Bonds payable equity component	409,978	409,978
Others	466,604	466,604
	<u>\$ 1,187,327</u>	<u>\$ 2,488,907</u>

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of ordinary shares) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital).

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

1) Offsetting of deficit in 2019

On June 23, 2020, the board proposed to offset the accumulated deficit in 2019. The deficit included a net loss of \$1,199,798 thousand, negative adjustment of other retained earnings of \$577,427 thousand, the remaining amount of accumulated deficit was \$1,777,225 thousand. The Company covered the deficit with legal reserve of \$466,416 thousand, special reserve of \$12,967 thousand and capital reserve of \$1,297,843 thousand.

2) Offsetting of deficit in 2020

On March 18, 2021, the board proposed to offset the accumulated deficit in 2020. The deficit included a net income of \$140,000 thousand and the beginning balance of undistributed retained earnings of \$0, negative adjustment of other retained earnings of \$490,581 thousand, the remaining amount of accumulated deficit was \$350,581 thousand and was offset by capital reserve of \$350,581 thousand.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2019	\$ (9,664)	\$ 42,619	\$ 25,268	\$ 58,223
Exchange differences on translation of the financial statements of foreign operations	(59,174)	-	-	(59,174)
Cumulative loss on changes in fair value of hedging instruments	-	-	1,398,296	1,398,296
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	9,305	9,305
Unrealized gain on financial assets at FVTOCI	-	24,490	-	24,490
Share of profit or associates accounted for using equity method	(6,072)	54,902	(7,187)	41,643
Effects of income tax	11,835	(14,854)	(281,401)	(284,420)
Other comprehensive income (loss) recognized in the period	(53,411)	64,538	1,119,013	1,130,140
Disposal of subsidiaries	8,368	105	-	8,473
Transfers of initial carrying amount of hedged items	-	-	(603)	(603)
Balance at December 31, 2019	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233

(Continued)

	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2020	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Exchange differences on translation of the financial statements of foreign operations	(101,142)	-	-	(101,142)
Cumulative loss on changes in fair value of hedging instruments	-	-	1,907,401	1,907,401
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(283,210)	(283,210)
Unrealized gain on financial assets at FVTOCI	-	39,305	-	39,305
Share of profit or associates accounted for using equity method	1,368	(84,893)	2,837	(80,688)
Effects of income tax	20,229	9,685	(365,036)	(335,122)
Other comprehensive income (loss) recognized in the period	(79,545)	(35,903)	1,261,992	1,146,544
Transfers of initial carrying amount of hedged items	-	-	200,989	200,989
Balance at December 31, 2020	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766

(Concluded)

e. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries, as of December 31, 2020 and 2019 were as follows:

	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the year ended December 31, 2020	2,889	(814)	2,075
For the year ended December 31, 2019	2,889	-	2,889

Period of Treasury Shares

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
December 31, 2020			
Mandarin Airlines	2,075	\$ 24,999	\$ 24,999
December 31, 2019			
Mandarin Airlines	2,075	\$ 18,796	\$ 18,796
Dynasty Aerotech International Corp	814	7,376	7,376
		\$ 26,172	\$ 26,172

(In Thousands of Shares)

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.

Dynasty Aerotech International Corp. sold a total of 814 thousand shares of the Company in 2020 and the disposal price was \$6,854 thousand.

26. NET INCOME

a. Revenue

Passenger	\$ 20,508,133	\$ 96,176,865
Cargo	81,692,574	43,406,487
Others	4,126,416	6,789,049
	<u>\$ 106,327,123</u>	<u>\$ 146,372,401</u>

b. Other income

Interest income	\$ 208,081	\$ 314,944
Dividend income	8,720	10,112
Subsidy income	29,309	38,621
Others	194,651	160,556
	<u>\$ 440,761</u>	<u>\$ 524,233</u>

c. Other gains and losses

Gain on disposal property, plant and equipment	\$ 8,005	\$ 26,377
Net loss on financial assets as held for trading	3,596	25,700
Gain (loss) on foreign exchange, net	259,796	(262,610)
Impairment loss recognized on non-current assets held for sale	(46,757)	-
Impairment loss recognized on flight equipment	(424,573)	-
Gain on disposal of investment	-	7,656
Loss on non-current assets held for sale	-	(10,462)
Loss on sale and leaseback	-	(103,775)
Others	(323,894)	(252,468)
	<u>\$ (523,827)</u>	<u>\$ (569,582)</u>

d. Finance costs

Interest expense	\$ 344,034	\$ 431,599
Bonds payable	834,611	703,681
Bank loans	1,601,718	1,898,892
Interest on lease liabilities		
	<u>\$ 2,780,363</u>	<u>\$ 3,034,172</u>

Information about capitalized interest was as follows:

For the Year Ended December 31

2020	2019
\$ 75,701	\$ 36,404
0.71%-1.45%	1.01%-1.28%

e. Depreciation and amortization expenses

For the Year Ended December 31

Property, plant and equipment	\$ 18,063,025	\$ 19,388,694
Right-of-use assets	9,955,721	10,009,941
Intangible assets	169,158	165,981
	<u>\$ 28,187,904</u>	<u>\$ 29,564,616</u>

An analysis of depreciation by function

Operating costs	\$ 27,360,911	\$ 28,373,597
Operating expenses	657,835	1,025,038
	<u>\$ 28,018,746</u>	<u>\$ 29,398,635</u>

An analysis of amortization by function

Operating expenses	\$ 169,158	\$ 165,981
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f. Employee benefits expense

Employee benefits expense	\$ 347,320	\$ 373,187
Post-employment benefits	1,239,180	1,249,749
Defined contribution plans		
Defined benefit plans		
	<u>\$ 1,586,500</u>	<u>\$ 1,622,936</u>

(Continued)

	<u>For the Year Ended December 31</u>	<u>2019</u>
Other employee benefits		
Salary expenses	\$ 12,892,488	\$ 14,475,115
Labor and health insurance	1,149,065	1,282,461
Personnel service expenses	<u>3,303,051</u>	<u>4,589,299</u>
	<u>\$ 17,344,604</u>	<u>\$ 20,346,875</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 14,918,454	\$ 17,862,954
Operating expenses	<u>4,012,650</u>	<u>4,106,857</u>
	<u>\$ 18,931,104</u>	<u>\$ 21,969,811</u>

(Concluded)

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, and accrues profit bonus at a certain rate of profit before tax on the basis of the collective agreement signed with the China Airlines Employees Union. For the years ended December 31, 2020 and 2019, the compensation of employees was not estimated since it was a loss before income tax.

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

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

27. INCOME TAX

- a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	<u>For the Year Ended December 31</u>	<u>2019</u>
Current tax		
Current year	\$ 15,676	\$ 8,836
Prior year adjustment	280	(6,658)
Deferred tax		
Current year	(67,746)	(16,218)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>82,885</u>	<u>26,512</u>
Income tax expense recognized in profit or loss	<u>\$ 31,095</u>	<u>\$ 12,472</u>

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

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Profit before tax	\$ 171,095	<u>\$ (1,187,326)</u>	
Income tax expense calculated at the statutory rate	\$ 34,219	\$ (237,465)	
Add (deduct) tax effects of:			
Nondeductible expenses in determining taxable income	369,518	17,900	
Tax-exempt income	(334,324)	(347,338)	
Overseas income tax expense	15,676	8,836	
Unrecognized loss carryforwards and investment tax credits	(137,159)	550,685	
Adjustments for prior years' tax	280	(6,658)	
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>82,885</u>	<u>26,512</u>	
Income tax expense recognized in profit or loss	<u>\$ 31,095</u>	<u>\$ 12,472</u>	

- b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	<u>2020</u>	<u>2019</u>
Deferred tax			
Recognized in other comprehensive income	\$ 20,229	\$ 11,835	
Translation of foreign operations	(365,036)	(281,401)	
Fair value revaluation of hedging instruments for cash flow hedges	98,844	112,452	
Actuarial gain or loss on defined benefit plan	<u>9,685</u>	<u>(14,854)</u>	
Fair value changes of financial assets at FVTOCI	<u>\$ (236,278)</u>	<u>\$ (171,968)</u>	
Total income tax recognized in other comprehensive income			

- c. Deferred tax assets and liabilities

For the year ended December 31, 2020

	<u>Beginning Balance</u>	<u>Recognized in Profit or Loss</u>	<u>Recognized in Other Comprehensive Income</u>	<u>Ending Balance</u>
Deferred tax assets				
Temporary differences				
Defined benefit plans	\$ 1,527,211	\$ 30,333	\$ 98,844	\$ 1,656,388
Frequent flyer programs	590,694	(42,817)	-	547,877
Maintenance reserve	2,063,485	295,849	-	2,359,334
Allowance for reduction of inventory	294,799	(41,590)	-	253,209
Others	<u>280,953</u>	<u>(195,593)</u>	<u>79,691</u>	<u>165,051</u>
	<u>\$ 4,757,142</u>	<u>\$ 46,182</u>	<u>\$ 178,535</u>	<u>\$ 4,981,859</u>

(Continued)

Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets are as follows:

	December 31	
	2020	2019
Loss carryforwards		
2021	\$ -	\$ 2,899,496
2022	-	619,799
2026	-	202,699
2028	495,779	1,519,941
2029	1,439,287	760,157
	<u>\$ 1,935,066</u>	<u>\$ 6,002,092</u>
Other	<u>\$ 4,479,141</u>	<u>\$ 1,097,908</u>

d. Unused tax loss carryforwards as of December 31, 2020 were as follows:

	Expiry Year	Unused Amount
	2028	\$ 495,779
	2029	<u>1,439,287</u>
		<u>\$ 1,935,066</u>

Deferred tax assets

Temporary differences			
Defined benefit plans	\$ 1,396,033	\$ 112,452	\$ 1,527,211
Frequent flyer programs	510,060	-	590,694
Maintenance reserve	1,674,973	-	2,063,485
Allowance for reduction of inventory	333,653	-	294,799
Others	<u>646,627</u>	<u>11,860</u>	<u>280,953</u>
	<u>\$ 4,561,346</u>	<u>\$ 124,312</u>	<u>\$ 4,757,142</u>

Deferred tax liabilities

Temporary differences			
Unrealized foreign exchange gains	\$ -	\$ 81,778	\$ 81,778
Others (Note)	<u>21,195</u>	<u>-</u>	<u>317,475</u>
	<u>\$ 21,195</u>	<u>\$ 296,280</u>	<u>\$ 399,253</u>

e. Income tax returns

The income tax returns of the Company through 2018 have been examined by the tax authorities.

28. EARNINGS PER SHARE

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	<u>\$ 0.03</u>	<u>\$ (0.22)</u>
Diluted earnings per share	<u>\$ 0.03</u>	<u>\$ (0.22)</u>

	For the Year Ended December 31	
	2020	2019
Earnings used in the computation of basic earnings per share	\$ 140,000	\$ (1,199,798)
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	-	-
Earnings used in the computation of diluted earnings per share	<u>\$ 140,000</u>	<u>\$ (1,199,798)</u>

For the year ended December 31, 2019

	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</u>
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands)	5,418,776	5,418,096
Effect of potentially dilutive ordinary shares:		
Convertible bonds (in thousands)	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousands)	<u>5,418,776</u>	<u>5,418,096</u>

If the Company offers to settle compensation or bonuses paid to employees in cash or shares, the Company assumes 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.

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

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

30. FINANCIAL INSTRUMENTS

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

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>		
Bonds payable	\$ 22,432,859	\$ 22,609,683
	\$ 32,352,625	\$ 32,363,301

Some long-term borrowings are floating-rate financial liabilities, so their carrying amounts are their fair values. The fair values of bonds payable are based on those which are traded in the stock exchange and 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:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- 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).

December 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FV/TOCI</u>				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 29,704	\$ 29,704
Unlisted shares - foreign	-	-	117,457	117,457
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,161</u>	<u>\$ 147,161</u>
<u>Financial assets for hedging</u>	<u>\$ 7,613,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,613,636</u>
<u>Financial liabilities for hedging</u>	<u>\$ 40,575,778</u>	<u>\$ 5,794</u>	<u>\$ -</u>	<u>\$ 40,581,572</u>

December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FV/TPL</u>				
Derivative instruments	\$ -	\$ 434	\$ -	\$ 434
<u>Financial assets at FV/TOCI</u>				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 26,865	\$ 26,865
Unlisted shares - foreign	-	-	80,991	80,991
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,856</u>	<u>\$ 107,856</u>
<u>Financial liabilities at FV/TPL</u>	<u>\$ -</u>	<u>\$ 11,749</u>	<u>\$ -</u>	<u>\$ 11,749</u>
<u>Derivative instruments</u>	<u>\$ -</u>	<u>\$ 109</u>	<u>\$ 9,479</u>	<u>\$ 9,588</u>
<u>Financial liabilities for hedging</u>	<u>\$ 50,997,687</u>	<u>\$ 28,578</u>	<u>\$ 3,955</u>	<u>\$ 51,030,220</u>

There were no transfers between Level 2 and 3 in the current and prior periods.

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

Financial Instruments **Valuation Techniques and Inputs**

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

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

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

The domestic unlisted equity investment is 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 movements of Level 3 financial instruments are as follows:

	Multiplier	Liquidity Discount
December 31, 2020	0.79-16.32	80%
December 31, 2019	0.75-13.23	80%
	Derivative Instruments	Equity Instruments
Balance at January 1, 2020	\$ 5,524	\$ 107,856
Other comprehensive income recognized during the period	<u>(5,524)</u>	<u>39,505</u>
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 147,161</u>
	Derivative Instruments	Equity Instruments
Balance at January 1, 2019	\$ 4,901	\$ 83,366
Recognized in other comprehensive income	<u>623</u>	<u>24,490</u>
Balance at December 31, 2019	<u>\$ 5,524</u>	<u>\$ 107,856</u>

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

c. Categories of financial instruments

December 31

	2020	2019
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Financial assets

Financial assets at FVTPL	\$ -	\$ 434
Financial assets for hedging	7,613,636	9,588
Financial assets at amortized cost (Note 1)	36,153,687	31,214,918
Financial assets at FVTOCI - equity instrument investment	147,161	107,856

Financial liabilities

Financial liabilities at FVTPL	-	11,749
Financial liabilities for hedging	40,581,572	51,030,220
Financial liabilities at amortized cost (Note 2)	148,012,657	129,800,759

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 balance of financial liabilities measured at amortized cost comprised short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable and long-term loans, lease liabilities, provisions, parts of other current liabilities, parts of other noncurrent liabilities and guarantee deposits.

d. Financial risk management objectives and policies

The Company has risk management and hedging strategies to respond to changes in the economic, financial environment and in the fuel market. To reduce the financial risks from changes in interest rates, in exchange rates and fuel prices, the Company has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by Company shareholders to reduce the impact of market price 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 management committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging portion. This committee informs the Company of global economic and financial conditions, controls the Company's entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Company entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

The Company enters into forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

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

Sensitivity analysis

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

The following details the Company's sensitivity to a one dollar increase and decrease in the New Taiwan dollar (the functional currency) against the U.S. dollar. The sensitivity amount used when reporting foreign currency risk internally to key management personnel and which represents management's assessment of the reasonably possible change in foreign exchange rates is one dollar. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges and adjust their translation at the end of the reporting period for the New Taiwan dollar strengthening or weakening one dollar against the U.S. dollar.

When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be an increase in pre-tax profit of \$126,947 thousand and other comprehensive income of \$1,155,267 thousand for the year ended December 31, 2020. A decrease in pre-tax profit of \$40,775 thousand and increase in pre-tax other comprehensive income of \$1,629,223 thousand for the year ended December 31, 2019.

The Company'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 Company 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 hedging of foreign currency risk. For the information related to lease contract as hedging instruments, please refer to Note 20.

December 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
						Asset
Cash flow hedge Aviation fuel - forward exchange contracts	NTD/USD	NTD 142,045/ USD 5,000	2021.1.29, 2021.5.28	29.4-29.8	Financial assets for hedging - current/ liabilities for hedging - current	\$ -
						Liability
						\$ 5,794

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aviation fuel) was \$(5,794) thousand.

For the year ended December 31, 2020

	Hedging Gain Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge		
Aviation fuel	\$ 4,367	\$ (16,616)
Aircraft prepayments	(101,570)	-
Maintenance cost	-	5
	<u>\$ (97,203)</u>	<u>\$ (16,611)</u>

For the year ended December 31, 2020, the amount of hedging instruments reclassified to prepayments for equipment was \$119,878 thousand.

December 31, 2019

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount
						Asset
Cash flow hedge Aviation fuel - forward exchange contracts	NTD/USD	NTD660,661/ USD22,000	2020.2.27, 2020.11.30	29.7-30.7	Financial assets for hedging - current/ current liabilities for hedging - current	\$ 32
Aircraft rentals - forward exchange contracts	NTD/USD	NTD 411,411/ USD17,000	2020.11.4	29.6-30.5	Financial assets for hedging - current/ current liabilities for hedging - current	77
						18,385

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aviation fuel and aircraft rentals in U.S. dollars) was \$(10,161) thousand and \$(18,308) thousand, respectively.

For the year ended December 31, 2019

	Hedging Gain Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedge		
Aircraft rentals	\$ (22,214)	\$ 28,374 (Note)
Aviation fuel	(10,161)	(53)
Aircraft prepayments	<u>(17,705)</u>	<u>-</u>
	<u>\$ (50,080)</u>	<u>\$ 28,321</u>

For the year ended December 31, 2019, the amount of hedging instruments reclassified to prepayments for equipment was \$(603) thousand.

Note: Decrease in operating costs or foreign exchange loss.

For the year ended December 31, 2019, the amount of hedging instruments reclassified to prepayments for equipment was \$(603) thousand.

b) Interest rate risk

The Company enters into interest swap contracts to hedge against the risks on change in net liabilities interest rates.

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

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

	December 31 2020	2019
Fair value interest rate risk	\$ 63,008,637	\$ 83,350,312
Cash flow interest rate risk	102,601,087	73,930,965

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. One yard (25 basis) 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) and all other variables been held constant, the Company's pre-tax profit for the year ended December 31, 2020 would have decreased by \$256,503 thousand.

Had interest rates increased by one yard (25 basis) and all other variables been held constant, the Company's pre-tax profit for the year ended December 31, 2019 would have decreased by \$184,827 thousand.

c) Other price risk

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

December 31, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Carrying Amount	
					Line Item in Balance Sheet	Liability
Cash flow hedges - fuel options	USD	-	-	-	Financial assets for hedging - current/ liabilities for hedging - current	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (fuel payments) was \$0.

For the year ended December 31, 2020

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - fuel options	\$ (5,524)	\$ (52,853) (Note)

Note: Increase in operating costs.

December 31, 2019

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Carrying Amount	
					Line Item in Balance Sheet	Liability
Cash flow hedges - fuel options	USD	NTD5,524	2020.3.31-2020.12.31	USD96.65-USD80.75	Financial assets for hedging - current/ liabilities for hedging - current	\$ 9,479
						\$ 3,955

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (fuel payments) was \$5,524 thousand.

For the year ended December 31, 2019

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - fuel options	\$ 623	\$ (13,597) (Note)

Note: Increase in operating costs.

Sensitivity analysis

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

For the Year Ended December 31

	2020		2019	
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase of 5%	\$ 1,479	\$ -	\$ -	\$ 7,973
Fuel price decrease of 5%	(1,479)	-	-	-

2) Credit risk

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

Operation - related credit risk

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

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

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

Financial credit risk

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

Endorsements given by the Company on behalf of its subsidiaries can be found in Notes 31(g).

3) Liquidity risk

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

Liquidity and interest risk rate table

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

Bank loans with a repayment on demand clause 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 Company's liquidity analysis for its derivative financial instruments is also shown in the following table. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

December 31, 2020

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	0.1355	\$ 915,897	\$ 2,778,984	\$ 9,929,842
Floating interest rate liabilities	0.9102	15,559,492	54,822,466	14,752,347
Hedging instruments	0.2541	9,249,609	32,978,809	1,815,449
Bonds payable	2.4622	12,685,204	9,303,608	1,280,779
		<u>\$ 38,410,202</u>	<u>\$ 99,883,867</u>	<u>\$ 27,778,417</u>

December 31, 2019

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	0.1448	\$ 914,419	\$ 3,362,181	\$ 10,451,021
Floating interest rate liabilities	0.9576	14,284,090	34,457,400	14,787,869
Hedging instruments	3.1131	10,060,822	39,729,062	6,373,333
Bonds payable	2.5273	10,823,905	19,871,174	3,383,401
		<u>\$ 36,083,236</u>	<u>\$ 97,419,817</u>	<u>\$ 34,995,624</u>

Loan commitments

Unused bank loan limit (unsecured)

\$ 21,559,000

\$ 18,422,000

December 31
2020 2019

31. RELATED-PARTY TRANSACTIONS

Except for the disclosures stated in other notes, transactions between the Company and its related parties are disclosed below:

a. Related parties' names and relationships

Name	Relationship with the Company
Taiwan Aircargo Terminal Company	Subsidiary
Taoyuan International Airport Service Co., Ltd.	Subsidiary
Sabre Travel Network (Taiwan), Ltd.	Subsidiary
Taiwan Airport Service Co., Ltd.	Subsidiary
Taiwan Airport Service (Samoa)	Subsidiary
Dynasty Aerotech International Corp.	Subsidiary
Yestrip	Subsidiary
Global Sky Express	Subsidiary
Mandarin Airlines	Subsidiary
CAL Park	Subsidiary
CAL Hotel Co., Ltd.	Subsidiary
CAL-Asia Investment	Subsidiary
Dynasty Holidays, Inc.	Associate (become associate in January 2019)
CAL-Dynasty International Inc.	Subsidiary
Tigerair Taiwan Co., Ltd.	Subsidiary
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary
Kaohsiung Catering Services	Subsidiary
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
China Pacific Catering Services	Joint venture investment
China Pacific Laundry Services	Joint venture investment
NORDAM Asia Ltd.	Joint venture investment
Delica International Co., Ltd.	Director of the Company and major shareholder
China Aviation Development Foundation	Director, key management personnel, chairman, general manager of the Company, spouse and second-degree relative
Others	

b. Operating income

Account Items	Related Party Type	2020	2019
Other income	Subsidiary	\$ 696,100	\$ 2,577,039
	Major shareholder of the Company	\$ 5,097	\$ 25,457
	Associate	\$ 122	\$ 1,239
	Joint venture investment	\$ 22,445	\$ 42,457

c. Purchases

For the Year Ended December 31

Related Party Type

	2020	2019
Subsidiary	\$ 2,611,679	\$ 3,915,258
Major shareholder of the Company	\$ 11,417	\$ 56,474
Associate	\$ 457,005	\$ 414,106
Joint venture investment	\$ 516,347	\$ 1,911,091

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

Related Party Type

	2020	2019
Subsidiary	\$ 99,757	\$ 222,038
Joint venture investment	1,667	7,760
Major shareholder of the Company	-	2,588
	\$ 101,424	\$ 232,386

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

	2020	2019
Subsidiary	\$ 459,667	\$ 927,419
Associate	52,187	51,333
Joint venture investment	76,380	484,700
Major shareholder of the Company	-	5,982
	\$ 588,234	\$ 1,469,434

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

f. Leases of properties (operating leases)

The Company rented out planes to Mandarin Airlines under an operating lease contract. The monthly rent received is based on flight hours. In 2020 and 2019, the rentals received amounted to \$384,080 thousand and \$1,624,568 thousand, respectively.

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots. The Company paid the rental based on usage hours. In 2020 and 2019, the Company paid rentals of about \$11,417 thousand and \$56,474 thousand, respectively.

In March 2010, the Company signed a yearly renewable operating lease agreement to use the Operating and Aviation Headquarters building of the Taiwan Taoyuan International Airport with CAL Park. In 2020 and 2019, the Company paid rentals of \$207,003 and \$231,288 thousand, respectively.

g. Endorsements and guarantees

The Company	December 31		Actual Amount Used	Actual Amount Used
	2020	2019		
	Authorized Amount	Authorized Amount		
CAL Park	\$ 3,850,000	\$ 3,850,000	\$ 3,850,000	\$ 2,129,400
Taiwan Air Cargo Terminal	-	-	1,080,000	-
Tigerair Taiwan	2,656,591	265,062	3,012,668	685,444
Taiwan Air Craft Maintenance	2,000,000	1,336,000	2,000,000	1,279,827

h. Bonds payable - related parties

Related parties that invested in the first issue of unsecured bonds in 2016 (Note 19) are summarized as follows:

Related Party	December 31, 2020	
	Units	Aggregate Par/Dollars
Mandarin Airlines	125	\$ 125,000
Sabre Travel Network (Taiwan)	25	25,000

The first issue of unsecured bonds in 2016

In 2020, interest expense was \$2,499 thousand. This bonds payable will be paid off in May 2021. As of December 31, 2020 the interest payable was \$1,071 thousand.

i. Compensation of key management personnel

	2020	2019
Short-term employee benefits	\$ 33,376	\$ 39,693
Post-employment benefits	2,525	2,362
	<u>\$ 35,901</u>	<u>\$ 42,055</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

32. PLEDGED ASSETS

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

	December 31	2019
Property, plant and equipment	\$ 30,113,171	\$ 26,956,631
Right-of-use asset	<u>54,555,761</u>	<u>64,262,830</u>
	<u>\$ 84,668,932</u>	<u>\$ 91,219,461</u>

33. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2020, except for the disclosures stated in other notes, the Company had commitments and contingent liabilities as follows:

- a. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 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 December 31, 2020, the list price of the fourteen aircraft 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. The total list price of the four engines is US\$60,289 thousand. The Company also signed related aircraft rental agreement, please refer to Note 20 for details.
- b. In July and August 2019, the Company signed a contract with the Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. The total list price of the six aircraft is US\$2,320,315 thousand, and the expected delivery periods are from 2020 to 2023. As of December 31, 2020, two out of the six aircraft has been delivered, the list price had been paid in the amount of US\$122,186 thousand (recognized as prepayments for aircraft), and the total list price of the remaining four aircraft is US\$1,552,879.

34. 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 Company 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 Company.

The Company continues to adjust the response measures according to the situation. In addition, to ensure the adequate liquidity, the Company 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 Company's policies to control spending include suspension of non-urgent capital expenditures, reduction in unnecessary expenses for administrative management and sales, negotiation with suppliers for a lower price and postponement of payments.

In 2020, because of the Covid-19, the Company received subsidy of \$1,251,632 thousand for the airport landing fees and parking fees, etc. The subsidy for housing and land rental, and salary expenses was \$745,820 thousand, recognized as deduction from other income and expenses.

The Company has obtained relief loan from the government. Refer to Note 18 for details on the amount of loan and its allocation.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 640,411	28.4091	\$ 18,193,504
EUR	18,246	34.8432	635,752
HKD	338,880	3.6603	1,240,403
JPY	3,417,972	0.2750	939,942
RMB	546,452	4.3440	2,373,786
<u>Financial liabilities</u>			
Monetary items			
USD	1,927,625	28.4091	54,762,089
EUR	6,513	34.8432	226,949
HKD	72,397	3.6603	264,994
JPY	2,986,256	0.2750	821,220
RMB	136,957	4.3440	594,941

December 31, 2019

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 502,608	30.0300	\$ 15,093,328
EUR	18,401	33.6700	619,571
HKD	225,078	3.8595	868,689
JPY	5,531,849	0.2766	1,530,109
RMB	371,642	4.3048	1,599,846
<u>Financial liabilities</u>			
Monetary items			
USD	2,179,056	30.0300	65,437,049
EUR	7,639	33.6700	257,211
HKD	67,529	3.8595	260,630
JPY	5,706,141	0.2766	1,578,319
RMB	132,622	4.3048	570,913

For the years ended December 31, 2020 and 2019, the Company's net foreign exchange (losses) gains were \$259,796 thousand and \$(262,610) 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.

36. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
- 1) Financing provided: 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 or price of at least NT\$100 million or 20% of the paid-in capital: None.
 - 6) Disposals of individual real estates at costs or prices of at least NT\$100 million or 20% of the paid-in capital: None.
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 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) Derivative financial transactions: Notes 7 and 30.
- b. Investment in mainland China: Table 7 (attached).
- c. Information of major shareholders: Table 8 (attached).

37. SEGMENT INFORMATION

The Company mainly engages in air transportation services for passengers, cargo and others. The major revenue-generating asset is the fleet, which is jointly used for passenger and cargo services. Thus, the Company's sole reportable segment is the flight segment. For operating segment reporting in the financial statements, the Company's reportable segment comprises the flight and the non-flight business departments.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2020
(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 Borrowing 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	Cat-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 103,244	\$ 99,432	\$ 28,409	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ 144,128	\$ 288,256		

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2020

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

No.	Endorsement/ Guarantee Provider	Counterparty		Limit on Each Counterparty's Endorsement/ Guarantee Amount (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collaterals Property, Plant or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (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	Nature of Relationship										
0	China Airlines (the "Company")	CAL Park Tigerair Taiwan Co., Ltd. Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% subsidiary 75.86% subsidiary by direct and indirect holdings 100% subsidiary	\$ 11,511,896 11,511,896 11,511,896	\$ 3,850,000 3,038,197 2,000,000	\$ 3,850,000 2,656,591 2,000,000	\$ 1,892,540 265,062 1,336,000	\$ - - -	6.69 4.62 3.47	\$ 28,779,741 28,779,741 28,779,741	Y Y Y	N N N	N N N

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
DECEMBER 31, 2020

(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	December 31, 2020			Note	
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)		Market Value or Net Asset Value
China Airlines ("Parent company")	Shares Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	1,359,368	\$ 106,779	13.59	\$ 117,457	Note 1
	Everest Investment Holdings Ltd. - preference shares	-	Financial assets at FVTOCI - non-current	135,937	10,678	-	-	
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	29,704	11.00	29,704	
	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	Shares China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	24,999	-	24,999	-
	Shares Taikoo (Xiamen) Landing Gear Services HAECO Composite Structures (Jinjiang)	- -	Financial assets at FVTPL - current Financial assets at FVTOCI - non-current	- -	16,585	2.59 5.45	- 16,585	Note 2 Note 2
Sabre Travel Network (Taiwan)	Beneficiary certificates Franklin Templeton SinoAm Money Market Fund FSITC Money Market Fund	- -	Financial assets at FVTPL - current Financial assets at FVTPL - current	4,051,153 308,094	42,247 55,411	- -	42,247 55,411	-
	Shares TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-	-
Dynasty Aerotech International Corp.	Beneficiary certificates Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	349,523	4,771	-	4,771	-
	Beneficiary certificates Prudential Financial Money Market Fund Prudential Financial Return Fund Taishin 1699 Money Market Fund	- - -	Financial assets at FVTPL - current Financial assets at FVTPL - current Financial assets at FVTPL - current	5,407,832 4,493,628 1,106,807	86,281 70,949 15,103	- - -	86,281 70,949 15,103	- - -

Note 1: The subsidiary's net asset value was \$117,457 thousand, which included ordinary shares and preference shares as of and for the year ended December 31, 2020.

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 YEAR ENDED DECEMBER 31, 2020

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

Company Name	Related Party	Nature of Relationship	Transaction Details		Abnormal Transaction		Note/Account Payable or Receivable		Note	
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms		Ending Balance
China Airlines, Ltd. ("China Airlines")	Taiwan Air Cargo Terminal	Subsidiary	Purchase	\$ 659,596	0.69	30 days	\$ -	\$ (67,465)	(3.39)	-
	Taiwan Airport Services	Subsidiary	Purchase	107,482	0.11	40 days	-	(13,046)	(0.76)	-
	Mandarin Airlines	Subsidiary	Sale	(221,527)	(0.21)	2 months	-	69,179	0.71	-
	Tigerair Taiwan	Subsidiary	Sale	(240,768)	(0.23)	1 month	-	12,008	0.12	-
	Taoyuan International Airport Service	Subsidiary	Purchase	1,043,264	1.10	40 days	-	(215,542)	(12.56)	-
	Dynasty Aerotech International Corp.	Subsidiary	Purchase	352,214	0.37	2 months	-	(49,108)	(2.86)	-
	CAL Park	Subsidiary	Purchase	209,701	0.22	2 months	-	-	-	-
	Global Sky Express	Subsidiary	Sale	(139,335)	(0.13)	15 days	-	8,180	0.08	-
	Eastern United International Logistics	Equity-method investee	Purchase	388,451	0.41	2 months	-	(41,725)	(2.43)	-
	China Pacific Catering Services	Equity-method investee	Purchase	473,460	0.50	90 days	-	(71,674)	(4.18)	-
Mandarin Airlines	Taiwan Airport Services	Same parent company	Purchase	152,475	4.14	1 month	-	(22,407)	(5.58)	-
	Tigerair Taiwan	Same parent company	Purchase	149,048	4.05	1 month	-	(11,711)	(2.92)	-
Cal Hotel	CAL Park	Same parent company	Purchase	102,220	48.59	1 month	-	(76)	(0.25)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020**

(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 Bad Debts
					Amount	Action Taken		
Mandarin Airlines	China Airlines	Parent company	\$ 101,725	Note	\$ -	-	\$ 56,870	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	215,542	3.71	-	-	215,542	-

Note: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore the turnover rate was not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEE OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars and Foreign Currencies in Thousands, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Investment Amount		Balance as of December 31, 2020		Net Income (Loss) of the Investee	Investment Income (Loss)	Note	
				December 31, 2020	December 31, 2019	Number of Shares/Units	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	\$ 9,350	\$ 53,770	Note 4	
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	(376,255)	(353,642)	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	318,494	172,017	-	
	Cal-Dynasty International	Los Angeles, USA	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,188,110	(21,960)	Note 2	
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	(267,566)	(20,542)	-	
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	(258,894)	(126,858)	-	
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	469,979	45,068	-	
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	(49,995)	(46,951)	-	
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	20.00	(513,790)	(102,758)	-	
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	(156,739)	(74,214)	-	
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	9,129	(8,309)	Note 5	
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	(73,586)	(73,906)	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	149,353	(15,475)	-	
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	136,630	33,986	Note 4	
	Mandarin Airlines	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	(15,067)	(14,998)	Note 4
		Dynasty Holidays	Tokyo, Japan	Travel business	8,000	JPY 20,400	5,237	20.00	(23,701)	(4,740)	-
Global Sky Express		Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	160	25.00	7,643	1,949	-	
Tigerair Taiwan Co., Ltd.		Taipei, Taiwan	Air transportation and maintenance of aircraft	3,109,907	1,272,063	212,420,046	75.86	(1,371,056)	(956,008)	Note 4	
Taiwan Aircraft Maintenance and Engineering Co., Ltd.		Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	135,000,000	100.00	(699,793)	(222,223)	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	37,975	2,450	3,797,500	49.00	(93)	(46)	-	
	Taiwan Airport Services	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	5.51	(1,371,056)	(104,501)	-	
CAL-Asia Investment	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	(156,739)	(1,688)	-	
	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	51,116	13,940	-	
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	373,442	22,355	Note 3	
Kaohsiung Catering Services	Deltea International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,871	2	-	

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

Note 2: Represents the 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: Difference caused by lease arrangement between consolidated entities.

Note 5: Difference caused by acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars, Unless Stated Otherwise)

China Airlines

Investee Company Name	Main Business and Product	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flow		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,474 (RMB 254,480)	Indirect (Note 1)	\$ 118,920 (US\$ 4,186)	\$ -	\$ -	\$ 118,920 (US\$ 4,186)	\$ 91,311 (RMB 21,367)	14.00	\$ 12,794 (RMB 2,991)	\$ 238,717 (RMB 54,953)	\$ 100,470 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,817 (RMB 14,000)	Indirect (Note 1)	55,325 (US\$ 1,947)	-	-	55,325 (US\$ 1,947)	68,272 (RMB 15,976)	14.00	9,566 (RMB 2,237)	134,918 (RMB 31,058)	44,333 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,360,511 (US\$ 83,090)	Indirect (Note 1)	61,114 (US\$ 2,151)	-	-	61,114 (US\$ 2,151)	-	2.589	-	-	-
HAECO Composite Structures (Jinjiang)	Composite material	331,335 (US\$ 11,663)	Indirect (Note 1)	18,068 (US\$ 636)	-	-	18,068 (US\$ 636)	-	5.45	-	16,585 (RMB 3,818)	10,128 (US\$ 357)

Accumulated Investment in Mainland China as of December 31, 2020	Investment Amount Authorized by Investment Commission, MOEA	Limit on Investment
\$253,427 (US\$88,920)	\$618,216 (Note 3)	\$34,535,690 (Note 4)

(Continued)

Investee Company	Main Business and Product	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of December 31, 2020	Accumulated Repatriation of Investment Income as of December 31, 2020
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,474 (RMB 254,480)	Indirect (Note 5)	\$ 114,158 (US\$ 4,018)	\$ -	\$ -	\$ 114,158 (US\$ 4,018)	\$ 91,311 (RMB 21,367)	14.00	\$ 12,784 (RMB 2,991)	\$ 237,502 (RMB 54,673)	\$ 129,010 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,817 (RMB 14,000)	Indirect (Note 5)	54,737 (US\$ 1,927)	-	-	54,737 (US\$ 1,927)	68,272 (RMB 15,976)	14.00	9,558 (RMB 2,237)	135,128 (RMB 31,107)	59,426 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$168,895 (US\$5,945)	\$168,895 (US\$5,945)	\$254,438 (Note 6)

Note 1: China Airlines, Ltd. the "Company" invested in CAL-Asia Investment, which, in turn, invested in a company located in mainland China.

Note 2: The inward remittance of earnings in 2020 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, "Investment or Technical Cooperation in Mainland China Adjustment Rule," 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 in return, invested in a company located in mainland China.

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

(Concluded)

TABLE 8

CHINA AIRLINES, LTD.**INFORMATION OF MAJOR STOCKHOLDERS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	34.44
National Development Fund (NDF)	519,750,519	9.59

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 preferred 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 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 trustee 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.

China Airlines Co., Ltd.

Chairman : Hsieh, Su-Chien



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