

Stock Code: 2610



CHINA AIRLINES

2021 Annual Shareholders' Meeting

Agenda Handbook

Time: May 25, 2021 (Tue.), 9:00 AM

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

(Summary Translation)

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

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China Airlines 2021 Annual Shareholders' Meeting Agenda

Time: May 25, 2021 (Tue.), 9:00 AM

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

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

2. Chairman's Address

3. Matters to Report

- (1) 2020 Business Report
- (2) 2020 Audit Committee's review report

4. Matters for Acknowledgement

- (1) Acknowledgement of 2020 business Report and 2020 Financial Statements
- (2) Acknowledgement of the Proposal for 2020 Deficit Compensation

5. Election Matters:

Proposal to elect 22nd Directors

6. Other Matters

Proposal to release non-compete restrictions on the 22nd Directors

7. Questions and Motions

8. Meeting Adjournment

Matters to Report

Agenda Item #1

Description: 2020 Business Report. To be reviewed by all parties.

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

Business Report for the year 2020

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. Results of the business strategy

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

1.1 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.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

2. Business cash-flow budget and profitability analysis

2.1 Cash flow:

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

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

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

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

2.2 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.

2.3 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

3. Research and development

3.1 "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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

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

Accounting Supervisor: Chen, I-Chieh

Agenda Item #2

Description: 2020 Audit Committee's review report. To be reviewed by all parties.

Details: Please refer to page 9 of this handbook.

Audit Committee Report

The Board of Directors will prepare and submit: (1) the 2020 consolidated financial statement and individual financial statement jointly audited by Deloitte CPAs Rui-Chan Huang and Hsu-Jan Cheng, who issued an official unqualified opinion on March 18, 2021, and (2) the 2020 business report and Deficit Compensation Statement, after having found no discrepancies by the audit committee and, hence, have issued a report in accordance with the items stipulated in Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

China Airlines

Convener of the audit committee: CHANG, HSIEN GEN-SEN

March 18, 2021

Matters for Acknowledgement

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

Description: Acknowledgement of 2020 business Report and 2020 Financial Statements.

Details:

1. The Company's 2020 annual financial statements (including Balance Sheet, Consolidated Income Statement, and Changes in Equity and Cash Flow Statement) have been jointly audited by Deloitte CPAs Rui-Chan Huang and Hsu-Jan Cheng and were approved and documented during the 15th session of the 21st Meeting of the Board.
2. For the 2020 Annual Business Report, please refer to pages 3-7 of this handbook; for the CPA Audit Report and the financial statements referred to above, please see pages 11-31 of this handbook.

Resolution:

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.

The key audit matters in the audit of the financial statements of the Company are stated below:

Cargo Revenue Correctness

In accordance with IFRS 15 “Revenue from Contracts with Customers”, cargo sales are accounted for as cargo revenue after relevant transportation services are provided. For the year ended December 31, 2020, cargo revenue was NT\$81,692,574 thousand. Refer to Notes 4 and 26 to the accompanying financial statements for related detailed information.

Since cargo price can be easily affected by the supply and demand of the market, and sales can only be recognized after relevant transportation services are provided, while the key-in, process and maintenance of the information on the waybills are manual; therefore, we identified cargo revenue correctness as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood the internal control related to the process of revenue from cargo, including manual and automatic control.
2. We understood and tested the effectiveness of the information system related to the process of cargo revenue.
3. We sampled several air waybills, which were flown and recognized as revenue, to verify whether the fee rate was consistent with the air waybills, and recalculated the correctness of the cargo revenue.

Other Matter - Audit by Other Independent Auditors

Some investments accounted for using the equity method and disclosure information in Note 13 were audited by other independent auditors, and our audit opinion is based solely on the audit report of other independent auditors. As of December 31, 2020, the aforementioned investment accounted for using the equity method was NT\$2,304,113 thousand, representing 0.88% of total assets. For the year ended December 31, 2020, comprehensive income (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) was 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.

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 Shiuh-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)	-	-	434	-
Financial assets at amortized cost - current (Notes 9 and 30)	5,863,137	2	1,460,450	-
Financial assets for hedging - current (Notes 4, 6 and 30)	7,613,636	3	9,588	-
Notes and accounts receivables, net (Notes 4, 10 and 30)	9,198,055	4	7,694,431	3
Accounts receivables - 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	<u>51,858,785</u>	<u>20</u>	<u>40,989,612</u>	<u>15</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	147,161	-	107,856	-
Investments accounted for using the equity method (Notes 4 and 13)	12,321,157	5	13,482,877	5
Property, plant and equipment (Notes 4, 14 and 32)	126,414,462	48	131,029,886	49
Right-of-use assets (Notes 4, 20 and 32)	54,555,761	21	64,262,830	24
Investment properties (Notes 4 and 15)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 16)	867,453	-	971,298	-
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	<u>209,050,980</u>	<u>80</u>	<u>227,886,893</u>	<u>85</u>
TOTAL	<u>\$ 260,909,765</u>	<u>100</u>	<u>\$ 268,876,505</u>	<u>100</u>
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)	-	-	11,749	-
Financial liabilities for hedging - current (Notes 4, 20 and 30)	8,126,239	3	8,610,015	3
Notes and accounts payable (Note 30)	1,128,517	1	1,222,410	-
Accounts payable - related parties (Note 31)	588,234	-	1,469,434	1
Other payables (Notes 21 and 26)	7,128,080	3	10,892,203	4
Current tax liabilities	2	-	-	-
Lease liabilities - current (Notes 4 and 20)	842,592	-	695,215	-
Contract liabilities current (Notes 4 and 22)	3,218,846	1	18,584,287	7
Bonds payable and put option of convertible bonds - current portion (Notes 4, 19, 30 and 31)	12,132,859	5	10,000,000	4
Loans and debts - current portion (Notes 18, 30 and 32)	14,798,442	6	13,708,320	5
Other current liabilities	687,317	-	2,806,540	1
Total current liabilities	<u>56,740,010</u>	<u>22</u>	<u>68,000,173</u>	<u>25</u>
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)	68,815,395	26	48,618,168	18
Contract liabilities (Notes 4 and 22)	1,761,104	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)	875,388	-	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	<u>146,610,272</u>	<u>56</u>	<u>144,322,560</u>	<u>54</u>
Total liabilities	<u>203,350,282</u>	<u>78</u>	<u>212,322,733</u>	<u>79</u>
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)				
Legal reserve	-	-	466,416	-
Special reserve	-	-	12,967	-
Unappropriated retained earnings (accumulated deficit)	(350,581)	-	(1,777,225)	-
Total retained earnings	<u>(350,581)</u>	<u>-</u>	<u>(1,297,842)</u>	<u>-</u>
Other equity	2,543,766	1	1,196,233	-
Treasury shares	(30,875)	-	(43,372)	-
Total equity	<u>57,559,483</u>	<u>22</u>	<u>56,553,772</u>	<u>21</u>
TOTAL	<u>\$ 260,909,765</u>	<u>100</u>	<u>\$ 268,876,505</u>	<u>100</u>

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

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Except Earnings 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)	<u>95,190,179</u>	<u>89</u>	<u>135,008,166</u>	<u>92</u>
GROSS PROFIT	11,136,944	11	11,364,235	8
OPERATING EXPENSES (Notes 4, 26 and 31)	<u>6,252,089</u>	<u>6</u>	<u>11,284,000</u>	<u>8</u>
OPERATING PROFIT	<u>4,884,855</u>	<u>5</u>	<u>80,235</u>	<u>-</u>
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)	<u>(1,850,331)</u>	<u>(2)</u>	<u>1,811,960</u>	<u>1</u>
Total non-operating income and expenses	<u>(4,713,760)</u>	<u>(5)</u>	<u>(1,267,561)</u>	<u>(1)</u>
PROFIT (LOSS) BEFORE INCOME TAX	171,095	-	(1,187,326)	(1)
INCOME TAX EXPENSE (Notes 4 and 27)	<u>31,095</u>	<u>-</u>	<u>12,472</u>	<u>-</u>
NET INCOME (LOSS)	<u>140,000</u>	<u>-</u>	<u>(1,199,798)</u>	<u>(1)</u>
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)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	163,172	-	101,259	-

(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 Per Share)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating 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)	<u>(399,450)</u>	<u>-</u>	<u>(273,227)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>826,968</u>	<u>1</u>	<u>552,713</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 966,968</u>	<u>1</u>	<u>\$ (647,085)</u>	<u>-</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
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 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 Deflect)	Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares Held by Subsidiaries	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve			Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments		
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										
Legal reserve	-	-	114,493	-	(114,493)	-	-	-	-	-
Special reserve	-	-	-	(105,843)	105,843	-	-	-	-	-
Cash dividends - \$0.20960737 per share	-	-	-	-	(1,136,278)	-	-	-	-	(1,136,278)
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	-	-	-	-	(577,427)	(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)
Basic adjustment to gain on hedging instruments	-	-	-	-	-	-	-	200,989	-	200,989
Appropriation of 2019 earnings										
Legal reserve	-	-	(466,416)	-	466,416	-	-	-	-	-
Special reserve	-	-	-	(12,967)	12,967	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	1,297,843	-	-	-	-	-
Net income 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 expenses	28,018,746	29,398,635
Amortization expenses	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
Interest paid	(2,966,777)	(3,038,729)

(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
Income tax paid	<u>(23,308)</u>	<u>(41,260)</u>
Net cash generated from operating activities	<u>13,724,803</u>	<u>32,745,888</u>
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 by 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	<u>(95,217)</u>	<u>(157,571)</u>
Net cash used in investing activities	<u>(25,060,447)</u>	<u>(13,941,504)</u>
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
Proceeds 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	<u>-</u>	<u>(1,136,278)</u>
Net cash generated from (used in) financing activities	<u>10,486,387</u>	<u>(16,645,990)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>183,063</u>	<u>(220,402)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(666,194)	1,937,992
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>20,626,014</u>	<u>18,688,022</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 19,959,820</u>	<u>\$ 20,626,014</u>

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

(Concluded)

INDEPENDENT

AUDITORS’

REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of China Airlines, Ltd. and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 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.

The key audit matters in the audit of the consolidated financial statements of the Group are stated below:

Cargo Revenue Correctness

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

Since cargo price can be easily affected by the supply and demand of the market, and sales can only be recognized after relevant transportation services are provided, while the key-in, process and maintenance of the information on the waybills are manual; therefore, we identified cargo revenue correctness as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood the internal control related to the process of revenue from cargo, including manual and automatic control.
2. We understood and tested the effectiveness of the information system related to the process of cargo revenue.
3. We sampled several air waybills, which were flown and recognized as revenue, to verify whether the fee rate was consistent with the air waybills, and recalculated the correctness of the cargo revenue.

Other Matter Audit by Other Independent Auditors

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

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

Other Matter Parent Company Only Financial Statements

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.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 Shiuh-Ran, Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2021

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 27,125,937	10	\$ 28,459,528	10
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	274,761	-	512,192	-
Financial assets at amortized cost (Notes 9 and 32)	6,551,693	2	2,355,095	1
Financial assets for hedging - current (Notes 4 and 32)	7,613,636	3	9,626	-
Notes and accounts receivable, net (Notes 4, 10 and 32)	9,697,511	4	8,520,834	3
Notes and accounts receivable - related parties (Notes 32 and 33)	1,667	-	10,348	-
Other receivables (Notes 4 and 32)	801,134	-	774,206	-
Current tax assets (Notes 4 and 28)	67,549	-	54,689	-
Inventories, net (Notes 4 and 11)	8,788,105	3	8,470,113	3
Non-current assets held for sale (Notes 4, 5 and 12)	89,296	-	-	-
Other assets - current (Note 18)	861,179	-	2,655,711	1
Total current assets	<u>61,872,468</u>	<u>22</u>	<u>51,822,342</u>	<u>18</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 32)	163,746	-	209,221	-
Financial assets at amortized cost (Notes 4 and 9)	311,596	-	105,586	-
Investments accounted for using the equity method (Notes 4 and 14)	1,970,802	1	2,223,793	1
Property, plant and equipment (Notes 4, 5, 15 and 34)	141,481,694	50	145,886,971	50
Right-of-use assets (Notes 4, 21 and 34)	59,861,537	21	71,033,617	24
Investment properties (Notes 4 and 16)	2,074,798	1	2,075,068	1
Other intangible assets (Notes 4 and 17)	1,076,351	-	1,182,692	-
Deferred income tax asset (Notes 4, 5 and 28)	6,028,200	2	5,337,626	2
Other assets - non-current (Notes 18, 21, 32 and 34)	9,352,892	3	13,171,063	4
Total non-current assets	<u>222,321,616</u>	<u>78</u>	<u>241,225,637</u>	<u>82</u>
TOTAL	<u>\$ 284,194,084</u>	<u>100</u>	<u>\$ 293,047,979</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term debts (Note 19)	\$ 1,932,000	1	\$ 380,000	-
Short-term bills payable (Note 19)	8,088,882	3	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	-	-	11,749	-
Financial liabilities for hedging - current (Notes 4, 21 and 32)	8,129,752	3	8,618,506	3
Notes and accounts payable (Note 32)	1,354,237	1	1,495,606	1
Accounts payable - related parties (Notes 32 and 33)	128,567	-	542,015	-
Other payables (Notes 22 and 32)	8,306,257	3	13,187,972	5
Current tax liabilities (Notes 4 and 28)	216,602	-	374,178	-
Lease liabilities - current (Notes 3, 4 and 21)	2,525,957	1	2,340,873	1
Contract liabilities - current (Note 23)	3,569,360	1	21,060,773	-
Provisions - current (Notes 4 and 24)	164,800	-	360,393	7
Bonds payable and put option of convertible bonds - current portion (Notes 4, 20, 27 and 32)	11,982,859	4	10,000,000	3
Loans and debts - current portion (Notes 19, 32 and 34)	15,234,374	5	14,148,892	5
Other current liabilities (Note 32)	1,016,068	-	3,830,570	1
Total current liabilities	<u>62,649,715</u>	<u>22</u>	<u>76,351,527</u>	<u>26</u>
NON-CURRENT LIABILITIES				
Derivative financial liabilities for hedging - non-current (Notes 3, 4, 21 and 32)	32,455,333	11	42,420,205	15
Bonds payable - non-current (Notes 4, 20, 27 and 32)	10,300,000	4	22,052,625	8
Loans and debts - non-current (Notes 19, 32 and 35)	77,288,330	27	53,514,891	18
Contract liabilities - non-current (Notes 4 and 23)	1,761,104	1	2,236,311	1
Provisions - non-current (Notes 4 and 24)	14,369,486	5	10,011,464	3
Current tax liabilities - non-current (Notes 4 and 28)	87,181	-	-	-
Deferred tax liabilities (Notes 4 and 28)	1,023,084	-	557,142	-
Lease liabilities - non-current (Notes 3, 4, and 21)	13,279,792	5	15,801,724	5
Accrued pension costs (Notes 4, 5 and 25)	9,737,741	4	9,435,035	3
Other non-current liabilities (Note 32)	530,745	-	534,938	-
Total non-current liabilities	<u>160,832,796</u>	<u>57</u>	<u>156,564,335</u>	<u>53</u>
Total liabilities	<u>223,482,511</u>	<u>79</u>	<u>232,915,862</u>	<u>79</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)				
Share capital	54,209,846	19	54,209,846	19
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 (accumulated deficit)	(350,581)	-	(1,297,842)	-
Other equity	2,543,766	1	1,196,233	-
Treasury shares	(30,875)	-	(43,372)	-
Total equity attributable to owners of the Company	57,559,483	20	56,553,772	20
NON-CONTROLLING INTERESTS (Note 26)	<u>3,152,090</u>	<u>1</u>	<u>3,578,345</u>	<u>1</u>
Total equity	<u>60,711,573</u>	<u>21</u>	<u>60,132,117</u>	<u>21</u>
TOTAL	<u>\$ 284,194,084</u>	<u>100</u>	<u>\$ 293,047,979</u>	<u>100</u>

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 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)	<u>(200,834)</u>	<u>-</u>	<u>332,305</u>	<u>-</u>
Total non-operating income and loss	<u>(2,838,213)</u>	<u>(2)</u>	<u>(2,762,638)</u>	<u>(2)</u>
PRETAX PROFIT (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 INCOME (LOSS)				
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>

(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	%
	<u>(740,511)</u>	<u>(1)</u>	<u>(607,042)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating 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	<u>864,072</u>	<u>1</u>	<u>462,758</u>	<u>-</u>
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											Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Other Equity		Treasury Shares Held by Subsidiaries	Total	Non-Controlling Interests	
			Legal Reserve	Special Reserve			Unrealized Gain on Financial Asset at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments				
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												
Legal reserve	-	-	114,493	-	(114,493)	-	-	-	-	-	-	-
Special reserve	-	-	-	(105,843)	105,843	-	-	-	-	-	-	-
Cash dividends - \$0.20960737 per share	-	-	-	-	(1,136,278)	-	-	-	-	(1,136,278)	-	(1,136,278)
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	-	(646,913)	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)	56,553,944	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												
Legal reserve	-	-	(466,416)	-	466,416	-	-	-	-	-	-	-
Special reserve	-	-	-	(12,967)	12,967	-	-	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	1,297,843	-	-	-	-	-	-	-
Net income 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 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)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,703)	\$ 57,559,655	\$ 3,152,090	\$ 60,711,745

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 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 expenses	31,167,247	32,601,400
Amortization expenses	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 on 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	<u>(178,685)</u>	<u>(335,544)</u>
Net cash generated from operating activities	<u>9,723,475</u>	<u>37,526,612</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of amortized cost financial assets	(6,235,773)	(2,089,871)
Disposal of amortized cost financial assets	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)	<u>-</u>	<u>(17,413)</u>
Net cash used in investing activities	<u>(25,048,173)</u>	<u>(16,053,122)</u>
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)	<u>(416,438)</u>
Proceeds from disposal of treasury shares	<u>6,854</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>13,869,177</u>	<u>(17,614,558)</u>

(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	<u>121,930</u>	<u>(336,941)</u>
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)

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

Description: Acknowledgement of the Proposal for 2020 Deficit Compensation.

Details:

1. In accordance with Article 228 of the Company Act.
2. Unappropriated retained earnings at the beginning of 2020 were NT\$0. On subtracting the retained earnings modified after the remeasurement of defined benefit plans, i.e., NT\$395,374,159, the changes in retained earnings due to not recognizing associates according to the shareholding ratio, i.e., NT\$169,271,736, the changes in retained earnings due to the associates selling treasury stocks are NT\$1,734,294, and adding the changes in recognized associates using the equity method, i.e., NT\$75,798,224, the adjusted cumulative deficit was NT\$490,581,965. After adding the net profit after tax of NT\$140,000,469, the final deficit was NT\$350,581,496.
3. In accordance with Article 239 of the Company Act, the capital reserve of NT\$350,581,496 is used to cover the deficit, leaving no cumulative deficit at the end of the year.
4. Refer to the Appropriation of 2020 Deficit table on page 33 of this handbook.
5. This plan was approved at the 15th convention of the 21st Board of Directors meeting.

Resolution:

China Airlines Ltd.
Appropriation of 2020 Deficit

Unit: NT\$

Items	Total
Unappropriated retained earnings (beginning balance)	\$ 0
Deduct: Remeasurement of defined benefit plans	(395,374,159)
Add: Changes in recognized associates using the equity method	75,798,224
Deduct: Changes in retained earnings due to not recognizing associates according to the shareholding ratio	(169,271,736)
Deduct: Changes in retained earnings due to the selling of treasury stocks by associates selling treasury stocks	(1,734,294)
Adjusted accumulated deficit	(490,581,965)
Add: 2020 Net income after tax	<u>140,000,469</u>
Accumulated deficit before compensation	(350,581,496)
Item used to compensate for deficit:	
capital reserve	<u>350,581,496</u>
Accumulated deficit (Ending Balance)	<u>\$ 0</u>

Chairman: HSIEH, SU-CHIEN

Manager: KAO, SHING-HWANG

Accounting Supervisor: CHEN, I-CHIEH

Election Matters

(Proposed by the Board of Directors)

Description: Proposal to elect the 22nd Directors

Details:

1. The term of office of the 21st Board of Directors is over. During the 14th session of the 21st Meeting of the Board, it was resolved that 13 directors (including three independent directors, of whom one is an Independent Director involved in Public-welfare activities) would be elected during the Annual Shareholders' Meeting. The term of office of the directors is three years, from 25 May 2021 to 24 May 2024.
2. China Airlines has adopted the nomination system stipulated under Article 192-1 of the Company Law in electing its directors. Shareholders are to elect directors from the nominees in the directors list. The qualifications, i.e., work and study experience and other important information of the individuals on a list of 13 nominees for directorship (including three independent directors, of whom one is an Independent Director involved in Public-welfare activities) was reviewed and approved during the 9th extraordinary session of the 21st Meeting of the Board. Please refer to pages 35-38 of this handbook.

Resolution:

China Airlines Ltd.

Basic Information on Nominees for Directorship of the 22nd Board of Directors

Item	A/C Number	Name	Shares	Major Education and Work Experience
1	000001	China Aviation Development Foundation's Representative: HSIEH, SU-CHIEN	1,867,341,935	Experience: Chairman, China Airlines Ltd., President, China Airlines Ltd., Chairman, Taiwan Air Cargo Terminal Limited, President, Australia Branch, China Airlines Ltd., Chairman, Sabre Travel Network Taiwan Ltd. Education: Bachelor's degree in Economics, Soochow University
2	000001	China Aviation Development Foundation's Representative: KAO, SHING-HWANG	1,867,341,935	Experience: President, China Airlines Ltd., Senior VP, China Airlines Ltd., Vice President, Flight Operations Div., China Airlines Ltd., Vice Director, Flight Operation Div., China Airlines Ltd. Education: Bachelor's degree in Transportation and Communication Management, National Cheng Kung University
3	000001	China Aviation Development Foundation's Representative: CHEN, HAN-MING	1,867,341,935	Experience: Chairman, Tigerair Taiwan Co., Ltd., Chairman, Prime Development Co., Ltd., Director, Chyn-Tay Bearing Co., Ltd., Director, HuaDa Venture Capital Co., Ltd., Director, Yuan-Chin Development Co., Ltd., Supervisor, Changjia Mechanical Engineering Co., Ltd. Education: Master's degree in Business Management, Birmingham City University, UK
4	000001	China Aviation Development Foundation's Representative: TING, KWANG-HUNG	1,867,341,935	Experience: Chairman, Phu Yung An Corp., Chairman, Phu My Hung Development Corporation, Chairman, Alliance International Development Corp, Chairman, Hiep Phuoc Power Co., Vice Chairman, Central Trading & Development Corporation, Chairman, Ching Hsing International Co., Ltd. Bachelor's degree in Finance, Boston University, U.S.A.

Item	A/C Number	Name	Shares	Major Education and Work Experience
5	000001	China Aviation Development Foundation's Representative: CHEN, CHIH-YUAN	1,867,341,935	Experience: Chairman, Eyon Holding Group, Vice Chairman, Taiwan Air Cargo Terminal Ltd., Vice Chairman, Taian Insurance Co., Ltd., Chairman, Wan Hai International Pte. Ltd., Vice Chairman, Wan Hai Lines (Singapore) Pte Ltd., Chairman, Epistar Corp., Director, Nan Ya Photonics Incorporation, Director, Ichia Technologies, Inc., Adjunct Associate Professor, Department of Quantitative Finance, National Tsing Hua University, Director, Formosa International Hotels Ltd. Education: MBA, New York University, U.S.A.
6	000001	China Aviation Development Foundation's Representative: CHEN, MAO-JEN	1,867,341,935	Experience: Everpar Enterprise Corporation, OE Scientech Co., Ltd., Hipower Autotech Co., Ltd., Hi Safe Technologies Co., Ltd., Taiwan Golf & Country Club, Chairman's Assistant, GSK Corporation, Sales Director, Chin Fong Machine Industrial Co., Ltd. MBA, Tulane University, U.S.A.
7	000001	China Aviation Development Foundation's Representative: WEI, YUNG-YEH	1,867,341,935	Experience: Foreman, Line Maintenance Department, Engineering & Maintenance Div., China Airlines Ltd., F104G Maintenance, Civil Aircraft Line Maintenance Education: Self-education in aviation engineering/Jet Airplane Maintenance Group, Air Force Technical School
8	000001	China Aviation Development Foundation's Representative: CHAO, KANG	1,867,341,935	Experience: Cabin crew, China Airlines Ltd. Education: Bachelor's degree in Public Finance, Feng Chia University
9	348715	National Development Fund, Executive Yuan's Representative: HUANG, HANK C.C.	519,750,519	Experience: President, Taiwan Academy of Banking and Finance (TABF), Associate Dean and Council Member of TABF, Assistant Professor, National Taipei University, Representative, Shing Wan Research and Consulting Co., Ltd., Director, Finance Department, Yilan County, Director of BOT Study Center, Taiwan Institute of Economic Research, Director, Industrial Development Advisory Council, MOE Ph.D. in Urban Planning Research, National Taipei University

Item	A/C Number	Name	Shares	Major Education and Work Experience
10	348715	National Development Fund, Executive Yuan's Representative: WANG, SHIH-SAI	519,750,519	<p>Experience: Director, China Airlines Ltd., 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</p> <p>Education: Master's Degree in International Development Policy, Duke University, U.S.A., Master's degree in Sociology, National Tsing-Hua University</p>

China Airlines Ltd.

Basic Information of Independent Director Nominees for the 22nd-term Board of Directors

Item	Name	Education and Work Experience
1	HUANG, CHIN-YUNG	<p>Major Work Experience: President, Digitimes Inc. & President, Digitimes; Director, Monte Jade Science and Technology Association; Adjunct Professor, National Chiao Tung University; Corporate Representative Director from Ministry of Economic Affairs, Taiwan External Trade Development Council's 19-th term Board of Directors; Director, Taoyuan International Airport Corporation; Director, China Aviation Development Foundation</p> <p>Education: Master of Administration, Wonkwang University</p>
2	HUANG, HSIEH-HSING	<p>Major Work Experience: HQ President and Founder, Chungsun Prime Certified Public Accountants; Executive Director and Vice Chairman, Taiwan Provincial CPA Association; Director, Accounting Research and Development Foundation; Chairman, Taiwan Provincial CPA Association; Member, CPA Discipline Committee of Financial Supervisory Commission; Chairman, New Taipei City Tax Agent Association; Director, National Federation of CPA Associations of the R.O.C.; Vice Chairman, Taxation and Tariff Committee; Chairman, Think Tank Committee; Director, Law Foundation of National Chengchi University</p> <p>Education: Master of Law, College of Law of National Chengchi University; Master of Business Management, National Sun Yat-sen University; Attended Accounting Ph.D. Program, Shanghai University of Finance and Economics</p>
3	CHANG, GEN-SEN H. (Independent Director involved in Public-welfare activities)	<p>Major Work Experience: Responsible Person, ChangKe CPA Firm; Independent Director, K Laser Technology Inc.; Member, Foundation Management Committee of Environmental Protection Administration, Executive Yuan; Responsible Person, XinAn CPA Firm; Adjunct Associate Professor, Chinese Culture University; Controller, Amagic Holographics, Inc. USA</p> <p>Education: MBA, University of California, Irvine, CA, USA</p>

Other Items

(Proposed by the Board of Directors)

Description: Proposal to release non-compete restrictions on the 22nd Directors. To be determined by all parties.

Details:

1. In accordance with Article 209 of the Company Act, when a Director's actions by himself or others fall within the scope of the Company's business, he shall explain to the Board of Shareholders the importance of the actions and obtain its approval.
2. Due to the requirement of service of directors (including juristic persons and designated representatives) of the 22nd Board of Directors or as they have invested in or operate companies with business scope that is in the same area as or similar to that of China Airlines, but which does not adversely affect the interests of China Airlines, a proposal be made at the Shareholders' Meeting to remove non-compete restrictions on the 22nd Directors to enable shareholders to exercise voting rights electronically. Details of the relevant interests of nominees for directorship are available on pages 40 of this handbook and the non-compete restrictions can be lifted on those elected after the directors' elections are over during the Annual Shareholders' Meeting.
3. This item was approved during the 9th extraordinary session of the 21st Meeting of the Board.

Resolution:

China Airlines Ltd.

Details of Positions Concurrently Held by 22nd Directors

Name & Title	Positions Held
China Aviation Development Foundation's Representative: HSIEH, SU-CHIEN	Director, China Aviation Development Foundation
China Aviation Development Foundation's Representative: KAO, SHING-HWANG	Chairman, Mandarin Airlines, Ltd. Director, Taoyuan International Airport Services Co., Ltd.
China Aviation Development Foundation's Representative: CHEN, HAN-MING	Chairman, Tigerair Taiwan Co., Ltd. Chairman, Prime Development Co., Ltd. Director, Chyn Tay Bearing Co., Ltd.
China Aviation Development Foundation's Representative: CHEN, CHIH-YUAN	Vice Chairman, Taiwan Air Cargo Terminal Ltd. Director, New Sincere Transportation Corp. Director, New Speed Transportation & Inventory Corp.
Corporate name	Positions Held
China Aviation Development Foundation	Chairman, Corporate Director, Taiwan High Speed Rail Corporation
National Development Fund, Executive Yuan	Corporate Director, Taiwan Aerospace Corporation Corporate Director, Taiwan High Speed Rail Corporation Corporate Director, Kaohsiung Rapid Transit Corporation Corporate Director, YangMing Marine Transport Corp. Corporate Director, Aerovision Avionics, Inc.

Questions and Motions

Appendices

Appendix 1

CHINA AIRLINES LTD. ARTICLES OF INCORPORATION

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

Chapter I General Provisions

Article 1

The Company shall be organized in accordance with the provisions of the Company Act relating to companies limited by shares, and shall be named “中華航空股份有限公司”. Its English name shall be “CHINA AIRLINES LTD.”.

Article 2

The Company's operations fall under the following categories of businesses:

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

Article 2-1

The Company may, in accordance with its business requirements, act externally as a guarantor and make re-investments. Where it is a limited-liability shareholder of another company, the total amount of its re-investment is not subject to the restriction on the re-investment amount as prescribed under Article 13 of the Company Act.

Article 2-2

(Deleted)

Article 3

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

Article 4

(Deleted)

Chapter II Shares**Article 5**

The aggregate capital of the Company shall be Seventy Billion New Taiwan Dollars (NT\$70,000,000,000), divided into Seven Billion (7,000,000,000) common shares at Ten New Taiwan Dollars (NT\$10) per share. The un-issued shares may be issued several times by the Board of Directors as per the Company's business requirements.

Article 6

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

In respect of the new shares issued in accordance with the preceding paragraph, the consolidated printed share certificate shall be placed under the custody of, and the recordation of the issue for shares exempted from printing share certificate shall be made by the centralized securities custody institution, or the newly issued shares may be consolidated with other already issued shares into larger-denomination share certificates in accordance with the request of the centralized securities custody institution.

Article 7

(Deleted)

Article 8

The Company's stock-related matters will be governed by the relevant regulations of the competent authority.

Article 9

Registration of a share assignment shall not be made within sixty (60) days prior to the convening date of a regular shareholders' meeting, or within thirty (30) days prior to a convening date of a special shareholders' meeting, or within five (5) days prior to the record date fixed by the Company for distribution of dividends, bonuses, or other benefits.

Chapter III Shareholders' Meetings**Article 10**

The Company's shareholders' meetings are of two types: regular and special. A regular meeting is convened once a year within six (6) months from the closure of the fiscal year, and a special one is convened when necessary in accordance with the relevant laws and decrees.

Article 11

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

Article 12

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

Article 13

If a shareholder is unable to attend a shareholders' meeting for some reason, he can appoint a proxy to attend the meeting on his behalf by executing a power of attorney provided by the Company specifying therein the scope of the power authorized to a proxy.

Other than a trust enterprise or a stock agency approved by the competent authority, the voting right represented by a proxy appointed concurrently by two or more shareholders shall not exceed three percent (3%) of the total number of voting shares of all the outstanding shares; any voting right in excess thereof does not count.

Unless stated otherwise in the Company Act, the rules governing the appointment of proxies to attend a shareholders' meeting are in accordance with the "Rules Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies" promulgated by the competent authority.

Article 14

A shareholders' meeting convened by the Board of Directors will be presided over by the Chairman of the Board of Directors. When the Chairman is on leave or absent, or is unable to exercise his power and authority for any reason, he shall designate a director to represent him; where he has not designated a representative, the directors shall elect a representative from among themselves to act as the chairman of the meeting. Where a shareholders' meeting is convened by any person with convening power other than the Board of Directors, such a person shall be the chairman of the meeting. When there are two or more persons having convening powers, one is elected from among them to act as the chairman of the meeting.

Article 15

Resolutions adopted at a shareholders' meeting shall be recorded in meeting minutes signed by or affixed with the seal of the chairman of the meeting, which shall be kept perpetually throughout the existence of the Company.

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

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

Chapter IV Directors and Managers

Article 16

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

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

Article 16-1

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

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

Professional qualifications, restrictions on shareholding and concurrent positions held, assessment of independence, method of nomination and election, exercise of power, and other matters for compliance with respect to independent directors shall be governed by and construed in accordance with the Securities and Exchange Act and the provisions of the relevant laws and decrees; Independent directors involved in public-welfare activities shall be governed by the Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors with experience in public-welfare activities.

Article 16-2

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

Article 17

The term of office of the directors is three years, and they may be eligible for re-election; independent directors with experience in public welfare are only eligible for two re-elections. The total number of shares held by all the directors shall be governed by the provisions of the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies".

Article 18

The directors shall form a Board of Directors to exercise the power and authority of the directors, and the Chairman of the Board of Directors is elected from among the directors by a majority vote at a meeting attended by at least two-thirds of directors. The Chairman represents the Company outside the organization.

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

Article 19

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

A board meeting shall be presided over by the Chairman of the Board of Directors. When the Chairman is on leave or is absent, or is unable to exercise his power and authority for any reasons, he shall designate a director to represent him; where he has not designated a representative, the directors shall elect a representative from among themselves to represent him.

Article 19-1

If a board meeting is held in the form of a video conference, it is presumed that the directors participating in it are deemed to have attended the meeting in person.

If a director is unable to attend a board meeting for any reason, he may appoint a proxy specifying therein the purpose for convening the meeting and the scope of authorization to appoint another director to represent him at the meeting, provided only one person's appointment is considered as representative.

Article 20

Unless otherwise provided by the Company Act, a resolution of the Board of Directors shall be adopted by a majority vote of the directors present at a board meeting and attended by a majority of the directors.

Article 21

(Deleted)

Article 22

The Company shall have one president and several senior vice presidents whose appointment, dismissal and remuneration shall be governed by Article 29 of the Company Act.

Article 23

The Company may, in accordance with its business requirement, invite several consultants, senior consultants and special consultants, who shall be appointed by the Chairman.

Chapter V Accounting

Article 24

After the close of each fiscal year, the Board of Directors shall prepare the following statements and reports, and submit them at the regular shareholders' meeting for information:

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

Article 25

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

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

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

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

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

When the Company does not incur any loss, it may, with due consideration to financial and/or commercial and/or operational factor(s), appropriate all or a part of the reserve to issue new shares or distribute cash to shareholders in accordance with law and decrees, or the regulations of the competent authority. Where dividends are distributed as new shares, the proposal shall be submitted to the shareholders' meeting for approval before distribution; where dividends are distributed in cash, the Board of Directors can determine such distribution by a resolution adopted by a majority vote at a meeting attended by over two-thirds of the Directors and report to the shareholders' meeting.

Chapter VI Supplemental Provisions

Article 26

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

Appendix 2

China Airlines Ltd. Rules of Procedure for Shareholders' Meetings

Formulated and implemented after approval by the 3rd Extraordinary Shareholders' Meeting on December 12, 1991
Amended and approved by the Shareholders' Meeting on June 29, 2010
Amended and approved by the Shareholders' Meeting on June 15, 2012
Amended and approved by the Shareholders' Meeting on June 26, 2015
Amended and approved by the Shareholders' Meeting on June 23, 2020

- Article 1: These Rules of Procedure for Shareholders' Meetings are drawn up in accordance with the Company Act and all other relevant laws and regulations. Any matters not stipulated in these Rules shall be conducted in accordance with the aforementioned laws.
- Article 2: The rules of procedures for the Company's Shareholders' Meetings, except as otherwise provided by law, regulation, or the Articles of Incorporation, shall be as provided in these Rules.
- Article 3: As stipulated in these Rules, "shareholder" refers to the shareholder himself/herself or a designated representative delegated to attend in his/her stead.
- Article 4: A shareholder may appoint a proxy to attend a shareholder meeting by providing the proxy form issued by the Company in accordance with the Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies, promulgated by the competent authorities, which clearly states the scope of the proxy's authorization. The shareholder shall deliver the proxy form to the Company at least 5 days before the date of the Shareholders' Meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail unless a declaration is made to cancel the previous proxy appointment. If a shareholder appoints a proxy, should the proxy not provide the proxy form, the total number of shares and voting rights represented shall be disregarded.
- When a juristic person is appointed to attend as proxy, it may designate only one person to represent it in the meeting.
- After a proxy form has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before 2 business days prior to the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.
- Article 5: Attendance and voting at Shareholders' Meetings shall be calculated based on numbers of shares. The number of shares in attendance and voting rights shall be calculated according to the shares indicated by the sign-in cards handed in and proxy forms plus the number of shares whose voting rights are exercised by correspondence or electronically.
- Article 6: The chair of the Shareholders' Meeting shall be selected in accordance with Article 208, Paragraph 3 of the Company Act and Article 14 of the Company's Articles of Incorporation. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a Shareholders' Meeting in a non-voting capacity.
- Article 7: If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set

by the Board of Directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply mutatis mutandis to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors.

After the Shareholders' Meeting agenda is set by the Board of Directors or other party with the power to convene, the agenda shall be distributed to shareholders in attendance or their proxies. The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda (including extraordinary motions), except by a resolution of the Shareholders' Meeting.

After the meeting is adjourned, the shareholders may not designate another person as chair and continue the meeting in the original location or at a different location.

Article 8: The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements, but the attending shareholders represent one third or more of the total number of issued shares, the situation must be handled in accordance with Article 175 of the Company Act. When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolutions made previously for a vote by the Shareholders' Meeting.

Article 9: In addition to discussions and votes on issues as outlined in the agenda handbook, shareholders in attendance may also raise extraordinary motions as stipulated in the Company Act. After the chair receives approval from other shareholders, the chair shall put the issue up for discussion and a vote.

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

Article 10: When an attending shareholder wishes to speak regarding a proposal up for discussion, he or she must specify on a speaker's slip the subject of the speech, his/her shareholder account number, and account name. The order in which shareholders speak will be set by the chair. A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail. This also applies in the case of extraordinary motions.

Shareholders in attendance who have inquiries regarding reports as stipulated in the meeting agenda may not raise such inquiries until after the chairman or the designated person finishes reading or finishes reporting.

After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

Article 11: When a juristic person shareholder appoints two or more representatives to attend a Shareholders' Meeting, only one of the representatives so appointed may speak on the same proposal. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

Article 12: If the speech of any shareholder violates the above Article or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation. The chair shall direct the proctors (or security personnel) to help maintain order at the meeting place.

When proctors (or security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

Those shareholders who use public address equipment different from the one supplied at the premises may be prevented from speaking by the chair.

When a shareholder violates the rules of procedure and defies the chair's correction, obstructing the proceedings and refusing to heed calls to stop, the chair may direct the proctors or security personnel to escort the shareholder from the meeting.

Article 13: The chair shall announce the end of discussion on a proposed resolution and proceed with voting when he/she feels the discussion time will affect the smooth proceeding of the meeting or there has been sufficient discussion and no need for further speeches.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 14: The number of voting rights required to pass a resolution shall be determined as outlined in the Company Act based on the characteristics of said proposal, but if the Company's Articles of Incorporation specify a higher standard, then the Articles of Incorporation shall be followed.

Article 15: Except as otherwise provided in the Company Act, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders (if the Articles of Incorporation require a higher standard, then the higher standard shall apply). In the resolution, after the Chairman or delegate thereof announces the total number of voting rights represented by shareholders in attendance for voting on each issue, shareholders will proceed with voting on a case-by-case basis. When a shareholder is an interested party in relation to an agenda item and there is the likelihood that such a relationship would prejudice the interests of the Company, that shareholder's voting rights may not count towards the total, but this does not apply in the selection of directors. When one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed 3% of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation. When a shareholder is an interested party in relation to an agenda item, and there is the

likelihood that such a relationship would prejudice the interests of the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder, but selection of a director is not thusly restricted.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, should the voting rights represented by that proxy exceed 3% of the voting rights represented by the total number of issued shares the voting rights in excess of that percentage shall not be included in the calculation.

Article 16: Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company. When the chair appoints shareholders from the shareholder meeting to perform a certain task and the appointee is unable to perform said task, the chair shall appoint a different shareholder.

Article 17: When a meeting is in progress, the chair may announce a break at his or her discretion. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed. When the chair adjourns the meeting, the meeting is considered concluded.

Article 18: Matters relating to the resolutions of a Shareholders' Meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and shall be retained for the duration of the existence of the Company.

The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio or video recording of the registration procedure, the proceedings of the Shareholders' Meeting, and the voting and vote counting procedures. The recorded audio and/or video materials, sign-in cards, attendance book, and proxy forms shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the aforementioned materials shall be retained until the conclusion of the litigation.

Article 19: These Rules, and any amendments hereto, shall be implemented after adoption by Shareholders' Meetings.

Appendix 3

China Airlines Ltd. Procedures Governing the Election of Directors

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

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

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

Article 1: Except as otherwise provided by law and regulation or by the Company's Articles of Incorporation, elections of directors shall be conducted in accordance with these Procedures.

Article 2: Directors shall be elected at the Shareholders' Meeting.

Article 3: Election of the Company directors shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act.

The qualifications and elections for independent directors of the Company shall comply with the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies. The qualifications and election for the independent directors with involvement in public-welfare activities shall comply with the "Regulations Governing Compliance Matters for Civil Air Transport Enterprise to Appoint Independent Directors Undertaking Public Welfare".

When the number of directors falls below five owing to the dismissal of a director or more for any reason, the Company shall hold a by-election to fill the vacancy at its next Shareholders' Meeting. When the number of directors falls short by one third of the total number prescribed in the Company's Articles of Incorporation, the Company shall call a Special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, a by-election shall be held at the next Shareholders' Meeting to fill the vacancy. When the independent directors are dismissed en masse, a Special Shareholders' Meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies. When the number of independent directors with involvement in public-welfare activities is less than one, the Company shall call a Special Shareholders' Meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancy.

Article 4: For election of Company directors, each share will have voting rights in number equal to the directors to be elected, and may be cast for a single candidate or split among multiple candidates. The Board of Directors shall prepare separate ballots for directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballot, which shall then be distributed to the attending shareholders at the Shareholders' Meeting. Elections for independent directors,

independent directors involved in public-welfare activities, and non-independent directors shall be held concurrently but the respective voting rights shall be separately calculated to determine the elected independent directors, independent directors involved in public-welfare activities, and non-independent directors.

Article 5: The number of directors is specified in the Company's Articles of Incorporation. The candidates to whom the ballots cast represent a prevailing number of voting rights shall be elected as independent directors, independent directors involved in public-welfare activities, and non-independent directors in descending order based on the outcome of the election. When two or more candidates get the same number of voting rights, thus exceeding the specified number of positions, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any candidate not present.

If, on review, there are confirmed discrepancies in the personal information provided by any director elected as per the above paragraph or he/she is not fit to serve according to relevant laws or regulations, the resulting vacancy will be filled by the candidate receiving the next highest number of voting rights in the same election.

Article 6: If a candidate is a shareholder, a voter must enter the candidate's account name and shareholder account number in the "candidate" column of the ballot; while the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column against the candidate's account name on the ballot paper. If the candidate is the representative of a governmental organization or juristic-person shareholder, both the name of the governmental organization or juristic-person shareholder and the candidate's name shall be entered in the column against the candidate's account name. When there are several representatives, the names of each respective representative shall be entered. For a non-shareholder candidate, the voter shall enter the candidate's full name and identity card number.

Article 7: Prior to the start of the election, the chair shall appoint people to perform the duties of vote monitoring and voting rights counting.

Article 8: The ballot boxes shall be prepared by the Board of Directors and publicly checked by the vote-monitoring personnel before the commencement of voting.

Article 9: Each ballot may only specify the name of one candidate.

Article 10: A ballot is invalid under any of the following circumstances:

- (1) The ballot is not prepared in accordance with these Procedures.
- (2) A blank ballot is placed in the ballot box.
- (3) The writing is unclear and indecipherable.
- (4) There are any alterations in the writing of the candidate's account name (or name) or shareholder account number (or identity card number) or the number of voting rights allotted.
- (5) The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder register, or the candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name

and identity card number do not match.

- (6) The name of the candidate entered in the ballot is identical to that of another shareholder, but no shareholder account number is provided in the ballot to identify such an individual.
- (7) Other words or marks are entered in addition to the candidate's account name (or name) or the shareholder's account number (or identity card number) and the number of voting rights allotted.
- (8) The number of voting rights cast total more than the voting rights allotted to the voter.

Article 11: If the number of voting rights cast is fewer than the total number of voting rights allotted to a voter, the remaining will be considered as abstentions.

Article 12: After the casting of ballots is completed, the voting rights shall be publicly counted and the results of the calculation, including the list of persons elected as directors and the numbers of voting rights with which they were elected, shall be announced by the chair on the spot.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the monitoring personnel and kept in proper custody for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

Article 13: The Company shall notify the persons elected as directors.

Article 14: Other matters not stipulated in these Procedures shall be conducted in accordance with the Company Act, the Company's Articles of Incorporation and all relevant laws and regulations.

Article 15: These Procedures, and any amendments hereto, shall be implemented after adoption at the Shareholders' Meetings.

Appendix 4

China Airlines, Ltd. Directors' Shareholdings

Base date: March 27, 2021

Title	Name	Date of Appointment	No. of Shares Held on Appointment			No. of Shares Currently Held			Remarks
			Type	No. of Shares	Percentage of shares issued	Type	No. of Shares	Percentage of shares issued	
Chairman	China Aviation Development Foundation Representative: HSIEH, SU-CHIEN	June 27, 2018	common stock	1,867,341,935	34.13%	common stock	1,867,341,935	34.45%	
Director	China Aviation Development Foundation Representative: KAO, SHING-HWANG								
Director	China Aviation Development Foundation Representative: CHEN, CHIH-YUAN								
Director	China Aviation Development Foundation Representative: TING, KWANG-HUNG								
Director	China Aviation Development Foundation Representative: KO, SON-TA								
Director	China Aviation Development Foundation Representative: WEI, YUNG-YEH								

Title	Name	Date of Appointment	No. of Shares Held on Appointment			No. of Shares Currently Held			Remarks
			Type	No. of Shares	Percentage of shares issued	Type	No. of Shares	Percentage of shares issued	
Director	China Aviation Development Foundation Representative: CHEN, HAN-MING								
Director	National Development Fund, Executive Yuan's Representative: LIN, SU-MING	June 27, 2018	common stock	519,750,519	9.50%	common stock	519,750,519	9.59%	
Director	National Development Fund, Executive Yuan's Representative: WANG, SHIH-SZU								
Independent Director	CHUNG, LO-MIN	June 27, 2018	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	CHANG, HSIEN GEN-SEN	June 27, 2018	common stock	0	0.00%	common stock	0	0.00%	
Independent Director	SHEN, HUI-YA	June 27, 2018	common stock	0	0.00%	common stock	0	0.00%	
Total			common stock	2,387,092,454			2,387,092,454		

June 27, 2018 Total shares outstanding: 5,470,984,650 shares

April 25, 2020 Total shares outstanding: 5,420,992,586 shares

Note: All Directors shall hold statutory shares: 120,000,000 shares. As of March 27, 2021: 2,387,092,454 shares held.

The Company has formed an audit committee, hence no statutory shares shall be held by the supervisors. Shares held by Independent Directors are not included in the Directors' shareholding total.