

2020 China Airlines General Shareholders Meeting Minutes

Meeting Time: 9 a.m. on June 23 (Tuesday), 2020

Meeting Location: Novotel Taipei Taoyuan International Airport (No. 1-1, Hangzhan South Rd, Dayuan District, Taoyuan City)

Shareholders Present: The Company has issued a total of 5,420,984,650 shares.

After deducting 2,074,628 of the Company's shares held by subordinate companies, a total of 5,418,910,022 shares can be represented by shareholders attending the General Shareholders Meeting.

A total of 3,519,542,696 shares are represented by shareholders present in person or by proxy (including the 1,584,132,876 shares represented by shareholders exercising voting rights via electronic methods), accounting for 64.94% of the total shares that can be represented by attending shareholders.

Directors Present: Hsieh, Su-Chien; Chen, Han-Ming; Ko, Sun-Ta; Wei, Yung-Yeh; Lin, Su-Ming

Independent Directors Present: Chang, Hsieh Gen-Sen; Shen, Hui-Ya

Chairman: Hsieh, Su-Chien, Chairman of the Board of Directors

Minutes Taker: Huang, Li-Ya

I. Meeting Called to Order: The number and percentage of the shares represented by the attending shareholders at this Shareholders Meeting meet the legal requirements for meetings. The Chairman called the meeting to order.

II. Chairman's Address: Omitted.

III. Report Items:

Item 1: Business Report for the year 2019 - please see pages 3-6 in the Meeting Agenda.

Item 2: Audit Committee's review report for the year 2019 - please see page 8 of the Meeting Agenda.

Item 3: Status report on the Unsecured Ordinary Corporate Bonds of NT\$3.5 billion issued in 2019 - please see page 9 of the Meeting Agenda.

Summary of Remarks:

Shareholders no. 194459 and no. 524135 separately put forward questions and suggestions related to several issues, including the justifiability of 2019 director's emoluments, new fleet plans, the Company's adaptive strategy in response to the impact of COVID-19, and the allocation of human resources.

The above-mentioned inquiries made by shareholders have been explained and responded to by the Chairman himself or designated personnel.

IV. Ratification Items:

Item 1: Acknowledgement of Business Report and Financial Statements for the year 2019. (Proposed by the Board of Directors)

- Explanatory Notes: 1. The Company's 2019 Financial Statements (including the Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement) have been verified by accountants Huang, Jui-Chan and Cheng, Shih-Ran of Deloitte & Touche. This proposal was approved in the 10th meeting of the 21st Board of Directors.
2. Please see pages 3-6 in the Meeting Agenda for the 2019 Business Report. Please see Appendix 1 for the accountants' audit report and the above-mentioned financial statements.

Resolution: The voting result of this proposal is as follows:

There were 3,519,521,696 votes represented by attending shareholders at the time of voting.

Voting Result	% of Attending Shareholders' Votes
Approval Votes: 3,294,134,108 (Including 1,363,453,156 Electronic Votes)	93.59%
Disapproval Votes: 3,708,980 (Including 3,708,980 electronic votes)	0.10%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 221,678,608 (Including 216,970,740 Electronic Votes)	6.29%

Through voting, the proposal was approved as proposed.

Item 2: Acknowledgement of the Proposal for 2019 Deficit Compensation. (Proposed by the Board of Directors)

- Explanatory Notes: 1. Handled in accordance to Article 228 of the Company Act.
2. The undistributed earnings at the beginning of 2019 amounted to \$0 NT (amounts mentioned hereinafter are in NTD). The re-measurements of defined benefit plans were deducted from this amount and retained earnings was adjusted to \$449,807,404. In addition, the changes in affiliated enterprises recognized by the equity method constituted \$127,620,025. As a result, the accumulated loss at the beginning of the period was \$577,427,429 after the adjustment. The 2019 net loss after tax was \$1,199,797,975,

- and the deficit to be made up for was \$1,777,225,404.
3. In accordance with Article 239 of the Company Act, the loss was made up for with \$466,415,667 in legal reserve, \$12,966,658 in special reserve, and \$1,297,843,079 in capital reserve. After this, the accumulated loss at the end of the year was \$0.
 4. Please see Appendix 2 for the Appropriation of 2019 Deficit table.
 5. The proposal was approved in the 10th meeting of the 21st Board of Directors.

Resolution: The voting result of this proposal is as follows:

There were 3,519,521,696 votes represented by attending shareholders at the time of voting.

Voting Result	% of Attending Shareholders' Votes
Approval Votes: 3,302,391,047 (Including 1,371,710,095 Electronic Votes)	93.83%
Disapproval Votes: 4,489,057 (Including 4,489,057 Electronic Votes)	0.12%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 212,641,592 (Including 207,933,724 Electronic Votes)	6.04%

Through voting, the proposal was approved as proposed.

V. Matters discussed:

Item 1: Amendment to the "Articles of Incorporation." To be determined by all parties.
(Proposed by the Board of Directors)

Explanatory Notes: 1. According to Taiwan Stock Exchange Corporation (TWSE)

letter Tai-Zheng-Zhi-Li-Zi No. 10800242211 dated January 2, 2020, amendments to a portion of the articles of the Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers were announced. Therefore, revision of the Company's Articles of Incorporation is needed to comply with the relevant regulations and the Company's practical needs.

2. Please see Appendix 3 for a comparison between the articles before and after the amendment.
3. The proposal was approved in the 10th meeting of the 21st Board of Directors.

Resolution: The voting result of this proposal is as follows:

There were 3,519,521,696 votes represented by attending shareholders at the time of voting.

Voting Result	% of Attending Shareholders' Votes
Approval Votes: 3,303,371,956 (Including 1,372,691,004 Electronic Votes)	93.85%
Disapproval Votes: 3,839,346 (Including 3,839,346 Electronic Votes)	0.10%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 212,310,394 (Including 207,602,526 Electronic Votes)	6.03%

Through voting, the proposal was approved as proposed.

Item 2: Amendment to the “Rules of Procedure for Shareholders' Meetings.” To be determined by all parties. (Proposed by the Board of Directors)

Explanatory Notes: 1. According to (TWSE) letter Tai-Zheng-Zhi-Li-Zi No.

10800242211 dated January 2, 2020, amendments to part of the Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings were announced. The Rules of Procedure for Shareholders Meetings were therefore amended to comply with the relevant regulations and the Company’s practical needs.

2. Please see Appendix 4 for a comparison between the articles before and after the amendment.

3. The proposal was approved in the 10th meeting of the 21st Board of Directors.

Resolution: The voting result of this proposal is as follows:

There were 3,519,521,696 votes represented by attending shareholders at the time of voting.

Voting Result	% of Attending Shareholders' Votes
Approval Votes: 3,303,347,826 (Including 1,372,666,874 Electronic Votes)	93.85%
Disapproval Votes: 3,811,474 (Including 3,811,474 Electronic Votes)	0.10%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 212,362,396 (Including 207,654,528 Electronic Votes)	6.03%

Through voting, the proposal was approved as proposed.

Item 3: Proposal to release non-compete restrictions on Director Chen, Han-Ming. To be determined by all parties. (Proposed by the Board of Directors)

Explanatory Notes: 1. According to Article 209 of the Company Act, a board director acting on behalf of him/herself or another in matters within the business scope of the Company shall explain the importance of its actions and obtain approval at the shareholders meeting. Without damaging the Company's interests, it is proposed to lift the non-competition restrictions of Director Chen, Han-Ming. Please see Appendix 5.

2. The proposal was approved in the 11th meeting of the 21st Board of Directors.

Resolution: The voting result of this proposal is as follows:

There were 3,519,521,696 votes represented by attending shareholders at the time of voting.

Voting Result	% of Attending Shareholders' Votes
Approval Votes: 3,240,912,109 (Including 1,310,222,157 Electronic Votes)	92.08%
Disapproval Votes: 5,293,287 (Including 5,282,287 Electronic Votes)	0.15%
Invalid Votes: 0	0.00%
Abstention Votes/No Votes: 273,316,300 (Including 268,628,432 Electronic Votes)	7.76%

Through voting, the proposal was approved as proposed.

VI. Extempore Motions:

Shareholders no. 524135, 574680, and 518750 put forward questions and suggestions related to several issues, including the Company's pricing system for passenger and cargo services; the justifiability of employment costs and employee benefits; the number of purchased aircrafts and costs for the new fleet plan; labor-management communication; and organizational restructuring.

The above-mentioned inquiries made by shareholders have been explained and responded to by the Chairman himself or designated personnel.

VII. The Chairman adjourned the meeting (At 10:13 a.m. on the same day).

(The meeting minutes are recorded in accordance with the provisions of the Company Act. As far as the content and procedures of the meeting are concerned, the video and audio recordings of the meeting shall prevail.)

Appendix 1

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, 2019 and 2018, 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, 2019 and 2018, 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, 2018. 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:

Passenger Revenue Recognition

In accordance with IFRS 15 "Revenue from Contracts with Customers", passenger sales are accounted for as contract liabilities before relevant transportation services are provided. After providing the related services, contract liabilities are reclassified to passenger revenue. As of December 31, 2019, passenger revenue was NT\$96,176,865 thousand. Refer to Notes 4 and 26 in the accompanying financial statements for related detailed information.

Since relevant sales can only be recognized as passenger revenue when passengers actually boarded, confirmation from each passenger holding the ticket who actually boarded involves a complicated process; therefore, we identified passenger revenue recognition as a key audit matter.

The main audit procedures that we performed included the following:

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

Initial Application of IFRS16 (Leases) - Aircrafts

In accordance with IFRS 16 “Leases”, aircrafts leases initially classified as finance leases under IAS 17 should be recognized as Right-of-use assets and lease liabilities in the consolidated balance sheet. As of December 31, 2019, the carrying amount of right-of-use assets and lease liabilities (including financial liabilities for hedging) relating to aircrafts leases are 53,870,134 thousand and 52,153,682 thousand, respectively. Refer to Notes 4 and 20 in the accompanying financial statements for related detailed information.

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, fifteen A330-300 planes and fifteen 737-800 planes for operation. Because of the long lease term and the high rent of each period, the percentage of Right-of –use assets and lease liabilities in the consolidated balance sheet is high. The assessment of each parameters and lease terms, and the calculation of liabilities by the management will affect the carrying amount and depreciation expense of the Right-of-use assets and lease liabilities (including financial liabilities for hedging) relating to aircrafts. Therefore, we identified initial application of IFRS16-Aircrafts as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood and tested the effectiveness of the information system related to the calculation of lease liabilities.
2. We chose an aircraft rents amortization schedule from the lease calculation system, varified the logical rationality of the lease liabilities balance, financial cost discount and Right-of-use amortization, and related carrying amount. Also, we chose a certain amount of aircraft lease contract from the carrying amounts of aircraft lease liability, and checked if there was any difference between rents in the aircraft rents amortization schedule and rents in in the contracts. And we checked if the term of the amortization schedule was consistent with the contract.

Other Matter - Audited 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. 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, 2019, the aforementioned investment accounted for using the equity method was NT\$1,946,328 thousand, representing 0.72% of total assets. For the year ended December 31, 2019, 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\$691,115 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, 2018 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 Huang, Jui-Chan and Cheng, Shiu-Ran.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 20,626,014	8	\$ 18,688,022	9
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	434	-	-	-
Financial assets at amortized cost (Notes 9 and 30)	1,460,450	-	2,310,000	1
Financial assets for hedging - current (Notes 4 and 30)	9,588	-	27,354	-
Notes and accounts receivables, net (Notes 4, 10 and 30)	7,694,431	3	9,280,662	4
Accounts receivables - related parties (Note 31)	232,386	-	298,311	-
Other receivables	560,819	-	656,790	-
Current tax assets (Notes 4 and 27)	52,776	-	15,810	-
Inventories, net (Notes 4 and 11)	8,246,515	3	8,451,892	4
Non-current assets held for sale (Notes 4 and 12)	-	-	46,154	-
Other current assets (Note 17)	2,106,199	1	3,157,864	2
Total current assets	40,989,612	15	42,932,859	20
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 30)	107,856	-	83,366	-
Investments accounted for using the equity method (Notes 4 and 13)	13,482,877	5	13,158,355	6
Property, plant and equipment (Notes 4, 14 and 32)	131,029,886	49	149,029,054	69
Right-of-use assets (Notes 4, 20 and 32)	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)	971,298	-	979,708	1
Deferred tax assets (Notes 4 and 27)	4,757,142	2	4,561,346	2
Other non-current assets (Notes 17, 20 and 30)	11,227,556	4	2,122,085	1
Total non-current assets	227,886,893	85	171,981,362	80
TOTAL	\$ 268,876,505	100	\$ 214,914,221	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 30)	\$ 11,749	-	\$ 221	-
Financial liabilities for hedging - current (Notes 4, 20 and 30)	8,610,015	3	239	-
Notes and accounts payable (Note 30)	1,222,410	-	1,198,647	1
Contract liabilities current (Notes 4 and 22)	18,584,287	7	17,065,481	8
Accounts payable - related parties (Note 31)	1,469,434	1	1,583,684	1
Other payables (Notes 21 and 26)	10,892,203	4	11,739,301	5
Provisions - current (Notes 4 and 23)	-	-	268,901	-
Lease liabilities - current (Notes 4 and 20)	695,215	-	-	-
Bonds payable and put option of convertible bonds - current portion (Notes 4, 19, 30 and 31)	10,000,000	4	4,445,900	2
Loans and debts - current portion (Notes 18, 30 and 32)	13,708,320	5	15,335,005	7
Capital lease obligations - current portion (Notes 4, 20, 30, 31 and 33)	-	-	596,000	-
Other current liabilities	2,806,540	1	2,946,455	1
Total current liabilities	68,000,173	25	55,179,834	25
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 20 and 30)	42,420,205	16	-	-
Bonds payable (Notes 4, 19, 30 and 31)	22,352,625	8	28,773,710	13
Loans and debts (Notes 18, 30 and 32)	48,618,168	18	56,827,738	27
Lease liabilities - non-current (Notes 4 and 20)	10,909,262	4	-	-
Contract liabilities (Notes 4 and 22)	2,236,311	1	1,903,665	1
Provisions (Notes 4 and 23)	9,431,736	4	7,730,114	4
Deferred tax liabilities (Notes 4 and 27)	399,253	-	21,195	-
Accrued pension costs (Notes 5 and 24)	7,588,745	3	6,932,783	3
Other non-current liabilities	366,255	-	463,610	-
Total non-current liabilities	144,322,560	54	102,652,815	48
Total liabilities	212,322,733	79	157,832,649	73
EQUITY (Notes 19 and 25)				
Share capital	54,209,846	20	54,209,846	25
Capital surplus	2,488,907	1	1,241,214	1
Retained earnings				
Legal reserve	466,416	-	351,923	-
Special reserve	12,967	-	118,810	-
Unappropriated retained earnings (accumulated deficits)	(1,777,225)	-	1,144,928	1
Total retained earnings	(1,297,842)	-	1,615,661	1
Other equity	1,196,233	-	58,223	-
Treasury shares	(43,372)	-	(43,372)	-
Total equity	56,553,772	21	57,081,572	27
TOTAL	\$ 268,876,505	100	\$ 214,914,221	100

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

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
REVENUE (Notes 4, 26 and 32)	\$ 146,372,401	100	\$ 150,264,792	100
COSTS (Notes 4, 11, 26 and 32)	<u>135,008,166</u>	<u>92</u>	<u>137,614,956</u>	<u>92</u>
GROSS PROFIT	11,364,235	8	12,649,836	8
OPERATING EXPENSES (Notes 4, 26 and 32)	<u>11,284,000</u>	<u>8</u>	<u>10,802,269</u>	<u>7</u>
OPERATING PROFIT	<u>80,235</u>	<u>-</u>	<u>1,847,567</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 26)	524,233	-	420,416	-
Other gains and losses (Notes 12, 13, 14 and 26)	(569,582)	-	(559,230)	-
Finance costs (Notes 26 and 32)	(3,034,172)	(2)	(1,312,044)	(1)
Share of the profit of associates and joint ventures (Note 13)	<u>1,811,960</u>	<u>1</u>	<u>1,918,922</u>	<u>1</u>
Total non-operating income and expenses	<u>(1,267,561)</u>	<u>(1)</u>	<u>468,064</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	(1,187,326)	(1)	2,315,631	1
INCOME TAX EXPENSE (Notes 4 and 27)	<u>12,472</u>	<u>-</u>	<u>525,270</u>	<u>-</u>
NET INCOME (LOSS)	<u>(1,199,798)</u>	<u>(1)</u>	<u>1,790,361</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 31)	(17,705)	-	23,884	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income (Notes 4 and 25)	24,490	-	(23,830)	-
Remeasurement of defined benefit plans (Notes 4 and 24)	(562,259)	-	(674,905)	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4 and 24)	(72,718)	-	(105,569)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27)	101,259	-	127,120	-

(Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 25)	\$ (59,174)	-	\$ 34,140	-
Share of the other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4 and 25)	(13,259)	-	29,573	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 25 and 31)	1,425,306	1	75,454	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 27)	<u>(273,227)</u>	<u>-</u>	<u>(18,193)</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>552,713</u>	<u>1</u>	<u>(532,326)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (647,085)</u>	<u>-</u>	<u>\$ 1,258,035</u>	<u>1</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 27)				
Basic	<u>\$ (0.22)</u>		<u>\$ 0.33</u>	
Diluted	<u>\$ (0.22)</u>		<u>\$ 0.32</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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)**

	Retained Earnings					Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Other Equity		Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deflect)			Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges			
BALANCE AT JANUARY 1, 2018	\$ 54,709,846	\$ 799,999	\$ 206,092	\$ -	\$ 1,458,313	\$ (34,986)	\$ 1,774	\$ -	\$ (74,429)	\$ -	\$ (43,372)	\$ 57,023,237
Effect of retrospective application and retrospective restatement	-	-	-	-	60	-	(1,774)	42,351	74,429	(74,429)	-	40,637
BALANCE AT JANUARY 1, 2018 AS RESTATED	54,709,846	799,999	206,092	-	1,458,373	(34,986)	-	42,351	-	(74,429)	(43,372)	57,063,874
Issuance of convertible bonds	-	409,978	-	-	-	-	-	-	-	-	-	409,978
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	-	-	12,118	-	12,118
Appropriation of 2017 earnings												
Legal reserve	-	-	145,831	-	(145,831)	-	-	-	-	-	-	-
Special reserve	-	-	-	118,810	(118,810)	-	-	-	-	-	-	-
Cash dividends - \$0.2181820086 per share	-	-	-	-	(1,193,670)	-	-	-	-	-	-	(1,193,670)
Changes in capital surplus from dividends distributed to subsidiaries	-	630	-	-	-	-	-	-	-	-	-	630
Net income for the year ended December 31, 2018	-	-	-	-	1,790,361	-	-	-	-	-	-	1,790,361
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(645,495)	25,322	-	268	-	87,579	-	(532,326)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,144,866	25,322	-	268	-	87,579	-	1,258,035
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(469,393)	(469,393)
Treasury shares retired	(500,000)	30,607	-	-	-	-	-	-	-	-	469,393	-
BALANCE AT DECEMBER 31, 2018	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

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

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ (1,187,326)	\$ 2,315,631
Adjustments for:		
Expected credit loss recognized on trade receivables	24,000	50,000
Depreciation expenses	29,398,635	18,192,291
Amortization expenses	165,981	165,050
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(25,700)	(11,076)
Interest income	(314,944)	(274,189)
Dividend income	(10,112)	(9,603)
Share of profit of associates and joint ventures	(1,811,960)	(1,918,922)
Loss (gain) on disposal of property, plant and equipment	(26,377)	273,308
Gain on disposal of investments accounted for using the equity method	(7,656)	(450,195)
Loss on disposal of non-current assets held for sale	10,462	368,992
Loss on inventories and property, plant and equipment	571,960	623,012
Impairment loss recognized on property, plant and equipment	-	50,000
Net gain on foreign currency exchange	41,292	288,598
Finance costs	3,034,172	1,312,044
Recognition of provisions	3,616,519	2,566,045
Amortization of unrealized gain on sale-leasebacks	-	(13,888)
Loss on sale-leasebacks	103,775	-
Others	5	-
Impairment loss recognized on non-current assets held for sale	-	75,437
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	25,266	11,076
Financial liabilities mandatorily classified as at fair value through profit or loss	11,528	(9,359)
Notes and accounts receivable	1,507,192	(1,260,344)
Accounts receivable - related parties	65,925	212,277
Other receivables	101,047	(94,232)
Inventories	(128,037)	(225,553)
Other current assets	351,186	62,151
Notes and accounts payable	53,077	878,219
Accounts payable - related parties	(114,250)	89,678
Other payables	(731,599)	513,674
Contract liabilities	1,851,452	3,102,855
Provisions	(1,970,226)	(2,539,210)
Other current liabilities	(120,655)	10,515
Accrued pension liabilities	93,703	99,135
Cash generated from operations	34,578,335	24,453,417
Interest received	307,503	244,604
Dividends received	940,039	624,834
Interest paid	(3,038,729)	(1,242,278)
Income tax paid	(41,260)	(19,085)
Net cash generated from operating activities	<u>32,745,888</u>	<u>24,061,492</u>

(Continued)

CHINA AIRLINES, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	\$ (1,467,317)	\$ (2,310,000)
Disposal of financial assets at amortized cost	2,310,000	-
Acquisition of investments accounted for by the equity method	(35,525)	(243,743)
Payments for property, plant and equipment	(2,397,742)	(2,561,987)
Proceeds from disposal of property, plant and equipment	38,596	330,136
Proceeds from disposal of non-current assets held for sale	35,692	688,427
Proceeds from disposal of investments accounted for using the equity method	1,713,825	-
Increase in refundable deposits	(387,244)	(51,378)
Decrease in refundable deposits	104,825	103,593
Increase in prepayments for equipment	(13,699,043)	(13,798,867)
Increase in computer software costs	<u>(157,571)</u>	<u>(155,431)</u>
Net cash used in investing activities	<u>(13,941,504)</u>	<u>(17,999,250)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of the principal portion of lease liabilities	(9,666,313)	-
Payments for buy-back of treasury shares	-	(469,393)
Proceeds from issuance of bonds payable	3,500,000	10,512,000
Repayments of bonds payable	(4,445,900)	(2,700,000)
Proceeds from sale-leasebacks	4,905,660	-
Proceeds from long-term borrowings	5,500,000	17,200,000
Repayments of long-term borrowings and capital lease obligations	(15,336,255)	(27,339,868)
Proceeds from guarantee deposits received	167,034	118,367
Refunds of guarantee deposits received	(133,938)	(67,905)
Dividends paid to owners of the Company	<u>(1,136,278)</u>	<u>(1,193,670)</u>
Net cash used in financing activities	<u>(16,645,990)</u>	<u>(3,940,469)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(220,402)</u>	<u>2,690</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,937,992	2,124,463
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>18,688,022</u>	<u>16,563,559</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 20,626,014</u>	<u>\$ 18,688,022</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, 2019 and 2018, 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, 2019 and 2018, 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, 2019. 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:

Passenger Revenue Recognition

In accordance with IFRS 15 “Revenue from Contracts with Customers”, passenger sales are accounted for as contract liabilities before relevant transportation services are provided. After providing the related services, contract liabilities are reclassified to passenger revenue. As of December 31, 2018, passenger revenue was NT\$111,413,435 thousand. Refer to Notes 4 and 27 in the accompanying consolidated financial statements for related detailed information.

Since relevant sales can only be recognized as passenger revenue when passengers actually boarded, confirmation from each passenger holding the ticket who actually boarded involves a complicated process; therefore, we identified passenger revenue recognition as a key audit matter.

The main audit procedures that we performed included the following:

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

Initial application of IFRS16 (Leases) - Aircrafts

In accordance with IFRS 16 “Leases”, aircrafts leases initially classified as finance leases under IAS 17 should be recognized as Right-of-use assets and lease liabilities in the consolidated balance sheet. As of December 31, 2019, the carrying amount of Right-of-use assets and lease liabilities (including financial liabilities for hedging) relating to aircrafts leases are \$62,052,701 thousand and \$60,114,778 thousand, respectively. Refer to Notes 4 and 21 in the accompanying consolidated financial statements for related detailed information.

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, fifteen A330-300 planes, fifteen 737-800 planes, ten A320-200 planes, six ERJ190 planes and three ART72-600 planes for operation. Because of the long lease term and the high rent of each period, the percentage of Right-of -use assets and lease liabilities in the consolidated balance sheet is high. The assessment of each parameters and lease terms, and the calculation of liabilities by the management will affect the carrying amount and depreciation expense of the Right-of-use assets and lease liabilities (including financial liabilities for hedging) relating to aircrafts. Therefore, we identified initial application of IFRS 16 - Aircrafts as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood and tested the effectiveness of the information system related to the calculation of lease liabilities.

2. We chose an aircraft rents amortization schedule from the lease calculation system, verified the logical rationality of the lease liabilities balance, financial cost discount and Right-of-use amortization, and related carrying amount. Also, we chose a certain amount of aircraft lease contract from the carrying amounts of aircraft lease liability, and checked if there was any difference between rents in the aircraft rents amortization schedule and rents in in the contracts. And we checked if the term of the amortization schedule was consistent with the contract.

Other Matter Audited 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, 2019, total assets of these subsidiaries amounted to NT\$13,337,093 thousand dollars, representing 4.55% of the combined total assets. For the year ended December 31, 2019, revenue from these subsidiaries amounted to NT\$9,513,321 thousand dollars, representing 5.65% of the combined 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, 2019 and 2018 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, 2019 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 Huang, Jui-Chan and Cheng, Shih-Ran.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6, 19 and 33)	\$ 28,459,528	10	\$ 24,937,537	11
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	512,192	-	206,001	-
Financial assets at amortized cost (Notes 9 and 32)	2,355,095	1	3,856,660	2
Financial assets for hedging - current (Notes 4 and 32)	9,626	-	32,906	-
Notes and accounts receivable, net (Notes 4, 10 and 32)	8,520,834	3	10,038,528	4
Notes and accounts receivable - related parties (Notes 32 and 33)	10,348	-	9,043	-
Other receivables (Notes 4 and 32)	774,206	-	879,191	-
Current tax assets (Notes 4 and 29)	54,689	-	18,948	-
Inventories, net (Notes 4 and 11)	8,470,113	3	8,654,710	4
Non-current assets held for sale (Notes 4, 5 and 12)	-	-	46,154	-
Other assets - current (Notes 6 and 18)	2,655,711	1	4,147,882	2
Total current assets	<u>51,822,342</u>	<u>18</u>	<u>52,827,560</u>	<u>23</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 32)	209,221	-	132,191	-
Financial assets at amortized cost (Notes 4 and 9)	105,586	-	-	-
Investments accounted for using the equity method (Notes 4 and 14)	2,223,793	1	2,200,149	1
Property, plant and equipment (Notes 4, 5, 15 and 35)	145,886,971	50	163,107,718	71
Right-of-use assets (Notes 4, 21 and 35)	71,033,617	24	-	-
Investment properties (Notes 4 and 16)	2,075,068	1	2,075,345	1
Other intangible assets (Notes 4 and 17)	1,182,692	-	1,210,796	1
Deferred income tax asset (Notes 4, 5 and 29)	5,337,626	2	5,152,070	2
Other assets - non-current (Notes 18, 21, 32 and 34)	13,171,063	4	3,430,753	1
Total non-current assets	<u>241,225,637</u>	<u>82</u>	<u>177,309,022</u>	<u>77</u>
TOTAL	<u>\$ 293,047,979</u>	<u>100</u>	<u>\$ 230,136,582</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term debts (Note 19)	\$ 380,000	-	\$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	11,749	-	221	-
Financial liabilities for hedging - current (Notes 4, 21 and 32)	8,618,506	3	560	-
Notes and accounts payable (Note 32)	1,495,606	1	1,594,487	1
Accounts payable - related parties (Notes 32 and 33)	542,015	-	532,815	-
Other payables (Notes 22 and 32)	13,187,972	5	14,146,198	6
Current tax liabilities (Notes 4 and 29)	374,178	-	164,181	-
Lease liabilities - current (Notes 3, 4 and 21)	2,340,873	1	-	-
Provisions - current (Notes 4 and 24)	360,393	-	321,075	-
Contract liabilities - current (Note 23)	21,060,773	7	19,546,455	9
Bonds payable and put option of convertible bonds - current portion (Notes 4, 20, 27 and 32)	10,000,000	3	4,445,900	2
Loans and debts - current portion (Notes 19, 32 and 35)	14,148,892	5	15,709,487	7
Capital lease obligations - current portion (Notes 4, 21, 32 and 35)	-	-	633,398	-
Other current liabilities (Note 33)	3,830,570	1	3,855,115	2
Total current liabilities	<u>76,351,527</u>	<u>26</u>	<u>60,949,892</u>	<u>27</u>
NON-CURRENT LIABILITIES				
Derivative financial liabilities for hedging - non-current (Notes 3, 4, 21 and 33)	42,420,205	15	-	-
Bonds payable - non-current (Notes 4, 20, 27 and 32)	22,052,625	8	28,473,710	12
Loans and debts - non-current (Notes 19, 32 and 35)	53,514,891	18	60,686,148	26
Contract liabilities - non-current (Notes 4 and 23)	2,236,311	1	1,903,665	1
Provisions - non-current (Notes 4 and 24)	10,011,464	3	8,473,464	4
Deferred tax liabilities (Notes 4 and 29)	557,142	-	188,447	-
Lease liabilities - non-current (Notes 3, 4, 21 and 25)	15,801,724	5	-	-
Capital lease obligations - non-current (Notes 4, 21, 32 and 35)	-	-	2,945	-
Accrued pension costs (Notes 4, 5 and 25)	9,435,035	3	8,803,382	4
Other non-current liabilities (Note 32)	534,938	-	607,845	-
Total non-current liabilities	<u>156,564,335</u>	<u>53</u>	<u>109,139,606</u>	<u>47</u>
Total liabilities	<u>232,915,862</u>	<u>79</u>	<u>170,089,498</u>	<u>74</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)				
Share capital	54,209,846	19	54,209,846	24
Capital surplus	2,488,907	1	1,241,214	-
Retained earnings				
Legal reserve	466,416	-	351,923	-
Special reserve	12,967	-	118,810	-
Unappropriated retained earnings (accumulated deficits)	(1,777,225)	-	1,144,928	1
Total retained earnings	(1,297,842)	-	1,615,661	1
Other equity	1,196,233	-	58,223	-
Treasury shares	(43,372)	-	(43,372)	-
Total equity attributable to owners of the Company	56,553,772	20	57,081,572	25
NON-CONTROLLING INTERESTS (Note 26)	<u>3,578,345</u>	<u>1</u>	<u>2,965,512</u>	<u>1</u>
Total equity	<u>60,132,117</u>	<u>21</u>	<u>60,047,084</u>	<u>26</u>
TOTAL	<u>\$ 293,047,979</u>	<u>100</u>	<u>\$ 230,136,582</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
REVENUE (Notes 4, 27 and 34)	\$ 168,444,160	100	\$ 170,711,607	100
COSTS (Notes 4, 9, 11, 17, 24, 25, 27 and 34)	<u>151,757,232</u>	<u>90</u>	<u>153,504,076</u>	<u>90</u>
GROSS PROFIT	16,686,928	10	17,207,531	10
OPERATING EXPENSES (Notes 4, 25 and 27)	<u>14,021,107</u>	<u>8</u>	<u>13,185,148</u>	<u>8</u>
OPERATING PROFIT	<u>2,665,821</u>	<u>2</u>	<u>4,022,383</u>	<u>2</u>
NON-OPERATING INCOME AND LOSS				
Other income (Notes 4, 8 and 27)	718,988	-	606,453	1
Other gains and losses (Notes 10, 12, 14, 15, 27 and 31)	(473,812)	-	(534,848)	-
Finance costs (Notes 9, 27 and 32)	(3,340,119)	(2)	(1,379,985)	(1)
Share of the profit of associates and joint ventures (Note 14)	<u>332,305</u>	<u>-</u>	<u>367,246</u>	<u>-</u>
Total non-operating income and loss	<u>(2,762,638)</u>	<u>(2)</u>	<u>(941,134)</u>	<u>-</u>
PRETAX PROFIT	(96,817)	-	3,081,249	2
INCOME TAX EXPENSE (Notes 4, 5 and 29)	<u>578,185</u>	<u>-</u>	<u>808,565</u>	<u>1</u>
NET INCOME (LOSS)	<u>(675,002)</u>	<u>-</u>	<u>2,272,684</u>	<u>1</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, 27 and 33)	(17,705)	-	23,884	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income (Note 8)	79,392	-	930	-
Remeasurement of defined benefit plans (Notes 4 and 26)	(781,793)	-	(851,866)	-
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method (Notes 4, 15 and 31)	(32,102)	-	(33,242)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>145,166</u>	<u>-</u>	<u>187,881</u>	<u>-</u>
	<u>(607,042)</u>	<u>-</u>	<u>(672,413)</u>	<u>-</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 27)	\$ (72,952)	-	\$ 26,567	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 27 and 33)	1,411,623	-	85,341	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>(268,871)</u>	<u>-</u>	<u>(17,858)</u>	<u>-</u>
	<u>1,069,800</u>	<u>-</u>	<u>94,050</u>	<u>-</u>
Other comprehensive gain (loss) for the year, net of income tax	<u>462,758</u>	<u>-</u>	<u>(578,363)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (212,244)</u>	<u>-</u>	<u>\$ 1,694,321</u>	<u>1</u>
NET INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ (1,199,798)	(1)	\$ 1,790,361	1
Non-controlling interests	<u>524,796</u>	<u>1</u>	<u>482,323</u>	<u>-</u>
	<u>\$ (675,002)</u>	<u>-</u>	<u>\$ 2,272,684</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	\$ (647,085)	-	\$ 1,258,035	1
Non-controlling interests	<u>434,841</u>	<u>-</u>	<u>436,286</u>	<u>-</u>
	<u>\$ (212,244)</u>	<u>-</u>	<u>\$ 1,694,321</u>	<u>1</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 30)				
Basic	<u>\$ (0.22)</u>		<u>\$ 0.33</u>	
Diluted	<u>\$ (0.22)</u>		<u>\$ 0.32</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, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity					Total	Non-Controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Asset at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries			
BALANCE AT JANUARY 1, 2018	\$ 54,709,846	\$ 799,999	\$ 206,092	\$ -	\$ 1,458,313	\$ (34,986)	\$ 1,774	\$ -	\$ (74,429)	\$ -	\$ (43,372)	\$ 57,023,237	\$ 2,134,282	\$ 59,157,519
Effect of retrospective application and retrospective restatement	-	-	-	-	60	-	(1,774)	42,351	74,429	(74,429)	-	40,637	-	40,637
BALANCE AT JANUARY 1, 2018 AS RESTATED	54,709,846	799,999	206,092	-	1,458,373	(34,986)	-	42,351	-	(74,429)	(43,372)	57,063,874	2,134,282	59,198,156
Issuance of convertible bonds	-	409,978	-	-	-	-	-	-	-	-	-	409,978	-	409,978
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	-	-	12,118	-	12,118	-	12,118
Appropriation of 2017 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	145,831	-	(145,831)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	118,810	(118,810)	-	-	-	-	-	-	-	-	-
Cash dividends - \$0.2181820086 per share	-	-	-	-	(1,193,670)	-	-	-	-	-	-	(1,193,670)	-	(1,193,670)
Changes in capital surplus from dividends distributed to subsidiaries	-	630	-	-	-	-	-	-	-	-	-	630	-	630
Net income for the year ended December 31, 2018	-	-	-	-	1,790,361	-	-	-	-	-	-	1,790,361	482,323	2,272,684
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(645,495)	25,322	-	268	-	87,579	-	(532,326)	(46,037)	(578,363)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	1,144,866	25,322	-	268	-	87,579	-	1,258,035	436,286	1,694,321
Gain or loss on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	565,963	565,963
Treasury shares acquired	-	-	-	-	-	-	-	-	-	-	(469,393)	(469,393)	-	(469,393)
Treasury shares retired	(500,000)	30,607	-	-	-	-	-	-	-	-	469,393	-	-	-
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(171,019)	(171,019)
BALANCE AT DECEMBER 31, 2018	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	-	(647,085)	434,841	(212,244)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	611,841	611,841
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(416,438)	(416,438)
Loss of control of subsidiaries	-	-	-	-	-	8,368	-	105	-	-	-	8,473	(24,957)	(16,484)
BALANCE AT DECEMBER 31, 2019	\$ 54,209,846	\$ 2,488,907	\$ 466,416	\$ 12,967	\$ (1,777,225)	\$ (54,707)	\$ -	\$ 107,262	\$ -	\$ 1,143,678	\$ (43,372)	\$ 56,553,772	\$ 3,578,345	\$ 60,132,117

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) Income before income tax	\$ (96,817)	\$ 3,081,249
Adjustments for operating activities:		
Depreciation expenses	32,601,400	19,325,083
Amortization expenses	198,237	191,979
Bad debts expense	24,096	49,824
Net gain on fair value changes of financial assets and liabilities held for trading	(27,580)	(11,168)
Interest income	(417,446)	(330,710)
Dividend income	(21,422)	(9,603)
Share of profit of associates and joint ventures	(332,305)	(367,246)
(Gain) loss on disposal of property, plant and equipment	(32,460)	270,597
Gain on disposal of investments accounted for using the equity method	(7,656)	(450,195)
Loss on disposal of non-current assets held for sale	10,462	368,992
Impairment loss on non-current assets held for sale	-	75,437
Impairment loss recognized on property, plant, equipment	-	50,000
Loss on inventories and property, plant and equipment	572,026	623,022
Net (gain) loss on foreign currency exchange	(59,987)	298,787
Finance costs	3,340,119	1,379,985
Recognition of provisions	4,608,924	3,386,052
Amortization of unrealized on sale - leasebacks	103,775	-
Others	(1,484)	-
Amortization of unrealized gain on sale-leasebacks	-	(13,888)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(278,741)	269,682
Financial liabilities mandatorily classified as at fair value through profit or loss	11,528	(9,359)
Notes and accounts receivable	1,564,298	(1,304,948)
Accounts receivable - related parties	66,538	253,540
Other receivables	(49,138)	(100,400)
Inventories	(118,317)	(288,941)
Other current assets	548,156	15,763
Notes and accounts payable	(14,326)	993,434
Accounts payable - related parties	(224,931)	(97,753)
Other payables	(832,288)	535,211
Contract liabilities	1,847,286	3,256,101
Provisions	(2,799,314)	(3,310,089)
Other current liabilities	202,815	73,958
Accrued pension liabilities	(149,678)	(205,340)
Other liabilities	(5,155)	2,698
Cash generated from operations	40,230,615	28,001,754
Interest received	401,190	301,465
Dividends received	355,311	228,636

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars)

	2019	2018
Interest paid	\$ (3,124,960)	\$ (1,319,690)
Income tax paid	<u>(335,544)</u>	<u>(185,208)</u>
Net cash generated from operating activities	<u>37,526,612</u>	<u>27,026,957</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of amortized cost financial assets	(2,089,871)	(3,460,496)
Disposal of amortized cost financial assets	3,447,202	1,621,546
Proceeds from disposal of non-current assets held for sale	35,692	688,427
Payments for property, plant and equipment	(3,316,078)	(4,608,600)
Proceeds from disposal of property, plant and equipment	71,194	333,284
Increase in refundable deposits	(440,443)	(265,335)
Decrease in refundable deposits	218,547	391,487
Increase in prepayments for equipment	(15,658,898)	(14,991,412)
Increase in long-term lease receivable	-	(785)
Increase in computer software costs	(172,639)	(184,223)
Decrease in restricted assets	38,636	59,726
Proceeds from disposal of associates accounted for using the equity method	1,866,474	-
Proceeds from acquisition of joint ventures accounted for using the equity method	(35,525)	-
Net cash outflow on disposal of subsidiaries (Note 31)	(17,413)	-
Acquisition of subsidiaries (Note 30)	<u>-</u>	<u>136,769</u>
Net cash used in investing activities	<u>(16,053,122)</u>	<u>(20,279,612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for buy-back of ordinary shares	-	(469,393)
Decrease in short-term debts	380,000	(120,000)
Proceeds from issuance of bonds payable	3,500,000	10,512,000
Repayments of bonds payable	(4,445,900)	(2,700,000)
Proceeds from long-term borrowings	9,078,690	18,285,457
Repayments of long-term borrowings and capital lease obligations	(17,819,750)	(28,587,288)
Repayments of the principal portion of lease liabilities	(11,692,310)	-
Proceeds from guarantee deposits received	180,360	126,578
Refunds of guarantee deposits received	(149,198)	(70,204)
Proceeds from sale - leasebacks	4,905,660	-
Dividends paid to owners of the Company	(1,135,672)	(1,193,040)
Cash dividends paid to non-controlling interests	<u>(416,438)</u>	<u>(171,019)</u>
Net cash used in financing activities	<u>(17,614,558)</u>	<u>(4,386,909)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(336,941)</u>	<u>(8,231)</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 3,521,991	\$ 2,352,205
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>24,937,537</u>	<u>22,585,332</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 28,459,528</u>	<u>\$ 24,937,537</u>

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

Appendix 2

China Airlines Ltd.
Appropriation of 2019 Deficit

Unit: NT\$

Items	Total
Unappropriated retained earnings (beginning balance)	\$ 0
Remeasurement of defined benefit plans	(449,807,404)
Change from investments in associates and joint ventures accounted for by using equity method	<u>(127,620,025)</u>
Adjusted accumulated deficit	(577,427,429)
Add:2019 Net loss after tax	<u>(1,199,797,975)</u>
Accumulated deficit before compensation	(1,777,225,404)
Item used to compensate for deficit:	
Legal reserves	466,415,667
special surplus reserve	12,966,658
capital reserve	<u>1,297,843,079</u>
Accumulated deficit (Ending Balance)	<u><u>\$ 0</u></u>

Chairman: HSIEH, SU-CHIEN

Manager: HSIEH, SU-CHIEN

Accounting Supervisor: CHEN, I-CHIEH

Appendix 3

China Airlines Ltd.

Comparison Table: Articles of Incorporation

Revised Provisions	Current Provisions	Revision Notes
<p>Article 16-1:</p> <p>Of the directors of the Company provided in the preceding article, there are <u>no fewer than</u> three independent directors, <u>one</u> of which is an independent director experienced in public welfare.</p> <p>(Paragraph 2 and 3 omitted)</p>	<p>Article 16-1:</p> <p>The directors of the Company provided in the preceding article <u>shall include</u> three independent directors and one shall be an independent director undertaking public welfare.</p> <p>(Paragraph 2 and 3 omitted)</p>	<p>It was amended that the number of independent directors is no less than three to meet the Company's needs and increase flexibility.</p>
<p>Article 25:</p> <p>In the case of a profitable fiscal year, the Company shall set aside no less than 3% to employee compensation. However, in the event of accumulated deficits, the profits shall be reserved in advance to offset the deficits.</p> <p>The above compensation shall be distributed as stock or cash, following a Board of Directors majority approval in which at least two-thirds of board members are present. If passed, the resolution shall be reported during a Shareholders' Meeting.</p> <p>In the case of a profitable fiscal year, the Company shall pay taxes in accordance with the law, make up accumulated deficits, and then allot earnings to the statutory reserve <u>and</u> appropriate for provisions and rotating special reserves <u>in accordance with regulations</u>. If there is still surplus and/or accumulated undistributed earnings, the Board of</p>	<p>Article 25:</p> <p>In the case of a profitable fiscal year, the Company shall set aside no less than 3% to employee compensation. However, in the event of accumulated deficits, the profits shall be reserved in advance to offset the deficits.</p> <p>The above compensation shall be distributed as stock or cash, following a Board of Directors majority approval in which at least two-thirds of board members are present. If passed, the resolution shall be reported during a Shareholders' Meeting.</p> <p>In the case of a profitable fiscal year, the Company shall pay taxes in accordance with the law, make up accumulated deficits, and then allot <u>10%</u> to the statutory surplus reserve. <u>In accordance with regulations, the remaining balance shall then be appropriated for provisions and rotating</u> special reserves. If there is still</p>	<p>1. considering that "calculated and provided...in accordance with regulations" sufficiently covers the calculation base and provision percentage, adjustments to the wording are considered, and such adjustments do not affect the Company's current calculation and provision method.</p> <p>2. Paragraph 3 in this Article already</p>

Revised Provisions	Current Provisions	Revision Notes
<p>Directors shall submit an allocation proposal in accordance with the following principles:</p> <p>1. Not less than 50% thereof shall be distributed as dividend and bonus to shareholders.</p> <p><u>2.</u> Distribution of the aforesaid dividend and bonus may be made in the form of shares or cash; provided, however, that the cash dividend shall not be less than 30% of the total dividends.</p> <p><u>With respect to the distribution of earnings in the preceding paragraph,</u> 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 <u>can</u> 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.</p> <p>When the Company does not suffer 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 the laws 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</p>	<p>surplus and/or accumulated undistributed earnings, the Board of Directors shall submit an allocation proposal in accordance with the following principles:</p> <p>1. Not less than 50% thereof shall be distributed as dividend and bonus to shareholders. <u>However, if the distributable balance from the current year's pre-tax profit after making the deductions in accordance with the aforesaid computation method is not sufficient, the Company may apply the accumulative unappropriated retained earnings to cover the shortfall.</u></p> <p>2. When the Company does not suffer 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 the laws and decrees or the regulations of the competent authority.</p> <p><u>3.</u> Distribution of the aforesaid dividend and bonus may be made in the form of shares or cash; provided, however, that the cash dividend shall not be less than 30% of the total dividends.</p> <p><u>According to the Company Act,</u> where dividends are distributed as new shares, the proposal shall be submitted to the shareholders' meeting for approval before distribution; where</p>	<p>stipulates "accumulated undistributed earnings," so the rule regarding "applying accumulated undistributed earnings" in Subparagraph 1 was deleted to avoid repetition.</p> <p>3. In Paragraph 3, Subparagraph 2 of this Article, considering that "issuing new shares or cash from the reserve" is an independent matter, it is suggested to list it separately as an independent item to avoid confusion with distribution of earnings. Therefore, this Subparagraph was added as Paragraph 5.</p> <p>4. Adjustments</p>

Revised Provisions	Current Provisions	Revision Notes
<p>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.</p>	<p>dividends are distributed in cash, the Board of Directors <u>shall be authorized to</u> 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.</p>	<p>to the wording are considered to increase flexibility in the Company's operations.</p>
<p>Article 26: The present Articles of Incorporation were announced on August 15, 1959, and the <u>seventy third (73rd)</u> amendment was made on <u>June 23, 2020</u>. Matters not prescribed under the Articles of Incorporation shall be governed by and construed in accordance with the provisions of the relevant laws and decrees. second</p>	<p>Article 26: The present Articles of Incorporation were announced on August 15, 1959, and the <u>seventy second (72nd)</u> amendment was made on <u>June 25, 2019</u>. Matters not prescribed under this Articles of Incorporation shall be governed by and construed in accordance with the provisions of the relevant laws and decrees. second</p>	<p>Amended revision date.</p>

Appendix 4

China Airlines Ltd.

Comparison Table: Rules of Procedure for Shareholders' Meeting's

Revised Provisions	Current Provisions	Revision Notes
<p>Article 9:</p> <p>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.</p> <p>Election or dismissal of directors, amendments to the Articles of Incorporation, <u>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,</u> 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 <u>and the essential contents shall be explained in the notice</u> to convene a meeting of shareholders, and shall not be brought up as extemporary motions; <u>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.</u></p>	<p>Article 9:</p> <p>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.</p> <p>Election or dismissal of directors, amendments to the Articles of Incorporation, the dissolution, merger, or demerger, or any matter under Article 185, Paragraph 1 of the Company Act, <u>Articles 26-1 and 43-6 of the Securities and Exchange Act, or Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u> shall be set out in the notice of the reasons for convening the Shareholders' Meeting. None of the above matters may be raised by an extraordinary motion.</p>	<p>Paragraph 2 of this Article was amended with reference to Article 3 in the Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings and to accord with amendments to Article 172, Paragraph 5 of the Company Act.</p>

Revised Provisions	Current Provisions	Revision Notes
<p>Article 10:</p> <p>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.</p> <p>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.</p> <p>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p>	<p>Article 10:</p> <p>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.</p> <p>After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.</p>	<p>In order to safeguard shareholders' rights and facilitate a more efficient method of communications with shareholders, it is stipulated that shareholders may not speak until after the complete report is read or reported in full. This is to help arrange shareholders' meeting procedures and improve efficiency of those meetings.</p>
<p>Article 15:</p> <p>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</p>	<p>Article 15:</p> <p>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</p>	<p>To accord with electronic voting on a case-by-case basis, the text "if the chair of the meeting inquires and receives no objection, the</p>

Revised Provisions	Current Provisions	Revision Notes
<p>apply). In the resolution, <u>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.</u> 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.</p> <p>(Paragraph 2, 3, and 4 omitted)</p>	<p>apply). In the resolution, <u>if the chair of the meeting inquires and receives no objection, the motion is deemed passed, with equivalent force as a resolution by vote.</u> 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.</p> <p>(Paragraph 2, 3, and 4 omitted)</p>	<p>motion is deemed passed, with equivalent force as a resolution by vote” in the original article was deleted. Revisions to the wording are considered with reference to Article 13, Paragraph 5 of the “XXX Co., Ltd. Rules of Procedure for Shareholders Meetings.”</p>

Appendix 5

To lift the non-competition restrictions of Director Chen, Han-Ming's various titles at the following list of companies:

Name and title	Title at each company
China Aviation Development Foundation Representative: CHEN, HAN-MING	Chairman, Tigerair Taiwan Co., Ltd. Chairman, Prime Development Co., Ltd. Director, Chyn Tay Bearing, Co., Ltd.