



2023

CHINA AIRLINES Annual Report



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Financial Highlights

Financial and Operational Analysis

Financial Statistics	Unit	2023	2022	% Change
Operating Revenue	(Million TWD)	161,676	141,070	14.61%
Passenger Revenue	(Million TWD)	99,059	20,479	383.70%
Cargo Revenue	(Million TWD)	56,852	115,864	-50.93%
Other Revenue	(Million TWD)	5,765	4,727	21.97%
Operating Expenses	(Million TWD)	155,081	135,153	14.75%
Operating Income	(Million TWD)	6,594	5,917	11.45%
Net Income	(Million TWD)	6,819	2,860	138.45%
Operating Margin	(%)	4.08	4.19	-0.11ppt
Net Margin	(%)	4.22	2.03	2.19ppt
Balance Sheet				
Total Assets	(Million TWD)	264,966	268,092	-1.17%
Total Liabilities	(Million TWD)	190,375	198,092	-3.90%
Equity	(Million TWD)	74,591	70,000	6.56%
Total Liabilities/ Total Assets	(%)	71.85	73.89	-2.04ppt
Return on Assets (ROA)	(%)	3.23	1.72	1.51ppt
Return on Equity (ROE)	(%)	9.43	3.97	5.46ppt
Book Value per Share	(TWD)	12.32	11.64	5.84%

Operating Statistics	Unit	2023	2022	% Change
Passengers Carried	(1,000)	9,597	1,503	538.68%
Passenger Capacity	(Million ASK)	43,237	14,879	190.59%
Passenger Traffic	(Million RPK)	33,808	6,583	413.53%
Passenger Load Factor	(%)	78.19	44.25	33.94PPT
Passenger Yield	(TWD/RPK)	2.93	3.11	-5.79%
Cargo Carried	(1,000 kg)	721,226	932,812	-22.68%
Cargo Capacity	(Million FATK)	7,920	8,265	-4.18%
Cargo Traffic	(Million FRTK)	5,337	6,362	-16.11%
Cargo Load Factor	(%)	67.39	76.97	-9.58PPT
Cargo Yield	(TWD/FRTK)	10.65	18.21	-41.52%
Overall Capacity	(Million ATK)	11,812	9,605	22.98%
Overall Traffic	(Million RTK)	8,380	6,954	20.50%
Overall Yield	(TWD/RTK)	19.29	20.29	-4.93%
Overall Unit Cost	(TWD/ATK)	13.13	14.07	-6.68%
Break Even Load Factor	(%)	68.05	69.37	-1.32PPT

Employee Productivity	Unit	2023	2022	% Change
Revenue per Employee	(1,000TWD/Person)	14,659	13,080	12.07%
Capacity per Employee	(ATK/Person)	1,070,962	890,548	20.26%
Traffic per Employee	(RTK/Person)	759,796	644,801	17.83%

Notes

RPK	Revenue Passenger Kilometers	Number of revenue passengers carried multiplied by distance flown
ASK	Available Seat Kilometers	Number of seats available for sale multiplied by distance flown
Passenger Load Factor		Revenue Passenger Kilometers divided by Available Seat Kilometers
FRTK	Freight Revenue Tonne Kilometers	Number of revenue tonnes of freight carrier multiplied by distance flown
FATK	Freight Available Tonne Kilometers	Number of tonnes of capacity available to carry freight multiplied by distance flown
Cargo Load Factor		Freight Revenue Tonne Kilometers divided by Freight Available Tonne Kilometers
RTK	Revenue Tonne Kilometers	Revenue load (passengers and freight) in tonnes multiplied by distance flown
ATK	Available Tonne Kilometers	Number of tonnes of capacity available to carry revenue load (passengers and freight) multiplied by distance flown



A Message from the Chairman

Tracking the Market for Steady Growth and Expansion



The global airline industry experienced a rebound in travel in 2023. China Airlines (hereafter referred to as “CAL”) adopted an agile business strategy, responding to supply and demand in market to achieve record revenues. Our excellent business performance over the past year was not by chance. A multitude of factors including geopolitical unrest, disturbances in global manufacturing, and shrinking end-user demand were at play. Aircraft manufacturers delayed aircraft delivery times as their supply chains faced continued pressure. Nevertheless, by staying true to our strategies on aviation safety, environmental sustainability, and revenue management, CAL and our employees safeguarded our business development and profitability.

CAL is continuing to introduce new aircraft and is planning to phase out older aircraft in order to improve the overall yield of our fleet, lower fuel costs and strengthen our financial constitution. At the same time, we are continuing to improve our products and services by optimizing network structure, schedule, and cabin facilities, by boosting our business performance in passenger and freight, and by increasing our overall competitiveness in the industry. In the future, new technologies and digital upgrades will be introduced to enhance our operating efficiency and strengthen our business performance. We will also maintain the service capacity of stations around the world, invest in cultivating talent, and enhance our organizational competitiveness to prepare for our future growth and development.

Our focus on sustainability continues to drive Environmental Protection, Social Responsibility, and Corporate Governance (ESG) practices at CAL. Our accomplishments have received widespread recognition. In 2023, CAL became the only airline to be named a constituent stock in the Dow Jones Sustainability Indices (DJSI) - Emerging Markets” for eight consecutive years. We were included in the UK FTSE4Good Index Series for the eighth time, were named winner of Taiwan Corporate Sustainability Awards (TCSA) for ten straight years, received the “The Most Prestigious Sustainability Awards - Top Ten Domestic Companies Award” and won the Global Corporate Sustainability Awards (GCSA) for the fifth straight year.

2024 is shaping up to be another year filled with economic and geopolitical uncertainties. CAL will monitor changes in demand within the passenger-freight market and leverage our exceptional management flexibility and agile operations to have all the necessary resources in place. At the same time, we will enforce safe practices, boost product competitiveness, provide quality services, and expand our initiatives in every ESG aspect to ensure that we become a leader in sustainable development in the highly competitive global airline industry.

Chairman of China Airlines
Hsieh Su-Chien

A Message from the President

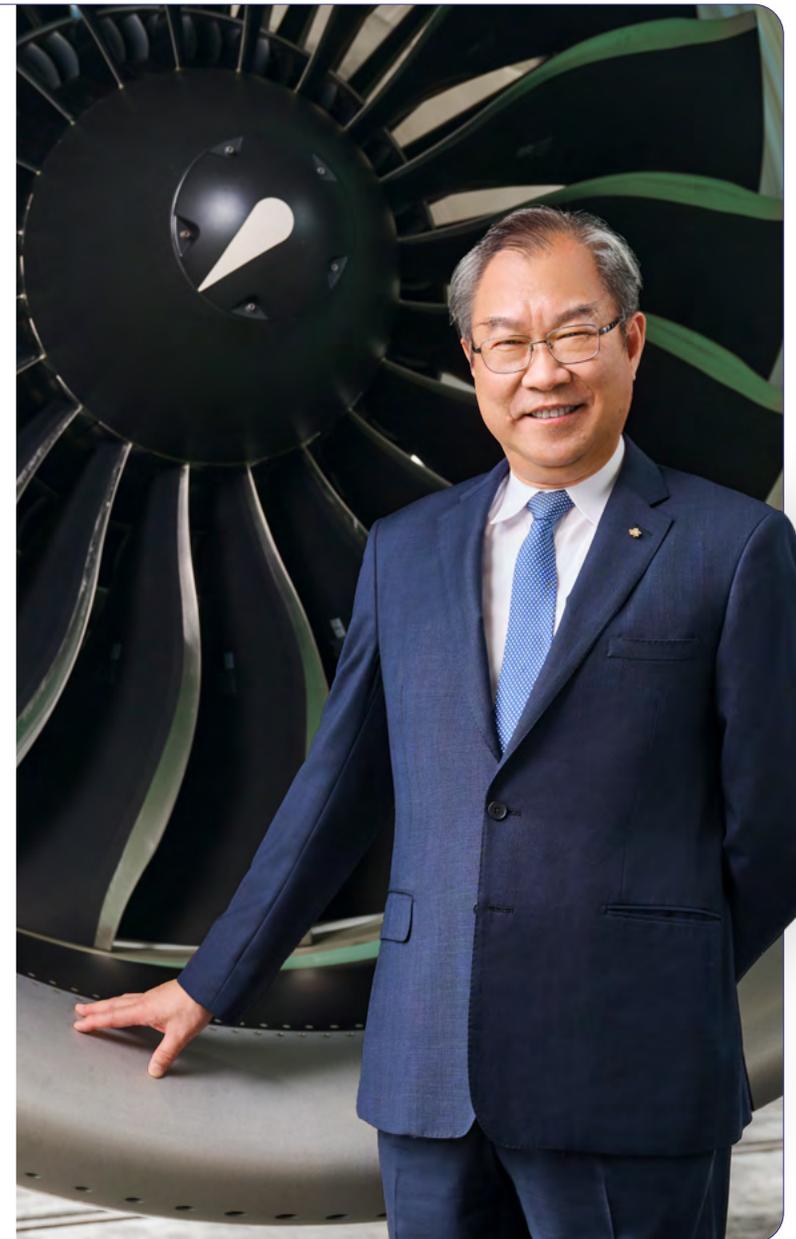
Next-Generation Fleet Ushers in New Era

The CAL Group reported consolidated revenues of TWD184.819 billion in 2023. CAL itself carried more than 9.59 million passengers for a total passenger load factor of 78.2%. By adding more services to key destinations, resuming flights to Chiang Mai, Rome, and Fuzhou, and opening up new destinations such as Da Nang, Prague, and Kumamoto, we have provided travelers with greater flexibility in their itineraries and have met the demand from a red-hot passenger market. Cargo services achieved 5,337 million FRTK (Freight Revenue Ton Kilometers) and a cargo load factor of 67.4%. Revenue was maximized through special projects and medium and long-term custom charter flights, by contracting for high-yield cargo sources such as semiconductors and cold-chain logistics, and by collaborating on code-share flights. CAL products and services continue to win recognition for global rating bodies including “Best Airline in North Asia” from Global Traveler for the tenth time, being named an APEX Five Star Global Airline for eight consecutive years and being awarded “Design Airline of the Year - Asia” by TheDesignAir.

In 2024, CAL will introduce the A321neo passenger aircraft and 777F freighter. Deliveries of the 787 passenger aircraft will start in 2025. Expanding the size of our next-generation fleet and making sustainability, fuel-efficiency, and environmental protection the key pillars of our future fleet will assist in increasing our business performance. Traveler expectations will be progressively raised through upgrades to cabin planning and catering services as well. Due to the strong outlook in the international passenger market, CAL is increasing flights through Asia-Pacific and the world. Particular emphasis is being placed on the development of the transit passenger market. The central geographic location of Taiwan will be used to build a transit hub and a more connected network. On the cargo side, CAL will consolidate existing markets as we continue to aggressively develop potential markets. Our comprehensive network and extensive experience will be used to transport high-value cargo such as AI servers, 5G, autotronics, semiconductors, and wafer machines etc. E-commerce cargo will also be actively targeted with additional scheduled services and charter flights arranged as necessary to maximize business yield.

Looking ahead in 2024, CAL will continue to provide travelers with a safe and comfortable journey. The launch of new destinations, resumption of past routes, greater code-sharing, and a proactive strategy will all be harnessed to build a more profitable network. Special projects and medium-to-long-term customer charter flights will drum up new business with an emphasis on transnational e-commerce to boost our overall revenues. Yield management and effective dispatching of carrying capacity will be maintained to maximize returns. Planning work on a prospective fleet will help assess development potential and meet future market demand. The addition of even more energy-efficient aircraft will solidify the future sustainability and profitability of CAL.

President of China Airlines
Kao Shing-Hwang

Board of Directors



Chairman
Hsieh Su-Chien

Chairman, China Airlines Ltd.

Chairman, CAL Park Co., Ltd.

Chairman, CAL Hotel Co., Ltd.

Chairman, CAL-Asia Investment Inc.

Chairman, CAL-Dynasty International, Inc.



Director
Kao Shing-Hwang

President, China Airlines Ltd.

Chairman, Mandarin Airlines, Ltd.

Director, CAL Hotel Co., Ltd.

Director, CAL-Asia Investment Inc.

Director and President, CAL Park Co., Ltd.

Director, CAL-Dynasty International, Inc.



Director
Charles C. Y. Chen

Chairman, Eyon Holding Group

Vice Chairman, Taiwan Air Cargo Terminal Ltd.

Vice Chairman, Taian Insurance Co., Ltd.

Director, Shihlin Paper Corporation

Chairman, Wan Hai International Pte. Ltd.

Vice Chairman, Wan Hai Lines (Singapore) Pte. Ltd.

President, Cheng-Yung Foundation



Director
Ting, Kwang-Hung

Group Chairman, Phu My Hung Holdings Group



Director
Chen, Han-Ming

Chairman, Tigerair Taiwan Co., Ltd.

Chairman, Prime Development Co., Ltd.

Director, Chyn-Tay Bearing Co., Ltd.

Board of Director, Taiwan-Hong Kong Economic and Cultural Cooperation Council



Director
Chen, Maun-Jen

Vice Chairman, Everpar Enterprise Corporation

Chairman, Hi Safe Technologies Co., Ltd.

Chairman, EMPRO Environment Co., Ltd.

President, Taiwan Association of Tsai Ing-wen's Friends

Vice Director, The Golf Association of R.O.C.



Director

Wei, Yung-Yeh

Member of Council,
China Airlines
Employees Union

Foreman, Line
Maintenance
Department,
Engineering &
Maintenance Division,
China Airlines



Director

Chao, Kang

Member of Council,
China Airlines
Employees Union



Director

Chang, Hui-Chuan (Connie)

Director, TaiMed
Biologics Inc.



Director

Wang, Shih-Szu

Political Deputy Minister,
Ministry of Culture



Independent Director

Huang, Hsieh-Hsing

Chairman, Audit
Committee, China
Airlines Ltd.

HQ President and
Founder, Chungsun
Prime Certified Public
Accountants

Honorary Director,
Taiwan Provincial CPA
Association

Independent Director,
TECO Electric and
Machinery Co., Ltd.

Director, CPA
Associations R.O.C.
(Taiwan)



Independent Director

Chang, Hsieh Gen-Sen

Chairman, Risk
Committee, China
Airlines Ltd.



Independent Director

Hwang, Chin-Yeong

Chairman, Compensation
Committee,
China Airlines Ltd.

Chairman, Digitimes Inc.

Director, Monte Jade
Science and Technology
Association

Independent Director,
Alltek Technology Corp.

Chairman, IC
Broadcasting Company
Limited

Adjunct Professor
for National Taiwan
University, National
Chiao Tung University
and Feng Chia University

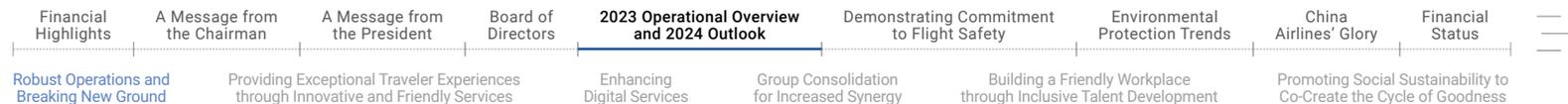


2023 Operational Overview and 2024 Outlook

Robust Operations and Breaking New Ground

In 2023, the global airline industry showed signs of recovery as traveler numbers began to rise. While the pace of recovery differed among regions, the overall financial health of the airline industry was restored. Despite geopolitical turmoil and increased operating costs due to investments in sustainable assets, CAL worked to track market demand and restore flight density. Optimizing the use of passenger aircraft's belly cargo holds and freighters set new revenue records with passenger revenue exceeding TWD99 billion and cargo revenue reaching TWD56.8 billion.

CAL optimized passenger-cargo routes and flight configurations, enhanced the competitiveness of products and services, emphasized yield management, and made effective use of existing carrying capacity to boost revenues. By increasing revenue and cutting costs, CAL made effective use of management resources to improve efficiency and business performance. Maintenance capabilities were strengthened to enhance our ability to sustain GTF engines and generate new revenue. CAL leveraged our competitive advantage in operations and talent to strengthen our corporate culture, focus on our core airlines, and maintain our profitability. The global airline industry is set to enter a period of mild recovery in 2024. Fares are expected to remain high, helping CAL maintain its revenue growth. At the same time, delays in aircraft delivery by manufacturers and the industry push on net zero emissions will put pressure on future operating costs.



Economy is Stabilizing Amidst Strong Passenger Demand

The International Monetary Fund (IMF) reported in January that the GDP of the global economy is expected to grow by 3.1% in 2024. Despite economic growth in the U.S., large emerging markets and developing economic entities, global GDP forecasts remain below the average growth rate of 3.8% between 2000 and 2019. In many regions, inflation is dropping more quickly than expected and global inflation is expected to drop to 5.8% in 2024. A tightening of monetary policies and steady growth means the economic risks facing global growth have stabilized. Nations are expected to adopt looser fiscal policies in the future to stimulate a growth in productivity. Geopolitical conflict may however lead to volatile prices for crude oil and other commodities, and the potential of inflationary risk may slow the pace of economic recovery.

Passenger Market Overview and Outlook

The International Air Transport Association (IATA) report indicated that Revenue Passenger Kilometer (RPK) had recovered to 94.1% of pre-pandemic levels in 2023. The lifting of border restrictions aided recovery in the Asia-Pacific region and China in particular saw a strong demand from the domestic market as well as steady growth on international routes. The number of US-China flights has been slow to recover, however, even though service on international routes to Europe, Australia, and Asia are all improving steadily. In 2023, global passenger revenues reached USD642 billion with a passenger load factor of 82%.

The outlook for 2024 suggests steady global economic growth that should translate into passenger revenue. The global airline industry is expected to see profits of USD25.7 billion on approximately 4.7 billion passenger trips. Passenger load factor should reach 82.6% and be on par with 2019. Local airlines are now actively jockeying for a position as they expand their passenger business. Fleet renewal plans will continue with the introduction of next-generation passenger aircraft to improve overall operational efficiency and set new revenue records.

Freight Market Overview and Outlook

The airline industry carried 117 million tonnes of freight in 2023, similar to that of 2022. Freight volumes in all regions showed signs of growth compared to the previous year thanks to the dynamic development of global e-commerce. The Asia-Pacific region in particular is seeing a rapid growth in Cargo Tonnes Kilometer (CTK). Available Cargo Tonnes Kilometer (ACTK) in 2023 reached 49.8 billion Tonne Kilometers and global air cargo revenue amounted to USD134.7 billion. The recovery in passenger traffic will also increase overall carrying capacity from belly cargo.

The outlook for 2024 suggests an easing in global inflation with moderate economic growth, although domestic economic issues in China may eventually impact the global economic cycle. International trade has been affected even as belly cargo capacity continues to grow. The increase in supply suggests that yields will see further correction to pre-2019 levels. The closure of air spaces due to the Russo-Ukrainian War and Israeli-Gaza conflict is also having an effect on routes and is driving an increase in operating costs. Global cargo volume is expected to reach 61 million tonnes in 2024 and revenue from cargo will drop to USD111 billion.



Continued Renewal and Improvement of Fleet Operating Efficiency

CAL continues to move ahead on our aircraft introduction and replacement program to support our long-term fleet and network development strategies and improve our overall operating efficiency. At the end of 2023, the CAL fleet consisted of 82 aircraft – 62 passenger aircraft and 20 freighters – with an average fleet age of 10.1 years. The revitalization of the short-haul fleet will continue while the introduction of the 777F freighter will boost our operating efficiency and competitive advantages in the market.

As part of our commitment to the quality of cabin services, the new 787 wide-body passenger aircraft was purchased by CAL with the first aircraft scheduled for delivery in 2025 Q1. The new fleet will feature the latest cabin seating configuration, next-generation high-definition personal infotainment system and onboard network. All cabin equipment will be customized to take advantage of the most advanced specifications and the latest trends in the industry. We are gradually standardizing the level of service and cabin equipment across all CAL fleets in order to provide travelers with a more comfortable journey and progressively boost the competitiveness of in-flight services. Fleet revitalization and network upgrades will create a greater operating advantage and more opportunities for profitability.

CAL has introduced ten new A321neo aircraft since 2023. The A321neo is configured for 180 seats in two classes, including twelve fully flat Business Class seating and 168 of the new more spacious Economy Class seats. Facilities include the latest in-flight infotainment system, industry-leading individual 4K displays, and support for Bluetooth headphones. Travelers can use their own Bluetooth headphones to enjoy audio-visual entertainment programs. The aircraft is also equipped with a high-speed Internet to support network roaming during the flight. The A321neo cabin was designed in conjunction with leading industry design consultants. The design, inspired by Asian aesthetics, incorporates the local cultural heritage to establish a deep bond that resonates with travelers.



Type	777-300ER passenger aircraft	A350-900 passenger aircraft	A330-300 passenger aircraft	737-800 passenger aircraft	A321neo passenger aircraft	747-400F cargo aircraft	777F cargo aircraft
Number	10	14	18	10	10	13	7
Total				82			

Increasing Network Density, Expanding Destinations with Potential, and Tracking Passenger-Cargo Market Demand

Aiming to meet the renewed demand for travel after Taiwan opened its borders in October 2022, CAL began to gradually add more flights in 2023. We further optimized route products and strengthen our network during this time. In 2024, CAL will continue to evaluate the number of flights on each route based on demand, aiming to reach pre-pandemic levels. Market developments will be closely monitored, and the network structure adjusted in support of the government's foreign policy. We are continuously evaluating that addition of flights in those markets where we see the potential to strengthen our competitiveness.



華信航空台中國際航點
MANDARIN AIRLINES TAICHUNG INTERNATIONAL ROUTES

● 華航集團客/貨運航點
China Airlines Group Passenger & Cargo Routes

● 中華航空與其他航空公司主要合營航點
China Airlines Code-shared Route with Other Airlines

共用班號合作夥伴 CODE-SHARED PARTNERS



2023 Passenger Operations Overview

The global airline industry saw a gradual recovery in passenger numbers in 2023, with a particular emphasis in travel to and from North America and Europe. Passenger demand in the Asia-Pacific is expected to continue climbing during 2024. Adjustments have been made to existing routes with CAL working actively to bring flight frequency back to previous levels. Transportation capacity from the newly introduced A321neo is being used to develop potential destinations and optimize the existing network to support the steady recovery in services.

CAL's transportation capacity has already exceeded 82% of pre-pandemic levels thanks to the growing demand from Taiwanese in 2023. We continue to cultivate key markets in an effort to restore pre-pandemic routes and scale of operations, strengthen Taoyuan Airport as a transfer hub, and adjust our network in response to the government's foreign policy and market conditions in order to consolidate market leadership.

Due to a capacity shortage and slower-than-expected recovery in manpower of our Japanese ground handling agent, flight frequency on Northeast Asia routes is now only back to 57.5% of 2019's level and seats available are back to 61.8% of 2019's level. Thanks to CAL's attentiveness to the government's Southbound Policy and industry trends, flight frequency on Southeast Asia routes has increased steadily since 2023 Q4. We are using the opportunity to evaluate promising markets in Southeast Asia and potential new destinations. Taiwanese business travelers are the largest group to utilize the cross-strait passenger routes due to government policies on both sides. Demand for business and tourism travel, with departures from Taiwan, is expected to gradually increase. On North American, Oceania and some European routes, capacity is now back to pre-pandemic levels. For Oceania routes, we are maintaining existing passenger services while also competing for the transfer market on travel to and from Europe, North America, Northeast Asia, and Southeast Asia in order to increase our market share.

With effect from second half of 2023, our revenue management team used past analysis experience supplemented by systems and reports to optimize the management strategy. Traveler consumption models are also being closely examined so that suitable price increases can be made when appropriate to maximize profits. Greater emphasis will be placed on the transfer market in the future to boost network sales and overall revenue.



2023 Freight Operations Overview

The air cargo market shrank for the first time in 2023 since the emergence of COVID-19, due to high inflation and a downturn in manufacturing. In addition to carrying imports and exports, CAL has long worked to develop the market for transshipping goods via Taiwan. A combination of network development and schedule integration is employed to strengthen Taiwan's importance as a transshipment hub. The freighter fleet is currently being dispatched as a result of decrease in market demand in order to greatly reduce fuel consumption and maintenance costs. The network now aims to maximize profits while maintaining flexibility on aircraft and crew dispatching. At the same time, we are actively positioning ourselves as a transporter of high-value and time-critical products. Custom aircraft and cabin charter services are operated on a regular basis to maximize revenue. CAL cargo revenue amounted to TWD56.852 billion or 35.16% of annual consolidated revenue. As of December 2023, CAL had 20 freighters flying to 14 countries and 31 stations in Asia, Europe, and the Americas with an average of 89 flights a week. Annual capacity in the form of Freight Available Tonne Kilometers (FATK - 7,920 million tonne kilometers) and freight carried in the form of Freight Revenue Tonne Kilometers (FRTK- 5,337 million tonne kilometers) were 4.2% and 16.1%, down from 2022 respectively.

Monitoring of Freight Market Demand with Dynamic Adjustments to Boost Revenue

When the border restrictions were first lifted, global inflation and rising interest rates diminished end-user demand. The slow pace of stock reduction and replenishment by vendors led to a weak freight market in the first half of 2023. Adjustments to national economic policies as well as changes in consumer behavior brought about by the stay-at-home economy during the pandemic spurred the rapid growth of e-commerce cargo. Strong demand during the traditional European and American shopping season in the second half of the year meant the cargo market's unit revenue remained consistently higher than pre-pandemic levels. CAL closely monitors international developments, industry policy, supply chain, and domestic consumption and we also dynamically adjust and optimize our flight schedule in support of fast-growing industries such as e-commerce, IC, AI, and green energy to maximize profits.

Synergies from the Integration of Passenger and Cargo Aircraft Capacity

CAL owns 20 freighters including thirteen 747F freighters that can cater to loading extra-large cargo through the nose and seven 777F freighters that offer better fuel economy. The lifting of border restrictions stimulated the gradual recovery of international travel demand. Passenger services rapidly increased in frequency along with the capacity of the belly hold on passenger aircraft. Regular schedules and aircraft types were arranged for European and American routes characterized by high volume, steady demand, and long range to maintain the standard of service. For Asian stations with better cargo sourcing, CAL uses a combination of passenger aircraft capacity, freighters, and network architecture to boost aircraft payloads and hold utilization.

Proactive and Flexible Multi-pronged Business Strategy

CAL is actively positioning itself as a transporter of high-value and time-critical products such as semiconductors, consumer electronics, biotech and pharmaceuticals, fresh fruit and vegetables, automobile parts, and aircraft materials, as well as fast-growing cargo sources like e-commerce and green new energy. CAL assesses suppliers and cargo sources and considers the traditional peak and off-peak periods for freight when competing for charter aircraft or cabin services. The guaranteeing of aircraft utilization and load factor helps to stabilize the market prices of shipping. In 2023, incentive plans signed with global transnational agents include a strategic cooperation plan for inter-regional transshipment of cargo via passenger aircraft. The plan serves to stabilize basic cargo sources and offers an opportunity to secure more cargo. In addition to maintaining our relationship with international integrated courier delivery companies, we are continuing to build new code-sharing partnerships and expand our service region in order to secure more cargo sources.

Strong Performance in the Sustainable Flight Challenge

CAL submitted a number of operations to the "The Sustainable Flight Challenge (TSFC)" launched by the SkyTeam, including "Mobile Apron Operations," "Eco-friendly Tarpaulin Made from 40% Recycled Materials", and "Replacement of Combustion-engine Tractors with Electric Tractors." CAL was ultimately presented with the award for Best Sustainable Innovation Cargo.

Authorized Economic Operator

In 2023, CAL obtained Authorized Economic Operator (AEO) certification once again. AEO certification helps CAL expand its international trade supply chain business and boosts its competitiveness for potential trade partners.



Providing Exceptional Traveler Experiences through Innovative and Friendly Services

As the COVID-19 pandemic began to subside in 2023, CAL continued to conduct diplomatic and special charter flights. When international borders started reopening, CAL worked with the Japanese Immigration Services Agency to put in place the immigration pre-clearance program in an effort to streamline the immigration process. VIP lounges showcased the authentic taste of Taiwan while also making vegetarian meal options available to travelers. CAL collaborated with other industries on the gourmet in-flight offerings to create innovative and fresh meals that highlighted Taiwan's specialty foods and products. "China Airlines Members Day" digital marketing campaign was launched to boost engagement with Dynasty members. Upgrades on promotional routes and birthday discounts were also launched to reward and strengthen traveler loyalty. Since the pandemic, CAL has been working actively to introduce one-stop security measures that simplify airport transits and improve flight punctuality.

Exclusive Chartered Flights in Response to Government and Business Requirements

Nations lifted their border restrictions in 2023 as the COVID-19 pandemic began to ease, and CAL continued to conduct diplomatic and special charter flights. Our professional ground services ensured that diplomats and government officials traveling overseas enjoyed a safe and comfortable journey as they carried out their missions. CAL also undertook charter flights for the Ministry of Defense and army personnel were flown to the US for training and to foster US-Taiwan military ties.

The high standard of CAL charter services is widely recognized in the corporate sector. In 2022, CAL was chosen by TSMC, the leading global foundry, to provide eight non-stop charter flights from Taipei to Phoenix, Arizona (USA). In 2023, TSMC chose CAL once again for four non-stop charter flights from Taipei to Kumamoto (Japan). All the TSMC charter flights were carried out successfully in 2023. During the process, The Customer Service Department in Taoyuan International Airport liaised closely with Taipei Branch Office, Hsinchu Branch Office, and the load department to shorten the check-in process for TSMC VIPs as well as provide them with expedited check-in, VIP lounge, and boarding services.



CAL VIP Lounges Captivate Travelers with Local Cuisine

CAL VIP lounges provide travelers with a high-quality repast based on local cuisine. The design of the airport lounges fuses modernism with Oriental appeal. Song Dynasty aesthetics and the scenery of landscaped courtyard gardens in Jiangnan provide the inspirations for these delightful spaces.

CAL understands how much travelers miss Taiwanese cuisine, so we partnered with Novotel Taipei to create a range of foods to give travelers one last taste of Taiwan before heading overseas. In addition to the Three Treasures of CAL, the Beef Noodle Soup, the Tea Egg, and the Tainong No. 57 Roast Sweet Potato, a variety of other Taiwanese cuisine is also served, including wontons from a century-old restaurant in Ligang, Pingtung, a Garlic-flavored Pork Thick Soup from Yilan, Oyster Vermicelli made from oysters cultured locally, Sakura Shrimp Oil Rice from Donggang, Sweet and Sour Fried Pork Ribs, Deep-fried Squid in Salty Egg Yolk Paste, and Stir-fried Turnip Cake in XO Sauce.

To encourage vegetarianism and work towards the reduction of carbon emissions, CAL VIP lounges served vegan cuisine such as Lion's Mane Mushroom Soup, Noodles with Toon Sauce, and Misua Noodles Wrapped Taro Rolls. Preference was given to local ingredients during menu design to support community agriculture and livestock business and to seek sustainable low-carbon development. More than 85% of the ingredients have been sourced locally in Taiwan including the "Taiwan No. 9" edamame. These are cultivated by Shennong Award winner Chao-pai Hou and guaranteed to be natural products of the highest quality. CAL will continue to focus on incorporating local food to provide a great experience before departure.



Collaboration with Japan's Immigration Services Agency on Preclearance for Added Convenience

CAL collaborated with the Japanese Immigration Services Agency (ISA) to introduce immigration preclearance at Taoyuan International Airport during the Lunar New Year period. Immigration preclearance is reviewed by ISA officers in advance and allows travelers to proceed through dedicated immigration channels upon arrival in Japan, greatly shortening the clearance time.

Signs were made visible, and flyers and immigration cards were made available at the check-in counter to assist with Japanese promotional efforts. PA announcements were also made at the boarding gate to explain the new measures. Taiwanese nationals traveling to Japan enthusiastically applied for this service as it greatly improved and streamlined their travel experience.



Security Screening Waived for Passenger Transfers on Flights from the US to Taiwan Thanks to New One-Stop Security Regime

"One-Stop Security" uses document review and on-site validation to confirm that the origin country's airline security measures are equivalent to or stricter than that of the transfer country. If proper security controls are maintained throughout the process, then security screening of transfer passengers and their carry-on luggage can be waived.

CAL currently implements One-Stop Security measures at the boarding gate. Transfer passengers holding onward boarding pass can pass through the designated security door in the boarding gate to enter the Departures Lobby. The area is strictly controlled during this period to strengthen traveler streaming and security enforcement. The regime means that security screening can be waived for transfer travelers on CAL flights from the US. This is more convenient for travelers and saves them precious time on their journey. Travelers can also take advantage of their transit time to eat, shop, or relax at Taoyuan International Airport. Delays in transfer flights are also minimized.

Transforming Cabin Crews into Brand Ambassadors through Enhanced Professionalism

CAL focuses on enhancing professional competency in cabin safety and services. With the introduction of the leased A350 aircraft, CAL procured accompanying emergency training materials to improve performance.

In 2023, the theme for the “Cabin Crew Service Recurrent Training” was “Molding China Airlines Brand Ambassadors.” CAL gathered traveler expectations to design training materials that outlined tools and techniques needed to enhance positive communication and interaction with travelers. Attitude and behavior, professional skills, and image management were integrated with core skills such as cross-generational communication and personalized service to build a diversified training course. By giving equal emphasis to theory and practice, the breadth and depth of the team’s professional competencies were systematically enhanced. The training helped crew members better understand what travelers expect from airline service. It is our hope that every crew member will become the best brand ambassador for CAL.



Creating Peripheral Business Opportunities through Co-branded Marketing

In 2023, the “Pikachu Jet CI” became the latest trend to mark a return to the skies. The livery on the fuselage featured 11 popular cartoon Pokemons, as CAL joined forces with Pokemon to develop a range of peripheral merchandise. The “Pikachu Jet CI Model Airplane” is a must-have collectible for fans, the “Pikachu Jet Ci Mixed Snack Gift” contained delicious crunchy classic airline snacks, the “Pikachu Jet CI Apron” and “Travel Tote Bag” are very convenient and practical, while the aircraft-shaped iPass card became a smash hit with members due to its charming, rounded appearance. The limited edition “China Airlines CI sustainable Life Vest Bag” demonstrated the philosophy of sustainable recycling by reusing aircraft life vests. China Airlines produced new duty-free marketing videos for Sky Boutique and eMall to promote the use of reward miles to purchase a wide range of products and to provide members with a more convenient and diversified shopping experience.

New Co-branded Japanese Tableware: Experience the Full Beauty of Four Seasons in Japan

CAL partnered with JIA, an internationally recognized and awarded design brand, to introduce all new co-branded Japanese tableware to complement the exquisite cuisine. The design inspiration came from the traditional lacquerware and gold lacquer crafts of Japan. The tableware featured motifs of the four seasons of Japan including cherry blossoms in spring, fireworks in summer, red leaves in autumn, and snowy winter scenery. A surprise awaited passengers on the base of their tray as they finished their meal, adding a memorable sixth element to the exquisite five senses of their journey.



Innovation on a Popular Theme Takes In-Flight Cuisine to the Next Level

CAL is actively working to create innovative gourmet experiences in the sky. In 2023, we continued to partner with Yangming Spring, a Michelin Green Star restaurant, and Le Ruban Pâtisserie, considered to be the Chanel of the dessert world, to craft innovative menus that feature seasonal ingredients. The launch of the Salted Egg Yolk Pastry by Le Ruban Pâtisserie during the Mid-Autumn Festival won praise from travelers for perfectly complementing the holiday season. In 2023, CAL took part in "The Sustainable Flight Challenge", further demonstrating the importance of vegetarian food in sustainable development through the co-branded menu with Yangming Spring. Through low-carbon flights and cuisine, CAL strives to make a greater contribution to planet Earth and to create better future.

In January 2023, CAL partnered with Toutouan, a famous restaurant in Tokyo famed for their "natural style" Japanese banquet cuisine for Premium Business and Business class on flagship routes to Japan. In April of the same year, CAL and Les Palais, the Michelin 3-Star Chinese restaurant, joined forces to offer travelers in all classes the opportunity to enjoy a starred tasting in the clouds. The menu included elements of a secret menu popular with Les Palais patrons that perfectly brought the 3-Star Michelin chef's childhood memories of great flavors to life. From July 2023, CAL collaborated with the popular shaken beverage brand WooTEA to develop a range of exclusive tea themed desserts and beverages. The delightful desserts were offered in Economy Class on all flights departing from Taiwan to win the hearts of younger travelers.

Partnering with *The Wonderful Food* to Highlight the Economic Value of Taiwanese Agriculture

In the second half of 2022, CAL partnered with *The Wonderful Food* to feature hand-picked specialty products from each county and city in-flight, introducing international travelers to the amazing regional cuisine of Taiwan. In 2023, we maintained the strict selection criteria for products by highlighting items such as O-Nong Rice Pearls, Dried Mango from Fangshan, Pingtung, and the Chishang Rice Cake from the Chi-shang Farmers' Association. These quality agricultural products fulfilled the CAL spirit of sustainability and supporting the community.



Membership Marketing and Social Media Promotions

The 16th of each month was declared "China Airlines Member's Day" to boost interactions with Dynasty members and travelers. In addition to launching special promotional fares via the CAL website, limited-edition promotions were also launched by cross-industry partners. Event information was disseminated through CAL's social media and other digital marketing channels as an invitation to members across the world.

In December 2023, the event was expanded and combined with CAL anniversary celebrations in the form of the "Member's Treat is on CAL" digital marketing campaign. Promotional fares were combined with the "Unlimited Upgrades MVP" prize that generated quite a lot of interest as well as the "Global Members Lucky Draw."

In 2023, the members-only birthday offer "My Birthday, My Rules" chose the theme of "CAL Celebrates Your Birthday With You" to offer a 5% discount on all routes, and 10% discount for Business Class on regional routes as a birthday present to thank members for their longstanding support and to boost member loyalty.

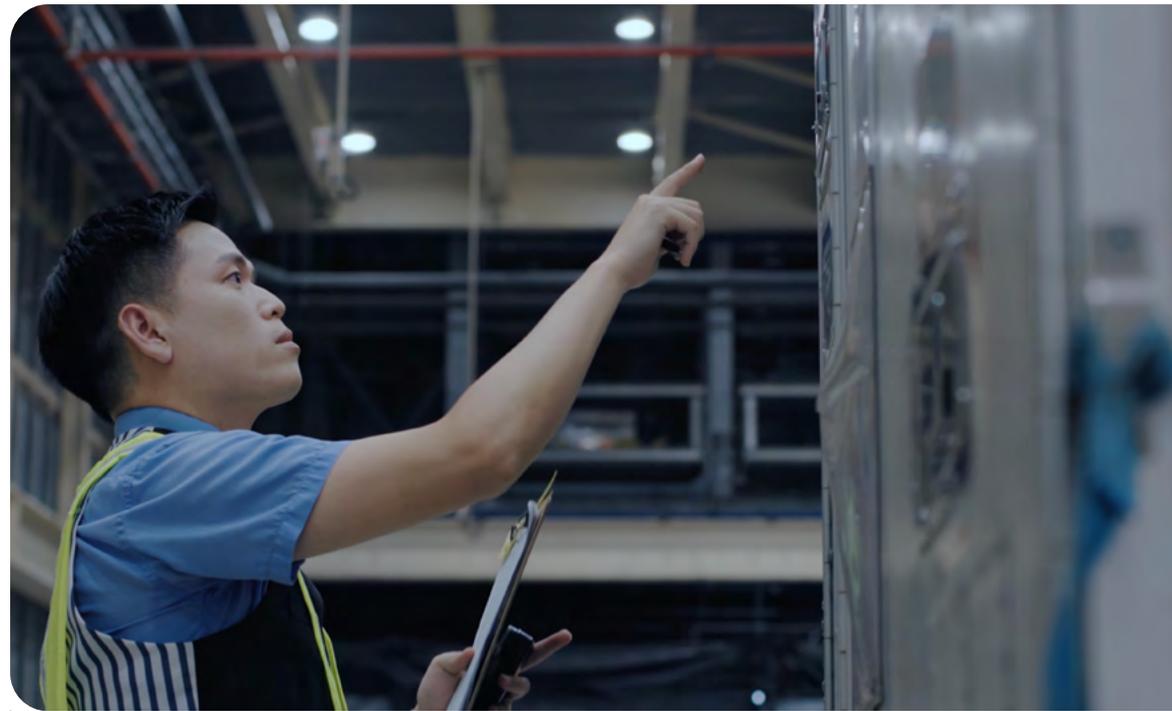
With short videos dominating social media, CAL produced a number of reels in 2023 to attract a younger audience resulting in a breakthrough increase in Instagram followers. Our social media strategy focused on opportunistic business promotions and members' events to cultivate a positive brand image and boost traveler engagement.

Luggage Service Upgrades to Better Meet Traveler Needs

Traveler's needs are important to us. CAL offers group travelers the option of purchasing additional seats for important personal belongings at group fare prices. This means group travelers can easily purchase additional seats and board with important personal items.

The checked luggage specifications for pets, sporting equipment, including windsurfing boards, surfboards and kayaks, and musical instruments were also relaxed. Special sporting equipment can be transported as checked luggage with no restrictions on size as long as it falls within the weight limits.

To take the stress out of traveling with young children for families, the existing free luggage quota was also increased so that a folding stroller or child safety seat can be checked-in as hold luggage.



Temperature-controlled Cargo with Constant Recording for Safe and Punctual Delivery

In 2016, CAL began assisting vendors with applications to the Civil Aeronautics Administration (CAA) of the Ministry of Transportation and Communications (MOTC) for fitting cargo with tracking devices. Freight operators attached tracking devices and used Envirotainer equipped with e-tech real-time monitoring equipment. The transmission of location, temperature, and humidity data in real-time enabled the effective monitoring of high-value, high-precision and sensitive cargo throughout the entire transportation success. It also streamlined vendors' operations and helped promote use of the Envirotainer. In 2022, we began signing agreements with 10 local warehouse agents on temperature-controlled cargo services to ensure that the highest standards are maintained during the transportation of temperature-controlled cargo. At the end of 2023, approval for 38 types of cargo tracking devices was granted by the CAA.



Enhancing Digital Services

CAL introduced the Customer Relationship Management (CRM) system in response to industry developments and as part of our customer service revamp. Mobile app and website services were upgraded and optimized so that travelers could access all necessary services, including booking and itinerary management through the CAL website. We offered discounts for member services, launched social media events and promotional surprise fares for China Airlines Member's Day, and joined forces with cross-industry partners to launch bonus events. At the same time, we worked actively to promote in-flight e-menu and electronic boarding passes at all airports around the world. Cabin crews used mobile devices and technology to carry out their duties, and CAL promoted e-Cargo to provide travelers with real-time cargo information and accelerate the deployment of a digital cargo system, which aims to be completed in 2024.

Integration of Customer Data for an Enhanced Customer Experience

CAL has launched the CRM system to adapt to the development of the aviation industry and improve customer satisfaction. The CRM system compiles customer marketing, sales and service records before, during and after sales processes for the purpose of maintaining member relationships and optimizing service quality. We also properly utilize the CRM system to integrate customer database data, develop multi-channel automated communication functions, and provide customized and precise marketing.

Promotion of Online Ticketing and Optimization of User Experience

Consumer habits changed after the pandemic and there was a significant up-tick in the number of tickets purchased through the CAL website in 2023. Dynamic online marketing of fares was introduced by CAL to optimize website searches. The entire booking process was streamlined, and itinerary management was made easier; travelers can now complete all the services required for their trip in one go. Real-time fare function was also introduced providing travelers with information on ever changing fares and allowing them to search for the lowest fares within a 90-day timeframe.

Upgrades to CAL Website and Mobile App for Improved Responsiveness

CAL made upgrades and optimizations to mobile devices and website services to optimize functionality for travelers. These included upgrading the booking process, revamping the user interface design, integrating service web pages, and optimizing online self-service functions. To provide a more user-friendly interface and experience, CAL streamlined our website, added a robot verification mechanism at login pages, simplified the date selection process, and heightened our information security.



Digital Services for Enhanced Membership Experience

The number of Dynasty members surpassed the 3 million mark at the end of 2023. To welcome the surge in post-pandemic travel demand and thank members for their longstanding support, CAL continued to offer members new membership renewal packages. Memberships were also automatically extended based on membership type and requirements. A members recruitment drive was also launched with a 10% discount on all global routes for new members from June 2023 onwards. The offer will run through to 2024.

A number of digital membership experiences were progressively introduced during 2023 to increase service speed and convenience. The all-new services included:

1. Activation of online award transfer function:

Direct management of recipient lists and transfer of membership rewards.

2. Online ticketing for award tickets:

Award tickets can be booked and issued directly through the CAL website without having to call the customer service center.

3. Cabin Upgrade/Award Ticket availability search function:

AI customer service agent can be used to search for seat availability that match the requirements of the itinerary. Cabin upgrades or issuing of the award ticket can then be carried out through the Dynasty Members area.

CAL and CTCB Bank continued to offer co-branded cards with a myriad of privileges and premium rewards. Additional partnerships were formed with partner airlines, banks, global hotel chains, online hotel booking centers, and global car rental chains.

Continued Promotion of In-flight e-Menu for a More Eco-Friendly Journey

As part of CAL's ongoing commitment to environmentally friendly services, the development and introduction of electronic menus has now been expanded beyond the A321neo fleet to include the 777-300ER and A350-900 fleets. Electronic menus offer huge savings on paper and printing costs compared to legacy menus while also effectively reducing carbon emissions. The introduction of electronic menus expanded menu services beyond Business and Premium Economy Class to all cabin classes and upgraded the quality of in-flight services while also supporting environmental sustainability targets.





Global Electronic Boarding Passes and Green Energy

CAL continues to promote the Mobile Boarding Pass service at all airports around the world. Travelers that complete their online check-in receive an electronic boarding pass on their mobile devices to streamline the boarding process. As of December 31, 2023, the service was available at 41 airports globally, an increase of 16 airports from 2022. From December 15, 2023, the paper-free policy was also implemented in ground operations as the printing of Chinese cabin lists in Taiwan was eliminated to meet carbon reduction targets.

Supporting the Green Energy Policy through Technology-Enabled Missions

To support the Company's implementation of green energy and environmental protection, as of January 1, 2023, all cabin crew members are now required to use mobile devices to carry out their work and access manuals, bulletins, and other operational details. Cabin crews can use the mobile devices to search regulatory and service information, enhance their safety awareness and service concept, provide passengers with related station information, enhance the flying experience for passengers, progressively realize the target of paperless operations, lighten the equipment load for crew members, improve fuel efficiency and aircraft weight reduction. We are also introducing pre-recorded in-flight PA announcements and simplifying the payment and account-keeping process for duty-free sales. By simultaneously optimizing functionality and implementing system improvements, CAL provides a convenient and user friendly working environment.



Promotion of e-Freight and e-Waybill Operations

CAL is cooperating with the International Air Transport Association (IATA) to embrace environmental protection and promote e-freight services. Electronic data exchange is conducted with other airlines and ground agents to provide customers with real-time tracking of cargo status. We continue to implement paperless waybill operations and encourage customers to sign the MeA (Multilateral e-AWB Agreement) to eliminate printed waybills. Electronic transmission and data exchange with cargo agents not only lowers operating costs for both carriers and agents, but also avoids delays due to incorrectly entered waybills or lost documentation.



Digital Freight System Scheduled for Accelerated Deployment by 2024

The digital freight system is being accelerated and deployment of the next-generation system is scheduled for 2024 Q2. The new freight system will formally go live in July 2024 and will be based on the iCargo solution. Information is exchanged with third-party systems using the Software-as-a-Service (SaaS) model and API (Application Program Interface) technology now in mainstream use as part of our total digital transformation. Once the system is live, marketing, airport operations, and financial operations will all be integrated into the same platform. Potential benefits include faster feedback on business performance, improved transparency on cargo movements, as well as alignment with international standards and enhanced service quality. All of these will further cement CAL's leadership in global freight. At the same time, phase two of the digital optimization process will be launched in the second half of 2024. A B2B digital marketing channel will be developed that will support connections to a third-party booking system and other supply chain service systems as part of our omni-channel strategy. The initiative is aimed at strengthening the overall digital marketing competitiveness of our freight operations in the future.



Group Consolidation for Increased Synergy

CAL has made direct and indirect investments in 29 businesses to establish a complete airline service network. These businesses span seven key categories including air transport, ground services, air transport support, aerospace technology, warehouse and logistics, tourism and leisure, shareholding, and leasing. We will consolidate the shared links, while also improving the quality of the overall service chain to boost the competitiveness of the CAL Group as a whole.

Mandarin Airlines: Winning Traveler Trust through Attentive Service

Mandarin Airlines is a CAL subsidiary (96.96% owned) established in 1991. It is an official member of IATA and holds valid certifications for IOSA aviation safety audits and ISO 9001. Mandarin Airlines is actively working to build up its business and portfolio of domestic routes. In addition to the air transportation of passenger and cargo, Mandarin Airlines has also obtained approval to operate airport ground services. As the only airline in Taichung to operate both a professional maintenance facility and warehousing service for air cargo, Mandarin Airlines can provide central Taiwan with a full spectrum of passenger, cargo and logistics services.

Eight ERJ-190 passenger jets were introduced by Mandarin Airlines in 2007. The last E190 was retired in February 2023 after 14 years of service as part of the fleet revitalization strategy. The airline currently operates ten ATR72-600 70-seater turbo-prop passenger aircraft. Two more aircraft are to be introduced in the first half of 2024 to expand fleet capacity. 737-800, A330-300 777-300ER, A350-900 and A321neo fleets are also leased from its parent company, China Airlines, for servicing international regional and cross-strait routes in Asia. The fleet resources of the CAL Group are used to supplement the ATR72-600 fleet during the peak travel season and public holidays on domestic routes. Larger aircraft, such as A320 with 180 seats from Tigerair and B737-800 with 158 seats from CAL, are leased to provide more seats and meet traveler demand. Mandarin Airlines operates non-stop flights from Taipei, Taichung and Kaohsiung to the offshore islands of Kinmen and Matsu. The Taipei-Matsu (Nangang) service was also inaugurated on March 26, 2023. Domestic routes in Taiwan proper include Taipei-Taitung, and Taichung/Kaohsiung-Hualien.

Mandarin Airlines is committed to promoting environmental protection and carbon reduction. In 2017, it became the first domestic airline to obtain the EPA Carbon Label and ISO 14067 Carbon Footprint certification. In December 2020, it was presented with the first "Carbon Reduction Label" in the airline industry by the EPA Executive Yuan. In November 2021, Mandarin Airlines was presented with the "2021 Excellence Award for Low-Carbon Products". The ECO Travel Carbon Offset Program, which allows travelers to purchase the carbon offsets for their flight from the Environmental Sustainability section of the Mandarin Airlines website, was jointly launched by Mandarin Airlines and CAL. Travelers have the opportunity to reduce their net emissions from the journey to carbon neutral or net zero. Brand new life vests decommissioned from ERJ were turned into an eco-fashion range of small tote bags by Mandarin Airlines. Orange drawstring bags made from the life vests of crew members were released in 2023, followed by other eco-friendly upcycled merchandise such as the Gen 2 eco tote bags and beverage tote bags.



For the ferry flight from the ATR Delivery Center in France to Taiwan on December 30, 2023, the new ATR aircraft (B-16861) purchased by Mandarin Airlines used 30% Sustainable Aviation Fuels (SAF) made from biofuel. Mandarin Airlines became the first airline to use SAF on a domestic route, demonstrating its contribution to global sustainability.

Mandarin Airlines has long taken an interest in rural community development. In May 2023, a charity auction was held at Songshan Airport as part of the airline's 32nd anniversary with all proceeds going to Hannah's Home, an organization in Taitung that cares for abandoned infants under the age of two in the Hualien-Taitung region. In August 2023, the Mandarin Airlines Employee Charity Club was formed. Volunteers were mobilized to teach aviation at Minquan Elementary School and on Christmas Eve 2023, volunteers traveled to Taitung to provide elders with disabilities or dementia in rural areas with the opportunity to experience heart-warming service in a virtual cabin.

Tigerair Taiwan: An Award-Winning Airline

Tigerair Taiwan, the low-cost carrier (LCC) arm of the CAL Group, is set to celebrate the 10th anniversary of its first flight in 2024. The airline currently operates nine Airbus A320 and six A320neo. Both aircraft are configured for 180 seats and a single cabin class. The current fleet numbers 15 aircraft and will be progressively revitalized, with the A320neo accounting for all 15 aircraft by 2027. Average fleet age will be reduced from 5.4 years to 3.5 years, making Tigerair Taiwan's fleet one of the youngest in terms of average aircraft age in the Asia-Pacific region.

The target market for Tigerair Taiwan is younger travelers including backpackers and students between the ages of 20 and 40. Network emphasis is on Asia and Northeast Asia in particular. Since Tigerair Taiwan's maiden flight in September 2014, it has launched international routes to Macau, Tokyo (Narita), Okinawa, Osaka, Nagoya, Pusan, and Incheon. When the COVID-19 restrictions were first lifted, Tigerair Taiwan's main focus was on new destinations in Japan, Korea, Thailand, and Vietnam. Services were launched to Sapporo and Danang in 2022 Q4, for example, while new destinations such as Niigata, Phuket, Gimpo, Kochi, and Akita were progressively added in 2023. Tigerair Taiwan held 24% market share of total LCCs operating in Taiwan in the first three quarters of 2023, making it the undisputed leader of the Taiwanese LCC market.



The end of COVID-19 created a surge in market demand for travel and tourism in 2023. Tigerair Taiwan responded by launching a variety of marketing campaigns and saw an immediate return to profitability soon after the end of border restrictions. Total revenue in 2023 reached a new record high of more than TWD12.4 billion and the airline was listed on the TWSE TIB in August 2023.

Tigerair Taiwan's 10th anniversary represents a new milestone for the airline. In the next chapter, the airline will focus on Japan, given the higher density of destinations within the country. The airline will not only open up routes to new destinations but also partner with popular celebrities among the youngest generation to act as spokespeople and to boost its brand recognition in the Japanese market. Tigerair Taiwan continues to surpass itself, creating unlimited possibilities. The fleet revitalization program, continued optimizations to the corporate websites and mobile app, cross-industry collaboration, and creativity-fueled brand marketing plans will demonstrate how the airline fulfills its corporate social responsibility as it aims to become the best LCC in Asia.

Dynasty Aerotech: World-Class Quality and Technology

The Dynasty Aerotech International Corp., formerly named Hwa Hsia Company Ltd., is a 100% CAL subsidiary that was established in 1989. Its core business is the cleaning of aircraft cabins, aircraft exteriors, aircraft parts and accessories, air cargo container maintenance, and cabin trolley repairs. Eco-friendly water-saving aircraft cleaning technology from France was introduced in 2016 by Dynasty Aerotech as part of its continued improvements to technical capabilities and service quality. Dynasty Aerotech provides CAL fleets with eco-friendly, energy efficient and low carbon aircraft cleaning services. It is the only air cargo container maintenance center to have received both FAA (US) and CAA (Taiwan) certification for servicing air cargo containers.



CAL changed the name to Dynasty Aerotech International Corp. as part of its internationalization and high-tech strategy. The subsidiary meets the container maintenance requirements of the CAL Group and is actively expanding its international air cargo container servicing business. New maintenance technologies are also being introduced to upgrade maintenance expertise, quality of service, and open up new international business opportunities. The airline industry was greatly affected by the pandemic between 2020 and 2022. Dynasty Aerotech was able to maintain its business growth by focusing on epidemic prevention and disinfection of aircraft. International air passenger and freight services began to recover in November 2022 when the pandemic started to subside. The company began focusing on the airline ground services and air cargo container servicing businesses to support continued revenue growth and service improvements.



Financial Highlights	A Message from the Chairman	A Message from the President	Board of Directors	2023 Operational Overview and 2024 Outlook	Demonstrating Commitment to Flight Safety	Environmental Protection Trends	China Airlines' Glory	Financial Status	→
Robust Operations and Breaking New Ground	Providing Exceptional Traveler Experiences through Innovative and Friendly Services			Enhancing Digital Services Group Consolidation for Increased Synergy	Building a Friendly Workplace through Inclusive Talent Development		Promoting Social Sustainability to Co-Create the Cycle of Goodness		

Taoyuan International Airport Service: Setting an Example in Total Ground Services

Taoyuan International Airport Service Co., Ltd. (TIAS) is a 49% owned subsidiary of China Airlines. Established in 1978, it provides ground services to aircraft operating from Taoyuan International Airport and is the largest professional airport service company in Taiwan. TIAS currently services around 66% of all flights at Taoyuan International Airport and is the agent for 63 customers operating scheduled passenger and cargo services. In 2011, TIAS became the first operator to obtain IATA Safety Audit for Ground Operations (ISAGO) certification. The certification is the highest safety audit standard for ground service providers. Re-certification for an additional two years was completed in June 2021.

In 2016, TIAS began implementing the Safety Management System (SMS) to upgrade the safety of all ground operations. Electric tractors have been procured in recent years to support the international push for low-carbon airports and CAL Group's ESG policy. Green energy equipment ground operations will also be progressively introduced; TIAS is strengthening corporate governance and operations management through the deployment of related e-management application systems and corporate internal communication apps.

Facility services permit for Taoyuan Airport was obtained in January 2020 to expand the business portfolio of TIAS. The Ground Service Division was established in February to begin providing ground services to foreign airlines. TIAS now counts leading airlines such as Peach Aviation, Cebu Pacific Air, Royal Brunei Airlines, Greater Bay Airlines, Capital A, and HK Express among its customers. Using the experience of large ground service operators overseas as a guide, TIAS is now providing integrated below-the-wing and above-the-wing services with the goal of becoming a fully-fledged Ground Handling Agent (GHA).

Passenger services have rebounded after the lifting of COVID-19 restrictions. IATA is forecasting a return to pre-pandemic levels of passenger traffic in the Asia-Pacific region in 2024. TIAS will fulfill its social responsibility by actively cooperating with the CAL Group strategy and government policies. It will use its experience as a professional ground services company to have the necessary capabilities and training in place to meet customer requirements and standards once the market fully recovers. The service portfolio will also be expanded when appropriate to maintain its leading position in airport ground services.



China Pacific Catering Services: Diversification in Action

China Pacific Catering Services Ltd. (CPCS) was established 27 years ago in 1996 and is the largest airline catering company in Taiwan. It currently supports 33 airline customers from the three main airline alliances of SkyTeam, Star and One World on inventory management, preparation, and transportation of in-flight meals and amenity kits. CPCS has always maintained the highest standards in food safety. HACCP, ISO 22000 and HALAL certifications ensure the quality and safety of all food operations.

Now that the pandemic situation is improving and air travel is back on the mend, CPCS is expanding beyond the supply of high-quality catering services, branching out into VIP lounge services, school catering, catering services, festival merchandise and e-commerce. The diversification strategy is a demonstration of CPCS's sensitivity to market changes and its determination to compete with the market. The soon-to-be completed terminal at Taoyuan Airport is expected to produce a significant growth in passenger volumes and catering requirements. CPSC investments in capacity expansion reflects the company's exceptional strength and confidence in business outlook. In the future, CPSC will continue to use the most advanced equipment in the world to provide its customers with even more diverse, high-quality, and attentive services.

Kaohsiung Airport Catering Services: Expansive Array of Gourmet Products

Kaohsiung Airport Catering Services (KACS) was established in 1999 and became a CAL subsidiary in 2018. KACS now supplies in-flight meals to flights departing and operating from Songshan Airport (Taipei), Taichung Airport, and Xiaogang Airport (Kaohsiung), making it the only airline catering company in Taiwan to operate in northern, central, and southern Taiwan. KACS is also contracted to provide catering services for the VIP lounge at Songshan Airport. All KACS plants in northern, central, and southern Taiwan have obtained ISO 22000 food safety certification. ISO 45001 occupational health and safety certification was also obtained in 2022. The Kaohsiung Plant has received ISO 50001 energy management system certification as well.

In addition to in-flight catering, KACS is a longtime OEM supplier for fresh food and baked goods to convenience stores. It also supplies Taiwan High Speed Rail (THSR) meal boxes to THSR and meal boxes to organizations and groups. There is even a KACS branded chain of food & beverage shops. In recent years, the company has sold frozen meals and baked goods through online shopping and group buying platforms, with its precooked meals carving out a niche in the group buying market. The diverse range of products provide ample proof of KACS's exceptional meal preparation capability and the quality of its meals.



Novotel Taipei Taoyuan International Airport: Exceptional Quality of Service

Novotel Taipei Taoyuan International Airport (Novotel Taipei) is a 100% subsidiary of CAL that first opened its doors in November 2009. The hotel is managed under the Novotel brand by the French Accor Group. As the only 5-star international tourist airport hotel in Taiwan, Novotel Taipei features 516 rooms and world cuisine with its Chinese and Western restaurants. Located next to Taoyuan Airport and Airport MRT Station A14a, it is conveniently situated for connections to Taoyuan HSR station as well. Green Globe certification has been introduced across the global Novotel network and the brand is a leader in environmental sustainability.

Renovations of guest rooms in the main annex started in 2019. The work will provide travelers with more comfortable, updated accommodations and a more relaxing environment. During COVID-19, the hotel was used as the epidemic prevention hotel for CAL flight and cabin crews in May 2021. It was temporarily closed to the public while CAL crew members stayed at the hotel for their home quarantine periods. On June 30, 2022, the hotel resumed normal operations and in 2023 the hotel began to recover from the effects of the pandemic. Guest numbers were uncertain but a change in the customer structure led to a significant increase in accommodation and catering income compared to 2022.



Taiwan Airport Services: Forging a Professional Ground Services Brand

Taiwan Airport Services (TAS) is a 47.35% owned subsidiary of China Airlines. The company was formed in 1966 as the first professional ground services company in Taiwan. TAS provides airlines with safe, efficient and quality professional ground services. Cargo agent service was introduced in 2017 to provide a more complete service offering. Transportation services are now provided in Hualien and Kaohsiung for domestic routes flown by Mandarin Airlines, as well as international routes flown by Tigerair Taiwan and other carriers.

TAS formally applied to IATA for ISAGO_HS certification in 2014 to enhance its competitiveness as a ground agent. Certification was obtained in 2015 making it the first ground agent at Taipei International Airport to obtain the certification. ISAGO certification was also obtained for Kaohsiung Airport at the end of 2017. As of 2022, TAS Head Office, Taipei Songshan and Kaohsiung have all obtained IATA certification as ISAGO provider, a first for ground services companies in Taiwan. Ground service operations will be aligned with international standards, while internal organizational SOP manuals will be updated to enhance apron operations and improve competitiveness while delivering safer and better-quality ground services.

Taiwan Air Cargo Terminal: Continued Success through Pursuit of Perfection

Taiwan Air Cargo Terminal Ltd. (TACT) is a 54% owned subsidiary of CAL that started operating in 2000. TACT is the only operator in Taiwan with cargo terminals in both Taipei and Kaohsiung. The company provides professional, high-quality import, export, transshipment and express air cargo warehousing services based on a quality policy of "friendliness, safety, efficiency, and innovation." The spacious facilities include a range of standard warehouse, pallet packing and unpacking equipment, and systems.

The post-pandemic period in 2023 saw the economy battered by rising inflation and geopolitical risk. During these difficult times, TACT was chosen again as the warehousing service provider for National Space Organization's Triton satellite project due to its experience with airline warehousing. The mission was carried out successfully. TACT also supported the government on the importation of various vaccines as well as egg imports during Taiwanese egg shortage. After a major earthquake in Turkey, TACT assisted with the export of diplomatic and emergency relief supplies as well. TACT has consistently won praise and approval in the market through its professional handling of passenger and freighter (cargo hold) charter exports for freight agents, and importation and exportation of high precision temperature-controlled machines for major semiconductor manufacturers.



Convening of Affiliate Security Conference to Share Practical Experiences

The CAL "Security Conference for Affiliates and Agents" was hosted on March 31, 2023, to share information on the latest security and ground safety issues, as well as lessons on operational management between the corporate security departments of CAL affiliates and agents. The Criminal Investigation Bureau of the National Police Agency, Ministry of the Interior, was invited to provide the keynote speeches and to discuss risk management in the context of criminal cases. The keynote speakers shared with the attending units their precious experience, experience, and knowledge. This will in turn facilitate the early detection of aviation security risks and the planning of aviation security management operations.



Building a Friendly Workplace through Inclusive Talent Development

CAL cares for and supports its employees, the company's most important asset. Through workplace DEI, employee health benefits, and employee engagement, CAL provides competitive remuneration, great working conditions and environment, as well as comprehensive professional training and diverse career opportunities to ensure the safety and growth of its employees. Continual talent development is thus made possible through the building of a sustainable, caring, and inclusive workplace.

Enhancing Employee Compensation and Fulfilling Promises

CAL provides employees with competitive salaries and benefits aimed at talent retention and cultivation. Salary surveys are periodically conducted with compensation packages adjusted based on prevailing industry and regional standards, the cost of living, statutory minimum wages, and social welfare regulations. We ensure that salaries and benefits exceed statutory requirements every year based on the Company's overall profitability, fulfilling our commitment to look after our employees and to work towards a common goal of sustainability and inclusivity.



Strengthening Quality of Personnel through Sustainability, Caring and Inclusiveness

The post-pandemic era saw a strong recovery from the airline industry as well as changes in personnel. CAL training courses are now focusing on the themes of sustainability, caring, and inclusivity. In addition to existing courses in management, specialty topics, and competency courses, Inclusivity Across Generations, was chosen as the theme for the annual management refresher training. We hope to promote greater networking among colleagues to realize the corporate goal of "Fusion and Inclusion."

A range of management and communication courses were held to enhance employee skills. The masterclass cross-department courses also increased employee understanding of the different professional tracks to help build team harmony. We also continued to hold the Management Training Class and the Management Improvement Class to develop talented employees.

CAL was even invited by the Taiwanese government to conduct training courses for senior public servants, in our capacity as a private enterprise, contributing to society by advancing high-level national expertise.

Lean and Flexible Organization, and Fulfillment of Social Responsibility

CAL has been actively expanding our network and increasing the number of services after the pandemic. We will continue to introduce new aircraft and recruit for diverse roles to meet future business demand. In 2023, we hired 1,003 new employees, including 559 domestic hires and 444 overseas hires for customer service and office support positions. CAL continues to diversify its employee recruitment focusing on diversity and inclusion in the workplace.

CAL was presented with the Gold award for Trade and Circulation at the 2023 Happy Enterprise Survey by the 1111 job agency. We partnered with Commonwealth Learning to record podcasts and videos to aid in recruiting quality talent.

Recruitment and Training Campaign to Boost Talent Quality and Meet Capacity Demand

A recruitment and training initiative for traffic personnel, cabin crew and pilots was launched by CAL in 2023 in response to the recovery of the airline industry, demand for increased capacity, and introduction of new aircraft. A total of 193 ground staffs, 280 cabin crew were hired, and total of 119 pilots were recruited in various roles. Professional skills and development and introduction to corporate culture training was carried out so that new hires could adapt quickly to their working environment and boost their productivity. Education and training will continue to be emphasized in the future to ensure competitiveness and sustainable development.

To improve the quality of service, 2,619 employees completed cabin safety and service recurrent training in 2023. Premium Class Cabin Crew Training was also developed for cabin crew members with more than three years of experience, with 464 people completing it. Quality training and best practices are used to improve the service skills of cabin crews so they can more precisely cater to travelers. To ensure effective management, cabin managers at CAL must have an extensive service resume. Professional competency evaluations were also conducted for cabin managers in 2023 with 373 people completing the oral exam. We hope to enhance travelers' satisfaction and loyalty by cultivating organizational knowledge and strengthening professional skills.



Group photo from graduation of the 425th class of trainees



2023 NTU campus career expos

In order to continue the promotion of Ab-initio pilot recruitment program, CAL participated in the campus career expos and promotion presentations during the university graduations in March. Pilot recruitment Promotion Presentations were held at Science Parks in northern, central and southern Taiwan. The Ab-initio Pilot Autumn Recruitment Promotion Presentation was held in Taipei and Kaohsiung in September.

To let the new generation understand the work of pilots much better, CAL posted a monthly series which called "30,000 Feet Office X Pilot Daily" on CAL's Facebook fan page from July to December 2023. This series are about the daily work and life of pilots. CAL is actively expanding its network, increasing more flights. Additionally, we still continue to recruit for various pilots including Ab-initio pilots, CPL pilots, commercial first officers from other airlines, and retired military pilots to attract talented person with passion and dreams for the aviation industry to join CAL.

Financial Highlights	A Message from the Chairman	A Message from the President	Board of Directors	2023 Operational Overview and 2024 Outlook	Demonstrating Commitment to Flight Safety	Environmental Protection Trends	China Airlines' Glory	Financial Status	→
Robust Operations and Breaking New Ground	Providing Exceptional Traveler Experiences through Innovative and Friendly Services			Enhancing Digital Services Group Consolidation for Increased Synergy		Building a Friendly Workplace through Inclusive Talent Development	Promoting Social Sustainability to Co-Create the Cycle of Goodness		

Equipment Upgrades for Realistic Flight Crew Training

CAL flight simulation training devices have been certified by the MOTC Civil Aviation Administration. CAL not only provide flight simulation training, safety and emergency procedure training to flight crews from other domestic and international airlines, we also took pride in the highly renowned quality for our emergency response training for cabin crews. In addition to that, training facilities are continuously updated as well.

The all-new A320neo full flight simulator was commissioned in March 2022, and the A320neo flight training device was commissioned in April 2023. Both the full flight simulator and flight training device are configured to Airbus Standard 2.1 and are consistent with the aircraft models to meet the requirements for pilot training, reduce training discrepancies, and ensure flight safety.

In May 2022, the Boeing 744F aircraft were all upgraded to the Next Generation Flight Management System (NG FMS). Corresponding upgrades to the full flight simulator was completed at the end of 2023, it facilitates pilot familiarization with interface control and enhances training performance.

A350 leased aircraft were introduced in 2023 Q4. To ensure that personnel were familiar with the differences in emergency equipment and meet statutory requirements, all-new A350 1L Slide/Raft was procured in September 2023.

Due to the introduction of the Boeing 787-9 next-generation passenger aircraft, CAL is planning to introduce both a full flight simulator and a flight training device, which are expected to be operational in December 2024. To this end, the Boeing 747-400P full flight simulator was decommissioned and sold in December 2023, which not only provided space for the introduction of the Boeing 787 full flight simulator but also helped to revitalize assets. Furthermore, the Cabin Emergency Evacuation Trainer (CEET) and Door Trainer for Boeing 787 and CEET for A321neo were purchased in 2023, which should be ready for training in 2024 Q4. Emergency training for next-generation aircraft models can then be conducted, offering courses with a more comprehensive functionality.

CAL is continuing to revise the Simulation Quality Management System (SQMS) to better match actual operations. In accord with paperless trend, multiple paper forms have been incorporated into The Logistics & Maintenance Management System (LMMS) and replaced with electronic forms. In addition to enhance the security of the system, it also strengthens the data storage reliability and availability, contributing to the environment.



Enhancing Employee Welfare and Building a Happy Workplace

CAL is rolling out a new share trust arrangement and offering higher bonuses. New employee discounts on flights were introduced as a way to welcome new employees and build a friendly workplace. The Happiness Charter in Flight program hosts three activities with themes of Heart Line - Matchmaking Event for Singles, Eternity Line - CAL Group Weddings, and Hand-in-Hand Line - Family Tours of CAL to cultivate a sense of belonging and inclusion, resulting in CAL being named one of the 2023 Best Companies to Work for in Asia.

An employee care e-newsletter is published every quarter to communicate positivity through the written word. Retirement planning seminars and outdoor health promotion and relaxation activities for employees are also held. A combination of newsletters and events are created to help with mental and physical health and to mitigate the pressures of work, life, or interpersonal relationships. This in turns boosts motivation and enthusiasm at work while also fostering a warm and welcoming workplace.

Investing in Employee Health and Enforcement of Epidemic Prevention Measures

International exchange increases the risk of cross-border transmission of infectious diseases. Proper enforcement of airline epidemic prevention measures is necessary to reduce the threat from imported infectious diseases. CAL organizes on-site vaccinations every year to



Health promotion and relaxation activities for employees

boost epidemic prevention in the workplace. We have been an active supporter of Taiwan Immunization Vision and Strategy (TIVS) since 2016 and were presented with the TIVS Award of Quarantine Excellence in 2023. We actively implement airline epidemic prevention measures to protect traveler health and employee safety, and to maintain a friendly workplace. In addition, we also offer employees broad health exam coverage that surpasses the legal requirement, and we work to enhance employee health and prevention knowledge. A variety of healthcare plans provide robust protection for employees in the workplace.

Strengthening Workplace Safety Through Effective Management

CAL is committed to preventing occupational injuries and building a healthy workplace as outlined in our occupational health and safety policy of Respect Life, Safety First. The Occupational Health and Safety (OHS) management system was set up in 2016 to provide the necessary resources and training for risk management enforcement and potential risk elimination. We continue to carry out hazard identification, assessment and improvement in pursuit of sustainable corporate development. In addition to conducting health and safety education and training for new hires, current employees, and new managers, in accordance with OHS regulations and the CAL Health and Safety Education and Training Management Procedures, we have also carried out OHS cadres compilation and in-service training to every unit, mentored units at all levels on risk assessment and preventive improvements and conducted health and safety education for all employees. By controlling occupational disaster risks, strengthening occupational disease prevention and management, improving OHS management performance, and enforcing our OHS policy, CAL ensures a safe, healthy and comfortable working environment for employees.



Happiness Flight Program



Promoting Social Sustainability to Co-Create the Cycle of Goodness

As the leader of the Taiwanese airline industry and a corporate citizen of Taiwan, CAL embraces corporate philanthropy and the creation of social value as an important part of our commitment to sustainability. Over the years, we have utilized our authority and invested resources to fulfill our civic responsibility to society. In 2023, CAL continued to advance its sustainability strategy with the core focus on “Brand Awareness,” extending the development of social sustainability strategies. This includes promoting the internationalization of local education, enhancing medical assistance for humanitarian aid, and providing employment opportunities for vulnerable groups to raise the international visibility of local brands in Taiwan. The strategies were also aligned with UN SDG 4 Quality Education, SDG 3 Good Health and Well-being, and SDG 8 Decent Work and Economic Growth. CAL is confident that our investment in social development will reflect positively on our business operations and will engender sustainability to take root even more firmly in the everyday lives of people.

Promoting the Internationalization of Local Education

Company Tours

In 2023, we hosted 17 tours with a total of 586 university students in attendance.



Charity Sports Camp

Popular Taiwanese athletes were invited to co-organized charity baseball camp, two charity basketball camps, and one charity table tennis camp in 2023. 948 children were in attendance. Charity sports programs encourage children to pursue their dreams and to one day spread their wings and fly.



Volunteer Teaching

In 2023, 11 teaching sessions were held for a total of 1,000 students at Xihai, Zhuwei, Sanfeng, Guolin, Qingxi and Nanshi elementary schools in Dayuan District. The self-directed Rural Development team traveled to Jiana Elementary School and Jiana Junior High School in Haiduan Township, Taitung County, to host three rural teaching events with a total of 339 students.



Building a Common Knowledge Platform for Elementary Schools

CAL has been sponsoring the Common Knowledge Platform Charity Program since 2014 by donating Global Kids Junior Monthly and Global Kids Junior subscriptions to elementary schools in the countryside. The program reached a total of 90 schools and around 38,652 students in 2023.



Coastal Clean-up

April 22, 2023 marked the first year that coordinated coastal clean-up events were held in the north and south for Earth Day. A total of 450 employees took part.



Tree-planting

CAL adopted nearly two hectares of forest land at Nanzhuang, Miaoli, and planted 4,250 saplings of the native Taiwania tree species. Once the forest takes shape in two years, it should capture 65 tonnes of carbon and fulfill the UN SDGs.



Corporate Training Course for Outside Companies

CAL provides professional service training courses to outside companies. In 2023, 18 external training courses were conducted for government agencies, schools, and businesses. The courses covered premium service philosophy and their implementation, communication and response skills, posture, etiquette, make-up training and sharing of aviation topics.



Enhancing Medical Assistance for Humanitarian Aid

International Emergency Aid

In 2023, CAL participated in the Overseas Humanitarian Medical Assistance project organized by Chiayi Christian Hospital to treat a little girl named Liao, an overseas compatriot from Myanmar. The use of our corporate resources demonstrated the humanitarian spirit of international aid.



Domestic Charity Appeal

CAL is a longstanding partner for Huashan Foundation's Dayuan Station. In 2023, we hosted three charity events, including Elder Care and Reunion, Elder Care on the Move, and Elder Care Shines for Mid-Autumn that provided outreach services to 420 seniors.



Providing Employment Opportunities for Vulnerable Groups

Disadvantaged Children and Adults

Around 40 people including families, students, and volunteers from the ROC Foundation for Autistic Children and Adults in Taiwan were treated to a free trip to the Bologna Illustration Exhibition. CAL also partnered with Make-a-Wish Taiwan to co-organize the Make-a-Wish Aviation Camp, bringing hope to 50 children and their families.



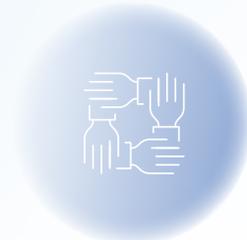
Charity Sales and Donations

A charity sale of merchandise no longer in production from the Corporate Communications Office was organized at the end of 2023. Obsolete PR gifts were sold with all proceeds donated to the Taoyuan branch of the Taiwan Children and Families Fund.



Supporting Small Local Farmers and Charities

CAL purchased 1,000 cartons of custard apples from Taitung Shijia valued at NT\$600,000 in support of quality Taiwanese agricultural products. Additionally, Lunar New Year holiday gift boxes from the Down Syndrome Foundation R.O.C. were listed in the Abrazo section of the CAL eMall with 570 gift boxes sold through the platform in 2023. We also purchased 140 cans of brown rice crackers produced by indigenous peoples and supplied them to 140 elders living alone or with disabilities and dementia receiving care from Huashan Foundation in Taoyuan.



Demonstrating Commitment to Flight Safety

Strengthening Drills in Pursuit of Perfect Flight Safety

THE IOSA safety audit developed by IATA is the gold standard in international aviation safety audits. CAL not only completed our 11th IOSA Renewal Audit in 2022 but also began preparing for the 12th IOSA Renewal Audit in 2024 to continue meeting the highest international safety standards. We also convened the Aviation Security Risk Management Seminar to boost security awareness among employees. Emergency response drills are held on a regular basis and a total emergency response mobilization drill was conducted in 2023 to strengthen our ability to respond to emergencies. To ensure consistent training quality and schedule for pilot trainees, we introduced the latest flight simulator training software developed by Airbus in 2024. System visualization improves the quality of subject training. CAL Maintenance Facility now serves more than 40 domestic and overseas customers. It is recognized by civil aviation authorities in many countries and will continue to uphold its commitment to flight safety through its actions.

e-Upgrades and Safety Management

CAL introduced the Safety Management System (SMS) in 2007 in accordance with Taiwan's civil aviation regulations using the DOC 9859 (Safety Management Manual) published by the International Civil Aviation Organization (ICAO) as a reference. The system is now quite mature in its implementation. The CAA began auditing the SMS performance of domestic airlines to verify their safety management practices and outcomes in 2016. As of 2023, CAA began inspecting the SMS operations at each operating unit using the SMS evaluation tool developed by Safety Management International Collaboration Group (SM ICG). We even comply with the requirement for interviews of unit supervisors from the SMS evaluation tool to ensure safety management is enforced at every level.

To continue strengthening employee understanding of safety culture, CAL strengthened education on topics such as complacency and Just Culture, authoring of safety reports and other topics during the 2023 SMS refresher training and safety culture assessment for all employees. These provided all employees with a better understanding of the key requirements in Just Culture and authoring of safety reports while also enhancing the

Company's safety culture and overall safety awareness. The Rolls-Royce SMS Solution used as current SMS operating system was also upgraded to meet the latest international operational and user standards. A mobile app was also developed to make reporting easier for employees and CAL continues to recognize employees for quality hazard reporting. Employees are encouraged to make timely oral or written reports if they discover any immediate, obvious, or potential risk factors that will have an overall impact on safe operations. We hope this will prevent and reduce the risk of safety hazards.

In keeping with the spirit of by walking around (MBWA), tours to the Taipei TWR were organized in 2023 Q3 for the sharing of practical experience and safety insights. The Taiwan Transportation Safety Board was also invited to hold the General Discussion of the Human Factor seminar to help employees understand the history of human-factor engineering as well as how interviews and investigative tools are used to reduce the potential operating risks from human negligence. Participation in the seminar helped the relevant personnel improve and apply their safety knowledge in their work.





Uncompromising Commitment to Safety Through Continued Certification

The IATA Operational Safety Audit (IOSA) is the international gold standard for safety audits in the airline industry. IATA regulations require all 423 of its member airlines to be IOSA-certified and a renewal audit must be completed every two years to ensure that flight safety quality is being maintained.

CAL commissioned Quali-Audit from France to conduct the 11th IOSA Renewal Audit through an on-site audit from the 24th to 28th of October 2022. A comprehensive audit was conducted and passed in accordance with IOSA standards. The IOSA certificate is now valid through to February 25, 2025. Planning for the 12th IOSA Renewal will start in 2024 to ensure continued conformity with the highest international safety standards.

IOSA certification encompasses eight major safety aspects of airline operations: organization and management system, flight operations, Aircraft Engineering and Maintenance, operational control and flight dispatch, cabin operations, ground handling operations, cargo operations and security management. A systematic on-site audit is conducted by an IATA-approved audit organization. CAL first achieved IOSA certification in 2005 and since then we have continued to improve all aspects of our safety quality, including rigorous pilot screenings and evaluations as well as introducing Flight Operation Quality Assurance (FOQA) and Flight Operation Risk Assessment System (FORAS) to monitor flight records. Safety audits are also conducted by a dedicated unit to ensure that the quality and safety management systems (SMS) are being enforced. Our commitment and uncompromising stance on quality ensures total protection. We are continuing to implement IOSA certification standards and the requirements of international guidelines. Flight safety is assured through concrete actions and continued improvements in order to provide travelers with quality service they can trust.

Aviation Security Risk Management Seminar Promotes Security Awareness

The Aviation Security Risk Management Seminar was held on May 19, 2023 with the aim of strengthening and consolidating risk management awareness among aviation security operators. The seminar, organized by CAL and aimed at increasing awareness, was sponsored by the CAA, China Aviation Development Foundation, Flight Safety Foundation - Taiwan, Chinese Society of Civil Aviation, and CAL. Leading experts were invited to give lectures and host talks on topics that ranged from challenges in aviation security, as well as airline, cargo, and warehouse insider threats, and cyber security threats.



Upgrading Emergency Response Capabilities through Full-scale Drills

Emergency response training and drills are regularly held by CAL. Training is used to strengthen the emergency response concepts, knowledge, and skills of designated personnel while drills are used to examine emergency response performance at the system and field level, and to ensure regulatory compliance. We hosted five split team drills during 2023. A full-scale exercise was also held for the Head Office on December 19, 2023 with the Indonesian branch taking part via video conferencing. 612 people including senior executives were mobilized during the exercise. CAA was also invited to observe and provide their guidance. The full-scale exercise ensured the systematic and efficient activation of emergency personnel, materials, and finances. Upgrading the ability of internal and external communication and coordination abilities of the emergency responders ensured that everyone would be able to work together in an emergency. CAL also took part in the Taoyuan City Government and Taoyuan International Airport's 2023 extra-airport crash prevention and rescue exercise. Simulated scenes, scenarios, and division of labor between emergency responders and firefighters were used to conduct a joint exercise with the relevant agencies that enhanced our ability to respond to emergencies.

Enhanced Flight Training Ensures Flight Safety Quality

In addition to organizing regular simulator and aircraft training and check flights for all flight crew members as required by CAA regulations, CAL is continuing to develop and implement the enhancement program for long-haul fleet first officers who have fewer landings. The program allows them to practice takeoffs and landings in the simulator to maintain familiarity with flight operations and reach the safety quality targets.

Crew type conversion and upgrade training continue to be carried out in support of the flight crew manpower plan and in response to industry recovery and adjustments to business policy. Rigorous reviews and related training programs ensure that crew members are replenished in a timely manner, flight dispatching demands are met, Company revenues are fortified, and strict flight safety standards are maintained.



In response to the ever-growing demand for pilots as well as the introduction of the new 787 aircraft in 2025, CAL is planning for an increase in the number of ab-initio cadet pilots. To ensure the quality and stability of the ab-initio cadet pilot program, in addition to the two existing flight schools AeroGuard Flight Training (AeroGuard) has been selected to be an additional training resource.

To improve the quality of subject training, we plan to introduce MATE Suite (Mobile Airbus Training Experience) in 2024. This next-generation aircraft system training software designed by Airbus will replace the existing A320 ACE (Airbus Cockpit Experience) software. The system's improved system visual effects and new mobility functions are sure to enhance the crew's learning outcomes.

Transforming Maintenance Capabilities Leads to Upgraded Fleet Support

The CAL Maintenance Facility's extensive capabilities include two maintenance hangars that can hold up to five widebody aircraft, a large engine test cell rated for up to 120,000 pounds of thrust, and various fully-equipped shops. We can provide heavy maintenance, line maintenance, as well as engine and component repair at the same time. The facility not only meets CAL's maintenance requirements but also serves more than 40 domestic and overseas customers.

The CAL Maintenance Facility is not only Taiwan CAA-certified but also received international certification from other international civil aviation regulators including the FAA (US), EASA (EU), JCAB (Japan), CAAS (Singapore), and CAAM (Malaysia). We are also the first in Taiwan to obtain AS9110 certification from AFNOR (France), a prerequisite for entering the international aerospace maintenance industry.



At the end of 2023, we not only completed base maintenance on 41 CAL and customer aircraft but also became the third aerospace maintenance company in the world to carry out whole aircraft stripping and painting for the A350 aircraft. Regarding the maintenance of aircraft parts, we serviced more than 14,000 parts and, at the same time, established many different in-house maintenance capabilities to greatly reduce the time and cost needed for outside repairs. These included six capabilities for repairs to the composite flight control surfaces of 747 aircraft, six capabilities for fitter repairs to 777 freighter accessories, as well as maintenance of flight recorders, cockpit control panels, air traffic controller, hydraulic pumps, auxiliary hydraulic pumps, life rafts and evacuation slides, emergency device batteries, generators, and the low-frequency positioning devices of different aircraft types. Accessory maintenance consisted not only of general capabilities but also deep into cabin, power, and communication and navigation electronic accessories.

The PW1100G engine from leading US engine maker Pratt & Whitney is expected to offer tremendous potential opportunities in the future global maintenance market. As a result, CAL joined the PW1100G global maintenance network at the end of 2020. To prepare the new engine maintenance line for the incoming engine repair business, USD15 million was spent on upgrading the software and hardware of the engine test cell. Tools and equipment were also purchased to meet the manufacturer's assembly quality. The first engine arrived for repairs in 2023 Q3. To strengthen production management, material management, and maintenance work order editing and signing, we are developing an engine maintenance management system (NX system) that aims to improve quality and output through digitized management. The goal is to host 100 engines every year by 2032.

To support CAL fleet operations, CAL partnered with aircraft manufacturers Boeing and Airbus to introduce their flight data analytics systems from Boeing Insight Accelerator and Airbus Skywise. The timely replacement of aircraft system parts before failure improves aircraft reliability and flight safety. There are plans to introduce an apron technician rostering system for integrating human resources and line maintenance requirements. In addition to improving manpower utilization, the system will ensure that technicians performing line maintenance possess the proper certificates, authorizations, and maintenance quality. The Records Management System (RMS) was also introduced from GE, another leading US aerospace company. Maintenance records are stored as digital documents within the system. This will not only improve repair efficiency but also greatly reduce paper consumption in keeping with the current international goal of energy efficiency and carbon reduction.



Environmental Protection Trends

Leading the Industry in Net Zero by 2050

After becoming the first and only airline in Taiwan to publicly sign and introduce climate-related financial disclosures in 2018, CAL became the first of its peers in Taiwan to announce the Net Zero by 2050 targets in 2021. Internally, a multitude of channels continue to be harnessed to promote environmental education and sustainability. We also engage in active fleet management and upgrade by introducing the latest eco-friendly aircraft and fuel operations. These will effectively increase fuel efficiency and reduce air and noise from both the landing and take-off. In addition to making adjustments for climate change, we have also made enhancing the eco-efficiency of operations. Business models and values continue to evolve, honing in on environmental sustainability and ecological inclusiveness in order to fulfill our promise to Earth.

China Airlines
Corporate
Sustainability Site
Sustainable
Environment



Supporting International Trends in the Industry and Promotion of Environmental Sustainability Governance

CAL led the Taiwanese service industry in establishing and putting into operation the Environmental Department and Environmental Management Committee. We were the first to promote a sound environmental risk management mechanism that actively sets energy-efficiency targets and promotes environmental protection projects every year. Performance reviews and rolling management is carried out by the Environmental Management Committee. Third-party international standards certifications such as ISO 14001 / 50001 / 14064 are conducted annually as well. A total of 82 environmental protection and energy-efficiency KPI measures were conducted in 2023, reducing carbon emissions by 54,834 tonnes CO₂ and exceeding the target by 149%.

Guided by the Sustainable Environment Development implementation principles from the China Airlines Sustainable Development Best Practice Principles issued by the Board of Directors, China Airlines has drawn up an Environmental and Energy Management Philosophy and Environmental and Energy Policy that complies with environmental laws and regulations, conserves the Earth's resources, improves eco-efficiency, and fulfills our social responsibility. We are continuing to transition our operations to eco-friendly, low-carbon, and energy-efficiency sustainable development in accordance with the UN Sustainable Development Goals.

Following the Path to Net Zero through Environmental and Climate Change Mitigation and Adaptation

CAL is actively responding to global climate change and net zero trends by becoming the first Taiwanese transportation operator to commit to Net Zero by 2050 and the Carbon Reduction Pathway. In 2018, we became the first airline in Taiwan to publicly sign and introduce the Task Force on Climate-related Financial Disclosure (TCFD). In 2019, TCFD operations were incorporated into the company's management and board reporting mechanism. The Board's functional committees have been briefed on TCFD and the independent Climate-related Financial Disclosure Report published since 2020. CAL is the first airline in the world to publish consecutive independent reports and the leader in sustainable aviation in Taiwan.

Conservation of forests and bio-diversity are important to CAL and the Declaration on Forest and Bio-diversity Conservation was signed by the Chairman and President in 2022. In 2023, CAL took this even further by utilizing the biodiversity risk analysis toolkit and other tools

including the Task Force on Nature-related Financial Disclosure (TNFD), the Natural Capital Protocol, and Science-based Targets Network (SBTN) to identify the biodiversity impact, dependence, risks and opportunities of our own operations and that of upstream and downstream business activities. Response strategies and corresponding management targets and indicators were formulated to actively undertake two biodiversity conservation and sustainable development operations.

To realize the targets of Net Zero by 2050 and support the government's renewable energy policy, CAL is continuing to store and deploy additional renewable energy equipment as well as promote various green office measures. The goal is to have renewable energy installed capacity reach 10% and 15% of the contract capacity by 2030 and 2040, respectively. At the end of 2023, CAL actively engaged with the government and domestic and overseas suppliers and joined leading international fuel suppliers and block-chain platforms to establish the Sustainable Aviation Fuels Program. A new corporate partnership model for corporate procurement of sustainable aviation fuels (SAF) was introduced for the first time in order to realize the goal of 2% use in 2025, 5% use in 2030, 40% use in 2040, and 65% in 2050.



CAL Actions for the Earth





Fostering a Culture of Sustainability and Environmental Protection to Create Environmentally Friendly Operations

CAL continues to promote environmental education for all employees through different channels by regularly sending environment-focused communications, and organizing offline and online training, environmental seminars, and company-wide environmental protection competitions for domestic and foreign employees and affiliated enterprises. We use an inside-out approach to strengthen the environmental consensus among employees, promote environmental issues, and implement an environmental and energy policy based on the cultivation of employee awareness through education. Education events were conducted for 2,809 people in 2023 with an overall satisfaction rating of 96%.

Air passenger and cargo services represent the primary business activities of CAL. Some environmental impacts are therefore unavoidable including GHG emissions, air pollution, and noise pollution. On the other hand, proactive fleet management, such as introduction of the latest and most eco-friendly aircraft, or adopting more fuel-efficient flying practices, engine out taxi procedures and improving the efficiency of aircraft ground power units can all improve fuel efficiency, as well as reduce air and noise pollution during take-off and landing. We are continuing to upgrade our fleet. In 2023, CAL introduced 70 environmentally friendly and energy-efficiency ground and air measures as well as 12 fuel-saving flight measures that reduced carbon emissions by 54,834 tonnes and met 149% of our target. In 2024, we plan to implement 82 measures that will reduce carbon emissions by 32,919 tonnes and realize our goal of eco-friendly operations.



Industry Leader and Successes in Environmental Advocacy

CAL supported the SkyTeam’s first Sustainable Flight Challenge (TSFC) initiative in 2022 by launching the first and only Sustainability Demonstration Flight in Taiwan. The flight, incorporating a hundred eco-friendly and carbon reduction initiatives, won the awards for Best Sustainable Innovation Cargo and Best Employee Engagement. In 2023, CAL took part in SkyTeam’s TSFC again by launching the CI-753/CI-754 Taipei-Singapore Sustainability Demonstration Flight. CAL partnered with travelers to reach a new milestone in looking after planet Earth through net zero flights. These included being the first Taiwanese carrier to operate a passenger-carrying flight with Sustainable Aviation Fuel (SAF), enthusiastic traveler response to the low-carbon plant-based in-flight menu, and carbon offsets on both the outbound and inbound flights. Carbon emissions were reduced by approximately 150 tonnes, the equivalent of planting a forest the size of 375 basketball courts and a 15-fold improvement on our 2022 performance. CAL is currently the only airline in Taiwan promoting sustainable demonstration flights. Eco-friendly measures will continue to be promoted in routine flights to increase our sustainability value.

To fulfill our commitment on forest and biodiversity conservation, CAL took part in a national-level reforestation project in 2023 by partnering with the Hsinchu Branch of Forestry and Nature Conservation Agency, Ministry of Agriculture, to adopt nearly two hectares of forest land at Nanzhuang, Miaoli. We worked with our the Saisiat Tribe, our local wilderness custodian partner, to plant and cultivate 4,250 native Taiwanian saplings. The forest is expected to reduce carbon emissions by 65 tonnes once it takes shape in two years. The partnership follows the FSC sustainable forest management principles and incorporates local forestry expertise as well as the traditional wisdom of the Saisiat Tribe to set an example for sustainable forestry in Taiwan. It also promotes sustainable ESG development by supporting the Satoyama Initiative and UN SDGs (SDG 1, 2, 3, 5, 8, 12, 15).

CAL has supported the Earth Hour initiative since it was launched by the World Wildlife Fund (WWF) in 2008. In addition to providing direct support in conjunction with Group value chain partners, we also use media and marketing to raise public awareness about the impacts of global warming and climate change. CAL has participated in the Pacific Greenhouse Gases Measurement (PGGM) program between National Central University, the Taiwanese government, and EU IAGOS-ERI since 2012. We are the only Taiwanese carrier involved in the program. As of December 2023, we collected 18,705 atmospheric gas data points, which have been supplied to the World Meteorological Organization (WMO) for research. It is also used as a reference by the UN Framework Convention on Climate Change (UNFCCC) and listed as a key achievement in the National Yearbook. At the same time, all new CAL 777F aircraft is equipped with Boeing’s turbulence detection algorithm, technology and software. CAL is the only carrier in Taiwan to carry out this operation, which is connected to IATA and was upgraded with PGGM Package2 instrumentation (P2b and P2d) in 2023. The technology will assist with the diagnosis and avoidance of turbulence on the route and will also enhance the international sustainability reputation of Taiwan.



China Airlines' Glory

Awards and Accolades

CAL constantly strives to provide travelers with an even better experience through hardware and software. China Airlines was voted a 2024 APEX Five Star Global Airline in a poll conducted by the Airline Passenger Experience Association (APEX). We were named the Best Airline in North Asia for many years, rated the Design Airline of the Year (Asia) by the international airline design review guide TheDesignAir, as well as the No.4 design airline in the world. In terms of sustainability management, CAL was ranked in the Top 1% of the 2023 Sustainability Yearbook published by S&P Global, the international sustainability ratings body. Other awards included the Taiwan Corporate Sustainability Awards, Global Corporate Sustainability Awards, and The Most Prestigious Sustainability Awards - Top Ten Domestic Award. CAL also won the Climate Leadership Award ten consecutive years and obtained our 11th IOSA flight safety certification. The constant stream of accolades is a testament to CAL's commitment to the pursuit of excellence.



CAL Named APEX Five Star Global Airline for Eighth Straight Year

CAL strives to provide travelers with the best service and was named the 2024 Five Star Global Airline by APEX. For the award, travelers rate airlines based on the five categories of seat comfort, cabin service, food and beverage, entertainment, and Wi-Fi. CAL also won the award for Best Wi-Fi in the Greater China region. All aircraft from our next-generation 777, A350 and A321neo fleets are now equipped with onboard Wi-Fi. The A321neo, the all-new mainstay on regional routes, even provides travelers with free Wi-Fi text messaging services.



CAL Rated Best Airline in North Asia by Global Traveler in the US

CAL continued the long-running streak of being named Best Airline in North Asia in the 20th Global Traveler Test Reader Survey hosted by Global Traveler, the renowned U.S. travel magazine. Our longstanding commitment to providing a high-standard service that makes travelers feel at home on every flight won the praise and preferences of international travelers.

CAL Named Design Airline of the Year (Asia) by TheDesignAir

CAL was once again named Design Airline of the Year (Asia) and the fourth design airline in the world by TheDesignAir, the well-known international airline design review guide. Our accomplishments have received extensive international recognition.



S&P Global

CAL Ranked in the Top 1% by 2023 S&P Global Sustainability Yearbook

S&P Global, the international sustainability ratings agency, recently announced the results of the Sustainability Yearbook 2023. Being placed in the Top 1% made CAL Taiwan's top transport operator by total ESG score. Just five airlines were included in the Yearbook this year.

CAL Makes First Passenger Flight with Sustainable Aviation Fuels

CAL took part in The Sustainable Flight Challenge (TSFC) by SkyTeam Alliance for a second time in 2023 with the launch of the Sustainability Demonstration Flight on the Taipei-Singapore route. CAL became the first Taiwanese carrier to operate passenger flights with Sustainable Aviation Fuels (SAF). Our outstanding performance earned the Best Inflight Supply Chain and Best Adopted Solution awards, setting an example for partner airlines.



CAL Wins 10th TCSA Awards and The Most Prestigious Award for Top Ten Domestic Companies

The emphasis on sustainability and continued successes at CAL garnered five awards at the Taiwan Corporate Sustainability Awards (TCSA) and Global Corporate Sustainability Awards (GCSA). We were awarded the Most Prestigious Awards - Top Ten Domestic Companies (Service Industry) with our first nomination in this category. At the same time, CAL won back-to-back awards for Best Report in sustainability reporting and the Climate Leadership award for the 10th consecutive year.

Inclusion in DJSI for 8th Year and Top Score for Environmental Aspect in the Global Airline Industry

The Dow Jones Sustainability Indices (DJSI) is the most authoritative index on corporate sustainability performance in the world. CAL was chosen as a constituent stock for the DJSI Emerging Markets for the 8th straight year. We were the only Taiwanese airline to be included, further cementing our leadership in sustainability within the airline industry. CAL scored full marks in the Waste, Water, Passenger Safety, Sustainable Marketing and Brand Perception, Business Ethics, and Transparency and Reporting categories, as well as the highest score in the airline industry for the Biodiversity, Talent Attraction and Retention, Cyber Security and System Availability, and Labor Practice Indicators categories. An outstanding performance in all ten categories demonstrated our success in integrating business strategy with sustainability philosophy.

Global and Industry Excellence at the 12th CDP Ratings

CAL has been responding to the Carbon Disclosure Project (CDP) management questionnaire every year since 2012. The questionnaire is a voluntary disclosure made to leading international investment institutions regarding the risk management measures adopted throughout the company in response to climate change. Our grade of B for carbon management performance in 2023 surpassed the airline industry average both in Asia and globally.

Second Crossover Travel Kit Wins *Travel Plus* Gold Award for Sustainability

CAL's second crossover partnership with The North Face fused the travel life philosophy of China Airlines and the outdoor spirit of The North Face to deliver a stylish and lively flying accessory. The all-new travel kit features environmentally sustainable and high-performance in-flight skin care products from the Norwegian brand SPREKENHUS. Eco-friendly materials were given precedence for everything from the packaging to the contents to encourage travelers to join in protecting the environment. The Premium Business Class travel pack won praise for its flexible carry-strap and sustainability philosophy, beating out many other airline designs to win the Gold Award for Asia/Oceania from *Travel Plus*.



Ministry of the Interior Renews Diamond Green Building Mark for Administrative Center in CAL Park

Carbon reduction for ground operations is an important component of CAL's commitment to realizing the target of net zero carbon emissions by 2050. Green buildings in particular will play a critical role. CAL continued to upgrade the energy efficiency of buildings at CAL Park resulting in the renewal of Diamond Green Building Mark. In 2023, CAL continued to replace and upgrade energy intensive equipment and facilities, installed energy monitoring equipment and systems that surpassed statutory requirements, and completed plans to install two solar power facilities. Electric vehicle charging pillars were also installed for the car park at CAL Park, bringing the infrastructure for electric transportation closer to completion.

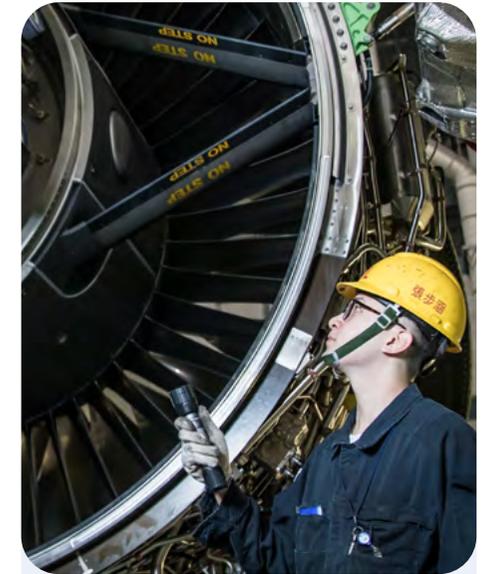
CAL Included in Taiwan High Compensation 100 Index and Taiwan Employment 99 Index

CAL is a strong advocate for corporate social responsibility and has continued to implement corporate governance. We have always respected employee rights, and we provide competitive remuneration and employee benefits. Our policies on fair compensation, profit-sharing, and job creation in Taiwan led to CAL being chosen as a constituent stock for Taiwan High Compensation 100 Index and Taiwan Employment 99 Index.



CAL Named Asia's Best Cargo Airline for Cold Chain Logistics

CAL was named the 2022 Best Cargo Airline (Asia) by the *Air Cargo News* magazine. International recognition of our expertise in freight was reinforced by the renewal of the IATA Center of Excellence for Independent Validators in Pharmaceutical Logistics (CEIV Pharma) certification. CAL entered the pharmaceutical cold-chain logistics market in 2013. Active temperature-controlled containers were introduced in 2014 and we became the first Taiwanese airline to receive CEIV Pharma certification from the IATA in 2019. The renewal of CEIV Pharma certification in 2022 demonstrated the quality and reliability of our cold chain logistics. Thanks to extensive experience with transporting temperature-controlled cargo, comprehensive passenger and cargo network, as well as professional station staff and agents, CAL has undertaken many transportation missions for vaccines purchased by Taiwan. We have also been successful in competing for vaccine transshipments and have played a crucial role in international vaccine deliveries. More than 2,100 temperature-controlled containers were transported by CAL in 2023, a significant increase over the 1,900 in 2022.



11th IOSA Certification of Aviation Safety

Safety is the core value of CAL. We passed our first IATA Operational Safety Audit (IOSA) in 2005 and have so far completed eleven successful IOSA Renewal Audits. CAL continues to undergo IOSA Renewal Audits in accordance with IATA regulations. We work actively to ensure the integrity of our safety operations and our continued compliance with the highest international certification standards.



Financial Status

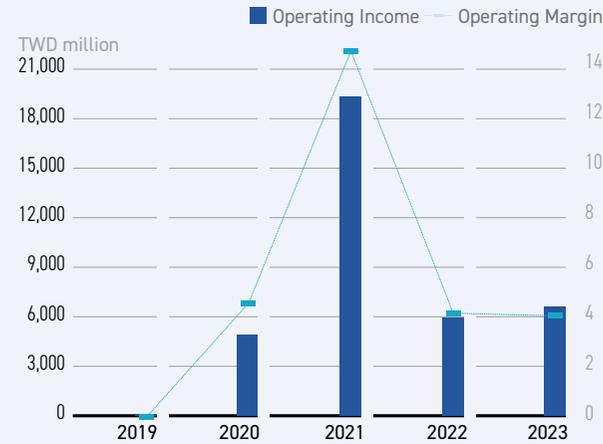
➞ Financial and Operational Analysis ➞ 2023 Financial Statements

Financial and Operational Analysis

Operating Income and Net Income (Loss)

In 2023, China Airlines' operating income was TWD6.59 billion (operating margin 4.08%), an increase of TWD0.68 billion over 2022. Net Income was TWD6.82 billion (net margin 4.22%), an increase of TWD3.96 billion over 2022.

Operating Income & Operating Margin



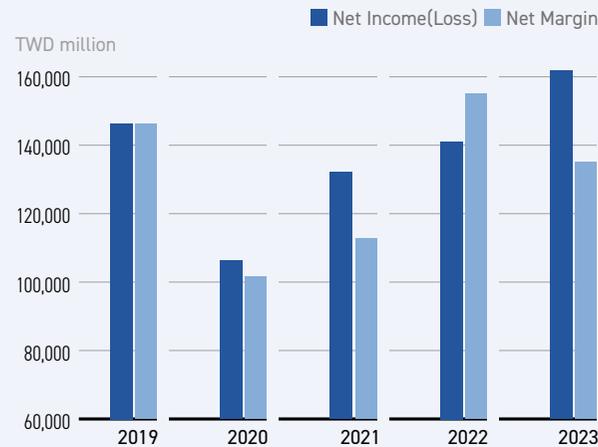
Net Income(Loss) & Net Margin



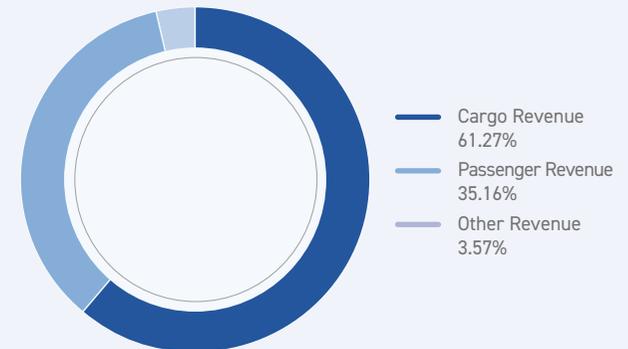
Operating Revenue

In 2023, total operating revenue was TWD161.68 billion, an increase of 14.61% yoy. Total operating costs increased by 14.75% to TWD155.08 billion. Passenger revenue increased by 383.71% to TWD99.06 billion and cargo revenue decreased by 50.93% to TWD56.85 billion, respectively. Other revenue increased by 21.96% to TWD5.77 billion.

Operating Revenue & Costs



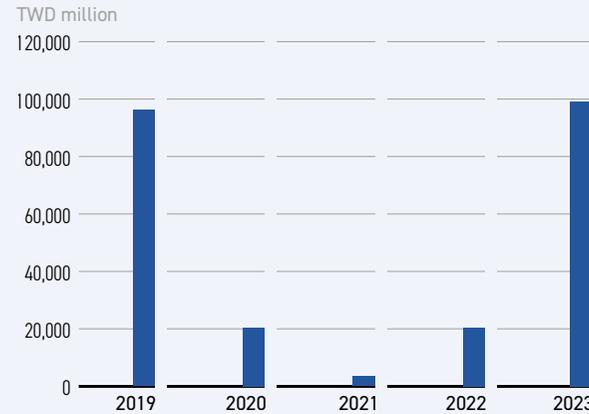
Revenue Composition, 2023



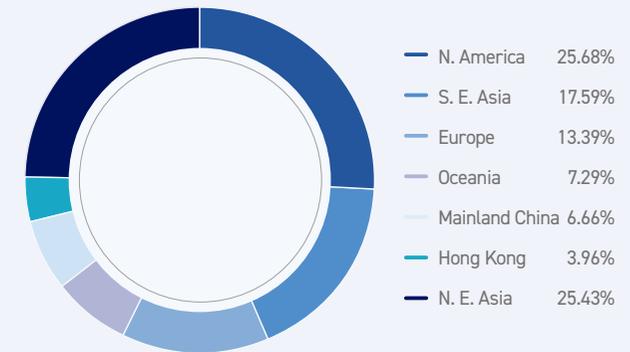
Passenger Business

Passenger revenue was TWD99.06 billion in 2023, an increase by 383.71% over 2022. According to the breakdown of passenger revenue by routes, North America represented the prime market contributing 25.68%, followed by Northeast Asia, Southeast Asia and Europe with the contribution of 25.43%, 17.59% and 13.39%, respectively.

Passenger Revenue

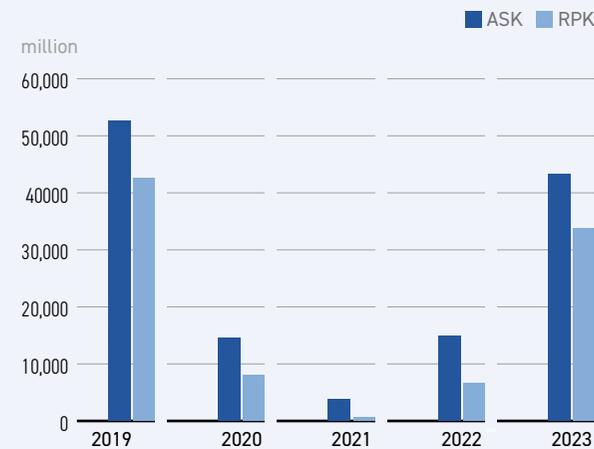


Passenger Revenue Breakdown by Routes, 2023

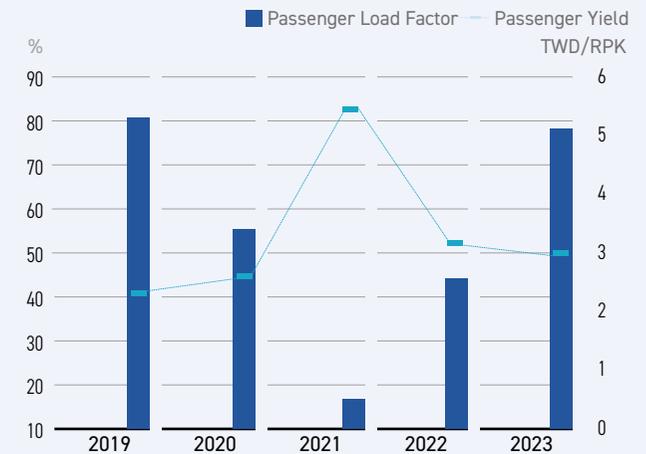


Compared with those in 2022, passenger capacity (ASK) increased by 190.59%, passenger traffic (RPK) increased by 413.57%, and passenger yield decreased by 5.79% to 2.93 (TWD/RPK). Passenger load factor increased by 33.94 ppt to 78.19%.

Passenger Capacity & Traffic



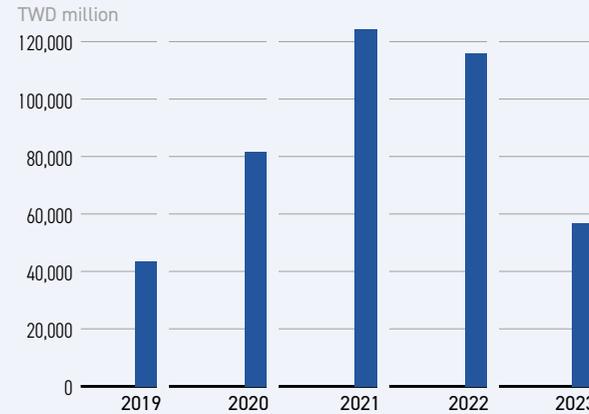
Passenger Load Factor & Yield



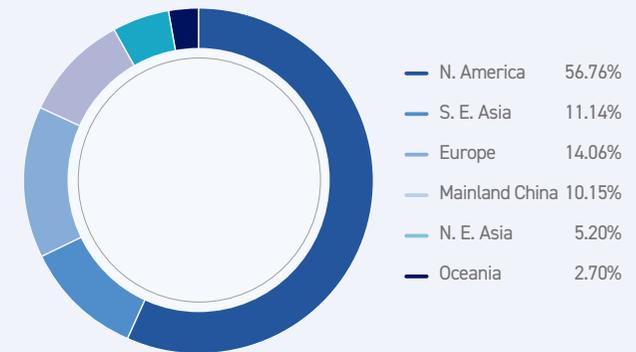
Cargo Business

Cargo revenue was TWD56.85 billion in 2023, a decrease by 50.93% over 2022. According to the breakdown of cargo revenue by routes, North America represented the prime market contributing 56.76%, followed by Europe, Southeast Asia and Mainland China with the contribution of 14.06%, 11.14% and 10.15%, respectively.

Cargo Revenue

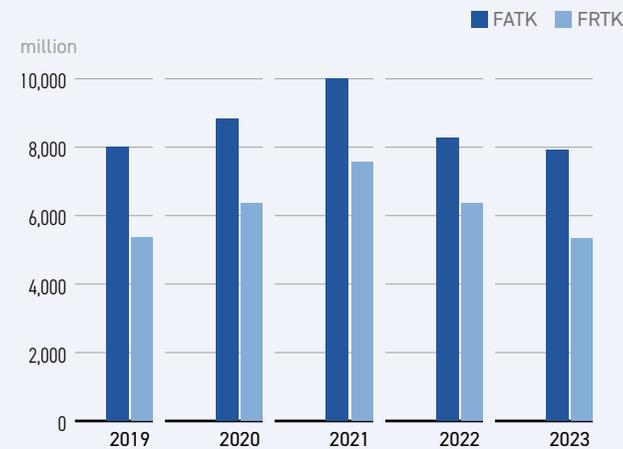


Cargo Revenue Breakdown by Routes, 2023

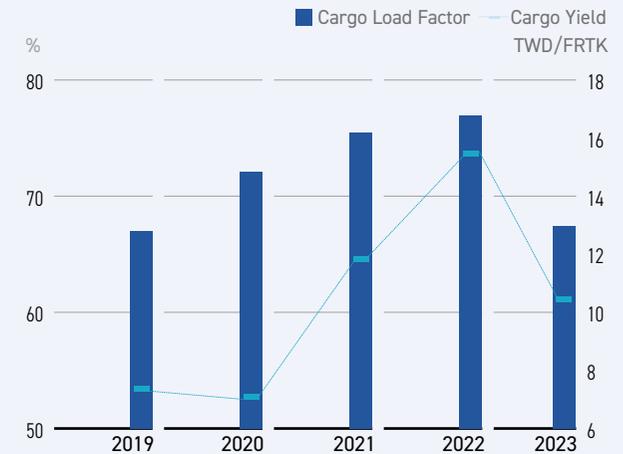


In 2023 cargo capacity (FATK) decreased by 4.17%. Cargo Traffic (FRTK) decreased by 16.11% yoy, and cargo yield decreased by 41.52% to 10.65(TWD/FRTK). Cargo load factor decreased by 9.58 ppt to 67.39%.

Cargo Capacity & Traffic



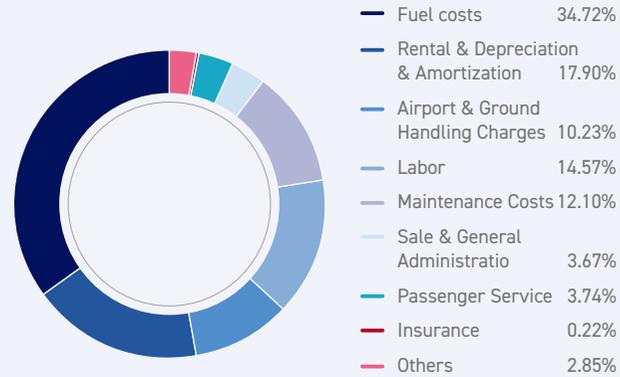
Cargo Load Factor & Yield



Operating Costs and Employee Productivity

Operating expenses were TWD155.08 billion in 2023. The three largest cost items were fuel (34.72%), depreciation & amortization (17.9%), and labor (14.57%). Overall unit cost decreased by 6.68% yoy to 13.13 (TWD/ATK), unit cost excluding fuel cost increased by 1.78% yoy.

Categorized Breakdown of Costs, 2023

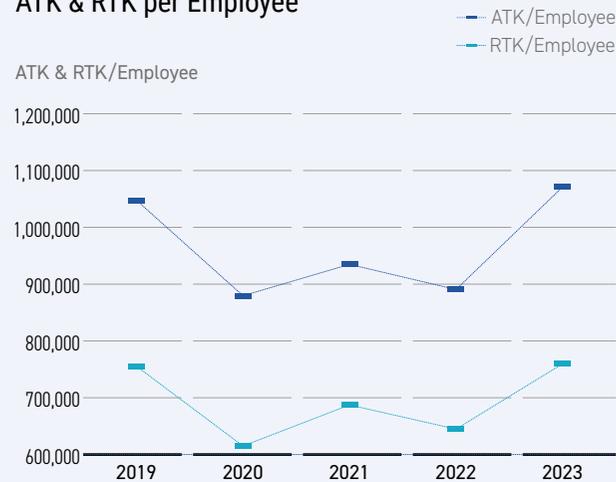


Overall Unit Cost



As of December 31st 2023, the number of average employees for 2023 was 11,029. Employee productivity, measured by ATK per employee increased by 20.26% yoy, RTK per employee increased by 17.83% yoy, and revenue per employee increased by 12.07% yoy.

ATK & RTK per Employee



Revenue per Employee



2023 Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying financial statements of China Airlines, Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Passenger Revenue Recognition

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

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

The main audit procedures that we performed included the following:

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

Other Matter - Audited by Other Independent Auditors

The financial statements of some investments accounted for using the equity method in Note 12 were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors. As of December 31, 2023 and 2022, the aforementioned investments accounted for using the equity method amounted to NT\$3,179,818 thousand and NT\$725,747 thousand, representing 1.20% and 0.27% of the total assets, respectively. For the years ended December 31, 2023 and 2022, the combined share of profit (loss) and other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method amounted to NT\$1,399,769 thousand and NT\$(2,230,169) thousand, representing 23.14% and 761.22% of the total comprehensive income, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Kuan-Hao Lee and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 8, 2024

Notice to Readers

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

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

CHINA AIRLINES, LTD.

**BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

ASSETS	2023		2022	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 29)	\$ 20,385,668	8	\$ 27,492,827	10
Financial assets at amortized cost - current (Notes 4, 8 and 29)	3,086,923	1	4,764,601	2
Financial assets for hedging - current (Notes 4, 6 and 29)	10,353,943	4	4,031,662	2
Notes and accounts receivable, net (Notes 4, 9 and 29)	9,023,469	3	10,529,664	4
Notes and accounts receivable - related parties (Notes 29 and 30)	172,826	-	130,678	-
Finance lease receivables - current (Notes 4, 19 and 29)	265,955	-	-	-
Other receivables (Notes 4 and 29)	567,882	-	709,962	-
Inventories (Notes 4 and 10)	10,476,961	4	10,568,039	4
Non-current assets held for sale (Notes 4, 5 and 11)	1,290,581	1	-	-
Other current assets (Note 16)	964,572	-	1,308,812	-
Total current assets	56,588,780	21	59,536,245	22
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 7 and 29)	60,425	-	64,028	-
Investments accounted for using the equity method (Notes 4 and 12)	12,901,558	5	9,950,532	4
Property, plant and equipment (Notes 4, 5, 13 and 31)	110,932,284	42	114,770,352	43
Right-of-use assets (Notes 4 and 19)	45,569,832	17	52,637,480	20
Investment properties (Notes 4 and 14)	2,047,448	1	2,047,448	1
Other intangible assets (Notes 4 and 15)	584,756	-	654,596	-
Deferred tax assets (Notes 4 and 26)	6,204,550	3	6,055,811	2
Finance lease receivables - non-current (Notes 4, 19 and 29)	187,901	-	-	-
Other non-current assets (Notes 16, 19, 29 and 31)	29,888,872	11	22,375,706	8
Total non-current assets	208,377,626	79	208,555,953	78
TOTAL	<u>\$ 264,966,406</u>	<u>100</u>	<u>\$ 268,092,198</u>	<u>100</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES				
Financial liabilities for hedging - current (Notes 4, 19 and 29)	\$ 8,886,485	3	\$ 9,983,761	4
Notes and accounts payable (Note 29)	1,049,762	-	1,109,292	-
Accounts payable - related parties (Note 30)	1,297,950	-	730,428	-
Other payables (Notes 20 and 25)	14,977,536	6	13,265,783	5
Current tax liabilities	212,883	-	359,261	-
Lease liabilities - current (Notes 4, 19 and 29)	1,351,737	-	1,185,177	1
Contract liabilities current (Notes 4 and 21)	23,107,378	9	15,257,687	6
Provisions - current (Notes 4 and 22)	2,591,751	1	3,490,653	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 18, 24 and 29)	4,723,814	2	2,350,000	1
Current portion of long-term borrowings (Notes 17, 29 and 31)	17,297,086	7	11,733,508	4
Other current liabilities	4,175,581	2	2,815,333	1
Total current liabilities	79,671,963	30	62,280,883	23
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 19 and 29)	26,099,758	10	32,190,102	12
Bonds payable - non-current (Notes 4, 18, 24 and 29)	4,925,000	2	7,649,674	3
Long-term borrowings (Notes 17, 29 and 31)	40,455,119	16	56,751,142	21
Contract liabilities - non-current (Notes 4 and 21)	2,964,299	1	1,280,906	1
Provisions - non-current (Notes 4 and 22)	16,292,125	6	16,927,949	6
Deferred tax liabilities (Notes 4 and 26)	35,285	-	8,259	-
Lease liabilities - non-current (Notes 4, 19 and 29)	10,789,864	4	10,428,091	4
Net defined benefit liabilities - non-current (Notes 4, 5 and 23)	8,604,132	3	8,348,163	3
Other non-current liabilities	537,746	-	2,226,828	1
Total non-current liabilities	110,703,328	42	135,811,114	51
Total liabilities	190,375,291	72	198,091,997	74
EQUITY (Notes 18 and 24)				
Share capital	60,513,407	23	60,135,374	22
Capital surplus	3,887,046	1	3,120,311	1
Retained earnings				
Legal reserve	1,230,977	1	925,385	-
Special reserve	534,375	-	-	-
Unappropriated retained earnings	9,146,199	3	6,384,381	3
Total retained earnings	10,911,551	4	7,309,766	3
Other equity	(690,014)	-	(534,375)	-
Treasury shares	(30,875)	-	(30,875)	-
Total equity	74,591,115	28	70,000,201	26
TOTAL	<u>\$ 264,966,406</u>	<u>100</u>	<u>\$ 268,092,198</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche auditors' audit report dated March 8, 2024)

CHINA AIRLINES, LTD.

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

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

(Continued)

CHINA AIRLINES, LTD.

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

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

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

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

(Concluded)

CHINA AIRLINES, LTD.

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

	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares	Total Equity
			Legal Reserve	Special Reserve							
BALANCE AT JANUARY 1, 2022	\$ 59,412,243	\$ 2,694,529	\$ -	\$ -	\$ 9,253,848	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ (30,875)	\$ 74,043,573	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	100,687	-	100,687	
Appropriation of 2021 earnings											
Legal reserve	-	-	925,385	-	(925,385)	-	-	-	-	-	
Cash dividends - \$0.83145736 per share	-	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)	
Changes in capital surplus from dividends distributed to subsidiaries	-	1,725	-	-	-	-	-	-	-	1,725	
Net profit for the year ended December 31, 2022	-	-	-	-	2,859,503	-	-	-	-	2,859,503	
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	196,415	115,781	46,430	(3,511,101)	-	(3,152,475)	
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	3,055,918	115,781	46,430	(3,511,101)	-	(292,972)	
Convertible bonds converted to ordinary shares	723,131	424,050	-	-	-	-	-	-	-	1,147,181	
Others	-	7	-	-	-	-	-	-	-	7	
BALANCE AT DECEMBER 31, 2022	60,135,374	3,120,311	925,385	-	6,384,381	(4,298)	40,918	(570,995)	(30,875)	70,000,201	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	168,844	-	168,844	
Appropriation of 2022 earnings											
Legal reserve	-	-	305,592	-	(305,592)	-	-	-	-	-	
Special reserve	-	-	-	534,375	(534,375)	-	-	-	-	-	
Cash dividends - \$0.4602191 per share	-	-	-	-	(2,772,207)	-	-	-	-	(2,772,207)	
Changes in capital surplus from dividends distributed to subsidiaries	-	955	-	-	-	-	-	-	-	955	
Changes in percentage of ownership interests in subsidiaries	-	452,110	-	-	-	-	-	-	-	452,110	
Issuance of employee share options by the subsidiaries	-	24,055	-	-	-	-	-	-	-	24,055	
Net profit for the year ended December 31, 2023	-	-	-	-	6,818,552	-	-	-	-	6,818,552	
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	(444,560)	(8,667)	(18,192)	(297,624)	-	(769,043)	
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	6,373,992	(8,667)	(18,192)	(297,624)	-	6,049,509	
Convertible bonds converted to ordinary shares	378,033	289,615	-	-	-	-	-	-	-	667,648	
BALANCE AT DECEMBER 31, 2023	\$ 60,513,407	\$ 3,887,046	\$ 1,230,977	\$ 534,375	\$ 9,146,199	\$ (12,965)	\$ 22,726	\$ (699,775)	\$ (30,875)	\$ 74,591,115	

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

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

CHINA AIRLINES, LTD.

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

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

CHINA AIRLINES, LTD.

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

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

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

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

(Concluded)

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