

China Airlines, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2021 and 2020 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (collectively, the "Group") as of March 31, 2021 and 2020, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the reports of other auditors. The total assets of these subsidiaries were NT\$11,831,573 thousand and NT\$12,297,166 thousand, which constituted 4.37% and 4.17% of the consolidated total assets as of March 31, 2021 and 2020, respectively, and the total revenue was NT\$14,968 thousand and NT\$1,619,077 thousand, which constituted 0.05% and 4.97% of the consolidated total revenue for the three month ended March 31, 2021 and 2020, respectively.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the accompanying consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method were not reviewed. As of March 31, 2021 and 2020, the combined total assets of these non-significant subsidiaries were NT\$20,742,633 thousand and NT\$22,565,190 thousand, respectively, representing 7.67% and 7.64%, respectively, of the consolidated total assets, and the

combined total liabilities of these non-significant subsidiaries were NT\$10,977,026 thousand and NT\$11,514,855 thousand, respectively, representing 5.20% and 4.81%, respectively, of consolidated total liabilities; for the three months ended March 31, 2021 and 2020, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$(168,915) thousand and NT\$(103,781) thousand, respectively, representing 11.36% and 2.50% respectively, of the consolidated total comprehensive income. As of March 31, 2021 and 2020, the aforementioned investments accounted for using the equity method were NT\$1,889,627 thousand and NT\$2,173,929 thousand, respectively; and for the three month ended March 31, 2021 and 2020, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$(81,674) thousand and NT\$(24,494) thousand, respectively.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for by using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 6, 2021

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2021 (Reviewed)		December 31, 2020 (Audited)		March 31, 2020 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	\$ 24,026,029	9	\$ 27,125,937	10	\$ 39,600,960	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	257,820	-	274,761	-	567,970	-
Financial assets at amortized cost - current (Notes 4 and 9)	1,536,398	1	6,551,693	2	1,724,004	1
Financial assets for hedging - current (Notes 4 and 31)	3,319,084	1	7,613,636	3	12,473	-
Notes and accounts receivable, net (Notes 4, 5, 10 and 31)	9,296,240	4	9,697,511	4	7,046,769	2
Notes and accounts receivable - related parties (Note 32)	2,852	-	1,667	-	7,684	-
Other receivables (Note 31)	734,498	-	801,134	-	689,745	-
Current tax assets (Notes 4 and 28)	70,381	-	67,549	-	64,306	-
Inventories, net (Notes 4 and 11)	8,264,929	3	8,788,105	3	7,941,066	3
Non-current assets held for sale (Notes 4 and 12)	89,956	-	89,296	-	-	-
Other assets - current (Note 18)	1,105,885	-	861,179	-	1,872,669	1
Total current assets	48,704,072	18	61,872,468	22	59,527,646	20
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	161,331	-	163,746	-	210,925	-
Financial assets at amortized cost - non-current (Notes 4 and 9)	353,462	-	311,596	-	207,968	-
Investments accounted for using the equity method (Notes 4 and 14)	1,889,627	1	1,970,802	1	2,173,929	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	143,241,463	53	141,481,694	50	142,531,989	48
Right-of-use assets (Notes 4, 21 and 33)	57,790,916	21	59,861,537	21	68,591,872	23
Investment properties (Notes 4 and 16)	2,074,731	1	2,074,798	1	2,075,000	1
Other intangible assets (Notes 4 and 17)	1,030,289	-	1,076,351	-	1,151,247	-
Deferred income tax asset (Notes 4, 5 and 28)	6,048,683	2	6,028,200	2	5,288,631	2
Other assets - non-current (Notes 18, 21, 31, 33 and 34)	9,225,197	4	9,352,892	3	13,476,986	5
Total non-current assets	221,815,699	82	222,321,616	78	235,708,547	80
TOTAL	\$ 270,519,771	100	\$ 284,194,084	100	\$ 295,236,193	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term debts (Note 19)	\$ 1,932,000	1	\$ 1,932,000	1	\$ 8,385,000	3
Short-term bills payable (Note 19)	-	-	8,088,882	3	8,788,145	3
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 31)	-	-	-	-	5,075	-
Financial liabilities for hedging - current (Notes 4, 21 and 31)	8,168,211	3	8,129,752	3	8,769,419	3
Notes and accounts payable (Note 31)	1,398,349	1	1,354,237	1	2,171,820	1
Notes and accounts payable - related parties (Note 32)	103,450	-	128,567	-	370,919	-
Contract liabilities - current (Notes 4, 5 and 23)	3,540,129	1	3,569,360	1	11,071,797	4
Other payables (Notes 22 and 31)	8,061,204	3	8,306,257	3	9,236,031	3
Current tax liabilities (Notes 4 and 28)	226,604	-	216,602	-	341,136	-
Provisions - current (Notes 4, 24 and 31)	1,262,426	-	164,800	-	343,645	-
Lease liabilities - current (Notes 4 and 21)	2,562,559	1	2,525,957	1	2,549,104	1
Bonds payable and put options of convertible bonds - current portion (Notes 4, 20 and 31)	6,150,000	2	11,982,859	4	13,022,470	4
Loans and debts - current portion (Notes 19, 31 and 33)	17,931,908	7	15,234,374	5	15,941,499	5
Other current liabilities (Note 31)	1,056,195	-	1,016,068	-	1,997,256	1
Total current liabilities	52,393,035	19	62,649,715	22	82,993,316	28
NON-CURRENT LIABILITIES						
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	30,606,694	11	32,455,333	11	40,472,454	14
Bonds payable - non-current (Notes 4, 20 and 31)	16,152,661	6	10,300,000	4	16,300,000	6
Loans and debts - non-current (Notes 19, 31 and 33)	71,546,595	27	77,288,330	27	60,337,972	20
Contract liabilities - non-current (Notes 4 and 23)	1,417,609	1	1,761,104	1	2,326,234	1
Provisions - non-current (Notes 4, 24 and 31)	14,415,791	5	14,369,486	5	11,057,817	4
Current tax liabilities - non-current (Notes 4 and 28)	842,194	-	87,181	-	-	-
Deferred tax liabilities (Notes 4 and 28)	72,651	-	1,023,084	-	397,517	-
Lease liabilities - non-current (Notes 4 and 21)	13,497,658	5	13,279,792	5	15,665,569	5
Accrued pension cost (Notes 4, 5 and 25)	9,735,920	4	9,737,741	4	9,218,089	3
Other noncurrent liabilities (Note 31)	534,867	-	530,745	-	472,647	-
Total non-current liabilities	158,822,640	59	160,832,796	57	156,248,299	53
Total liabilities	211,215,675	78	223,482,511	79	239,241,615	81
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)						
Share capital	54,209,926	20	54,209,846	19	54,209,846	19
Capital surplus	1,187,345	-	1,187,327	-	2,484,998	1
Retained earnings (accumulated deficit)	-	-	-	-	466,416	-
Legal reserve	-	-	-	-	12,967	-
Special reserve	-	-	-	-	-	-
Unappropriated retained earnings (accumulated deficit)	(1,369,957)	-	(350,581)	-	(5,552,292)	(2)
Total retained earnings (accumulated deficit)	(1,369,957)	-	(350,581)	-	(5,072,909)	(2)
Other equity	2,352,322	1	2,543,766	1	862,386	-
Treasury shares	(30,875)	-	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	56,348,761	21	57,559,483	20	52,453,446	18
NON-CONTROLLING INTERESTS (Note 26)	2,955,335	1	3,152,090	1	3,541,132	1
Total equity	59,304,096	22	60,711,573	21	55,994,578	19
TOTAL	\$ 270,519,771	100	\$ 284,194,084	100	\$ 295,236,193	100

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

(With Deloitte & Touche auditors' review report dated May 6, 2021)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
REVENUE (Notes 4, 27 and 32)	\$ 27,827,656	100	\$ 32,557,130	100
COSTS (Notes 4, 11, 17, 21, 24, 25, 27 and 32)	<u>26,159,788</u>	<u>94</u>	<u>32,336,262</u>	<u>99</u>
GROSS PROFIT	1,667,868	6	220,868	1
OPERATING EXPENSES (Notes 4, 25 and 27)	<u>2,137,046</u>	<u>8</u>	<u>3,191,724</u>	<u>10</u>
OPERATING PROFIT	<u>(469,178)</u>	<u>(2)</u>	<u>(2,970,856)</u>	<u>(9)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27)	95,820	-	163,630	-
Other gains and losses (Notes 15 and 27)	(219,433)	(1)	(154,090)	-
Finance costs (Notes 27 and 30)	(657,383)	(2)	(820,672)	(3)
Share of the profit of associates and joint ventures (Note 14)	<u>(81,674)</u>	<u>-</u>	<u>(24,494)</u>	<u>-</u>
Total non-operating income and expenses	<u>(862,670)</u>	<u>(3)</u>	<u>(835,626)</u>	<u>(3)</u>
LOSS BEFORE INCOME TAX	(1,331,848)	(5)	(3,806,482)	(12)
INCOME TAX PROFIT (EXPENSE) (Notes 4 and 28)	<u>115,301</u>	<u>1</u>	<u>(4,083)</u>	<u>-</u>
NET LOSS FOR THE PERIOD	<u>(1,216,547)</u>	<u>(4)</u>	<u>(3,810,565)</u>	<u>(12)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain on hedging instruments subject to basis adjustment	6,434	-	19,904	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	(2,419)	-	2,569	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>(376)</u>	<u>-</u>	<u>(4,105)</u>	<u>-</u>
	<u>3,639</u>	<u>-</u>	<u>18,368</u>	<u>-</u>

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2021		2020	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Notes 4 and 26)	\$ 7,163	-	\$ (18,063)	-
Loss on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 31)	(350,502)	(1)	(422,938)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>69,066</u>	<u>-</u>	<u>88,805</u>	<u>-</u>
	<u>(274,273)</u>	<u>(1)</u>	<u>(352,196)</u>	<u>(1)</u>
Other comprehensive loss for the period, net of income tax	<u>(270,634)</u>	<u>(1)</u>	<u>(333,828)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>\$ (1,487,181)</u>	<u>(5)</u>	<u>\$ (4,144,393)</u>	<u>(13)</u>
NET LOSS ATTRIBUTABLE TO:				
Owners of the Company	\$ (1,019,376)	(3)	\$ (3,773,333)	(12)
Non-controlling interests	<u>(197,171)</u>	<u>(1)</u>	<u>(37,232)</u>	<u>-</u>
	<u>\$ (1,216,547)</u>	<u>(4)</u>	<u>\$ (3,810,565)</u>	<u>(12)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Company	\$ (1,290,426)	(4)	\$ (4,107,180)	(13)
Non-controlling interests	<u>(196,755)</u>	<u>(1)</u>	<u>(37,213)</u>	<u>-</u>
	<u>\$ (1,487,181)</u>	<u>(5)</u>	<u>\$ (4,144,393)</u>	<u>(13)</u>
LOSS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ (0.19)</u>		<u>\$ (0.70)</u>	
Diluted	<u>\$ (0.19)</u>		<u>\$ (0.70)</u>	

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

(With Deloitte & Touche auditors' review report dated May 6, 2021)

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company											
	Share Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Other Equity Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2020	\$ 54,209,846	\$ 2,488,907	\$ 466,416	\$ 12,967	\$ (1,777,225)	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ (43,372)	\$ 56,553,772	\$ 3,578,345	\$ 60,132,117
Net loss for the three months ended March 31, 2020	-	-	-	-	(3,773,333)	-	-	-	-	(3,773,333)	(37,232)	(3,810,565)
Other comprehensive income (loss) for the three months ended March 31, 2020, net of income tax	-	-	-	-	-	(13,686)	2,445	(322,606)	-	(333,847)	19	(333,828)
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	(3,773,333)	(13,686)	2,445	(322,606)	-	(4,107,180)	(37,213)	(4,144,393)
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	12,497	6,854	-	6,854
BALANCE AT MARCH 31, 2020	<u>\$ 54,209,846</u>	<u>\$ 2,484,998</u>	<u>\$ 466,416</u>	<u>\$ 12,967</u>	<u>\$ (5,552,292)</u>	<u>\$ (68,393)</u>	<u>\$ 109,707</u>	<u>\$ 821,072</u>	<u>\$ (30,875)</u>	<u>\$ 52,453,446</u>	<u>\$ 3,541,132</u>	<u>\$ 55,994,578</u>
BALANCE AT JANUARY 1, 2021	\$ 54,209,846	\$ 1,187,327	\$ -	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	\$ 3,152,090	\$ 60,711,573
Basis adjustments to gain on hedging instruments	-	-	-	-	-	-	-	79,606	-	79,606	-	79,606
Net loss for the three months ended March 31, 2021	-	-	-	-	(1,019,376)	-	-	-	-	(1,019,376)	(197,171)	(1,216,547)
Other comprehensive income (loss) for the three months ended March 31, 2021, net of income tax	-	-	-	-	-	5,693	(1,507)	(275,236)	-	(271,050)	416	(270,634)
Total comprehensive income (loss) for the three months ended March 31, 2021	-	-	-	-	(1,019,376)	5,693	(1,507)	(275,236)	-	(1,290,426)	(196,755)	(1,487,181)
Convertible bonds converted to ordinary shares	80	18	-	-	-	-	-	-	-	98	-	98
BALANCE AT MARCH 31, 2021	<u>\$ 54,209,926</u>	<u>\$ 1,187,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,369,957)</u>	<u>\$ (128,559)</u>	<u>\$ 69,852</u>	<u>\$ 2,411,029</u>	<u>\$ (30,875)</u>	<u>\$ 56,348,761</u>	<u>\$ 2,955,335</u>	<u>\$ 59,304,096</u>

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

(With Deloitte & Touche auditors' review report dated May 6, 2021)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,331,848)	\$ (3,806,482)
Adjustments for:		
Depreciation expenses	7,881,376	8,167,598
Amortization expenses	54,328	49,902
Expected credit loss recognized on trade receivables	9,370	172
Net gain on fair value changes of financial assets and liabilities held for trading	(149)	(3,296)
Interest income	(41,153)	(88,300)
Share of loss of associates and joint ventures	81,674	24,494
Loss (gain) on disposal of property, plant and equipment	36,476	(5,121)
Loss on inventories and property, plant and equipment	386,381	220,263
Net (income) loss on foreign currency exchange	(452,373)	11,053
Finance costs	657,383	820,672
Recognition of provisions	1,372,144	1,443,036
Others	(2,666)	16,860
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	17,007	(52,608)
Financial liabilities classified as at fair value through profit or loss	-	(6,674)
Notes and accounts receivable	345,392	1,413,470
Accounts receivable - related parties	(20,911)	709,392
Other receivables	111,511	42,345
Inventories	504,149	848,941
Other current assets	(258,198)	833,409
Notes and accounts payable	(10,756)	496,061
Accounts payable - related parties	(21,963)	(881,463)
Other payables	(287,580)	(3,678,880)
Contract liabilities	(372,673)	(9,899,054)
Provisions	(313,099)	(469,834)
Other current liabilities	40,211	(1,889,113)
Accrued pension liabilities	732	(216,946)
Other liabilities	5,602	(20,271)
Cash generated from (used in) operations	8,390,367	(5,920,374)
Interest received	43,637	94,316
Interest paid	(612,422)	(893,895)
Income tax paid	(22,876)	(18,968)
Net cash generated from (used in) operating activities	<u>7,798,706</u>	<u>(6,738,921)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(983,424)	(73,012)
Disposal of financial assets at amortized cost	5,994,682	602,195
Payments to acquire financial assets for hedging	(2,537)	-
Disposal of financial assets for hedging	4,604,205	-

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2021	2020
Payments for property, plant and equipment	\$ (189,642)	\$ (258,811)
Proceeds from disposal of property, plant and equipment	770	6,946
Increase in refundable deposits	(19,011)	(167,653)
Decrease in refundable deposits	16,114	13,382
Increase in prepayments for equipment	(6,529,185)	(1,976,671)
Increase in computer software costs	(8,266)	(18,457)
Increase in restricted assets	<u>(77,553)</u>	<u>(34,483)</u>
Net cash generated from (used in) investing activities	<u>2,806,153</u>	<u>(1,906,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	-	7,405,000
(Decrease) increase in short-term bills payable	(8,088,882)	8,788,145
Repayments of bonds payable	-	(2,750,000)
Proceeds from long-term debts	230,925	13,582,703
Repayments of long-term debts	(3,304,180)	(4,367,016)
Repayments of the principal portion of lease liabilities	(2,743,077)	(2,870,281)
Proceeds from guarantee deposits received	61,302	13,809
Refund of guarantee deposits received	(63,533)	(54,935)
Proceeds from disposal of treasury shares	<u>-</u>	<u>6,854</u>
Net cash (used in) generated from financing activities	<u>(13,907,445)</u>	<u>19,754,279</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>202,678</u>	<u>32,638</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,099,908)	11,141,432
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>27,125,937</u>	<u>28,459,528</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 24,026,029</u>	<u>\$ 39,600,960</u>

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

(With Deloitte & Touche auditors' review report dated May 6, 2021)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

The major shareholders of the Company are China Aviation Development Foundation (“CADF”) and National Development Fund (“NDF”), Executive Yuan. As of March 31, 2021, December 31, 2020 and March 31, 2020, CADF and NDF held a combined 44.03% of the Company’s shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) were approved by the board of directors and authorized for issue on May 6, 2021.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

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

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions beyond 30 June 2021”	April 1, 2021 (Note 8)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

(Concluded)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

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

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

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

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

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 8: A lessee should apply the amendment for annual reporting periods beginning on or after April 1, 2021, recognizing the cumulative effect of initial application at the beginning of the annual reporting period.

The application of new IFRSs in issue but not yet endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies. As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

Basis of Consolidation

The reporting principles of these consolidated financial statements are the same as those of the consolidated financial statements for the year ended December 31, 2020.

Employee Benefits

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

Income Tax

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty for these interim consolidated financial statements are the same as those applied in the annual consolidated financial statements for the year ended December 31, 2020.

6. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020	March 31, 2020
Cash on hand and revolving fund	\$ 107,856	\$ 333,677	\$ 30,760
Checking accounts and demand deposits	12,030,912	17,690,186	15,916,090
Cash equivalents			
Time deposits with original maturities of less than three months	9,512,184	6,980,493	11,246,906
Repurchase agreements collateralized by bonds	<u>2,375,077</u>	<u>2,121,581</u>	<u>12,407,204</u>
	<u>\$ 24,026,029</u>	<u>\$ 27,125,937</u>	<u>\$ 39,600,960</u>

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

	March 31, 2021	December 31, 2020	March 31, 2020
Bank balance	0%-1.90%	0%-1.90%	0%-1.90%
Time deposits with original maturities of less than three months	0.13%-2.40%	0.24%-2.20%	0.34%-3.15%
Repurchase agreements collateralized by bonds	0.22%-0.41%	0.22%-0.55%	0.39%-3.55%

The Group designated some deposits denominated in USD and repurchase agreements collateralized by bonds as hedging instruments to avoid exchange rate fluctuations on final payments of aircraft orders and prepayments for equipment, and applied cash flow hedge accounting to hedge its foreign exchange exposure. The contract information is as follows:

	Maturity Date	Subject	Carrying Value
March 31, 2021	2021.4.1-2021.8.2	Financial assets for hedging - current	\$ 3,314,286
December 31, 2020	2021.1.4-2021.11.1	Financial assets for hedging - current	7,613,636

Impact on other comprehensive income (loss)

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

For the three months ended March 31, 2021, the amount of hedge settlements recognized as prepayments for equipment was \$79,606 thousand.

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

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets - current</u>			
Financial assets mandatorily classified at FVTPL			
Derivative financial instruments (not under hedge accounting)			
Foreign exchange forward contracts	\$ -	\$ -	\$ 30
Non-derivative financial assets			
Beneficiary certificates	<u>257,820</u>	<u>274,761</u>	<u>567,940</u>
	<u>\$ 257,820</u>	<u>\$ 274,761</u>	<u>\$ 567,970</u>

Financial liabilities - current

Financial liabilities held for trading			
Derivative financial instruments (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,075</u>

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>March 31, 2020</u>			
Buy forward contracts	NTD/USD	2020.4.23-2020.7.31	NTD271,903/USD9,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 129,488	\$ 134,042	\$ 182,109
Domestic investments	<u>31,843</u>	<u>29,704</u>	<u>28,816</u>
Unlisted shares	<u>\$ 161,331</u>	<u>\$ 163,746</u>	<u>\$ 210,925</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as it believes that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 1,534,735	\$ 6,551,693	\$ 1,724,004
Government bond	<u>1,663</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,536,398</u>	<u>\$ 6,551,693</u>	<u>\$ 1,724,004</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ 353,462</u>	<u>\$ 311,596</u>	<u>\$ 207,968</u>

The interest rates for time deposits with original maturities of more than 3 months ranged from 0.21% to 1.10%, from 0.21% to 1.90% and from 0.40% to 2.75% as of March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Notes receivable</u>	<u>\$ 1,860</u>	<u>\$ 655</u>	<u>\$ 11,401</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	9,509,934	9,903,008	7,254,151
Less: Allowance for impairment loss	<u>(215,554)</u>	<u>(206,152)</u>	<u>(218,783)</u>
	<u>9,294,380</u>	<u>9,696,856</u>	<u>7,035,368</u>
	<u>\$ 9,296,240</u>	<u>\$ 9,697,511</u>	<u>\$ 7,046,769</u>

The average credit period was 7 to 55 days. In determining the recoverability of a trade receivable, the Group considered any change in the credit quality of the receivable since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Group's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the debtors and an analysis of the debtors' current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the loss allowance based on the past due status is not further distinguished according to the different segments of the Group's customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

March 31, 2021

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.30%	0.67%	0.10%	22.45%	94.51%	
Gross carrying amount	\$ 8,935,260	\$ 261,227	\$ 110,923	\$ 7,238	\$ 195,286	\$ 9,509,934
Loss allowance (lifetime ECLs)	<u>(27,517)</u>	<u>(1,745)</u>	<u>(107)</u>	<u>(1,625)</u>	<u>(184,560)</u>	<u>(215,554)</u>
Amortized cost	<u>\$ 8,907,743</u>	<u>\$ 259,482</u>	<u>\$ 110,816</u>	<u>\$ 5,613</u>	<u>\$ 10,726</u>	<u>\$ 9,294,380</u>

December 31, 2020

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.14%	0.18%	1.20%	53.78%	92.74%	
Gross carrying amount	\$ 9,304,785	\$ 256,178	\$ 134,111	\$ 5,513	\$ 202,421	\$ 9,903,008
Loss allowance (lifetime ECLs)	<u>(13,392)</u>	<u>(470)</u>	<u>(1,608)</u>	<u>(2,965)</u>	<u>(187,718)</u>	<u>(206,152)</u>
Amortized cost	<u>\$ 9,291,393</u>	<u>\$ 255,708</u>	<u>\$ 132,503</u>	<u>\$ 2,548</u>	<u>\$ 14,703</u>	<u>\$ 9,696,856</u>

March 31, 2020

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.07%	0.39%	7.67%	14.50%	99.27%	
Gross carrying amount	\$ 5,648,200	\$ 1,251,611	\$ 46,419	\$ 116,938	\$ 190,983	\$ 7,254,151
Loss allowance (lifetime ECLs)	<u>(3,834)</u>	<u>(4,841)</u>	<u>(3,562)</u>	<u>(16,956)</u>	<u>(189,590)</u>	<u>(218,783)</u>
Amortized cost	<u>\$ 5,644,366</u>	<u>\$ 1,246,770</u>	<u>\$ 42,857</u>	<u>\$ 99,982</u>	<u>\$ 1,393</u>	<u>\$ 7,035,368</u>

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

	For the Three Months Ended March 31	
	2021	2020
Balance at January 1	\$ 206,152	\$ 218,665
Add: Net remeasurement of loss allowance	9,370	172
Add: Amounts recovered	106	-
Less: Amounts written off	(76)	(55)
Foreign exchange gains and losses	<u>2</u>	<u>1</u>
Balance at March 31	<u>\$ 215,554</u>	<u>\$ 218,783</u>

11. INVENTORIES

	March 31, 2021	December 31, 2020	March 31, 2020
Aircraft spare parts	\$ 7,348,878	\$ 7,898,482	\$ 7,217,977
Items for in-flight sale	627,067	627,437	602,247
Work in process - maintenance services	241,072	214,362	96,585
Others	<u>47,912</u>	<u>47,824</u>	<u>24,257</u>
	<u>\$ 8,264,929</u>	<u>\$ 8,788,105</u>	<u>\$ 7,941,066</u>

The operating costs recognized for the three months ended March 31, 2021 and 2020 included losses from inventory write-downs of \$188,279 thousand and \$139,463 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	March 31, 2021	December 31, 2020	March 31, 2020
Aircraft held for sale	<u>\$ 89,956</u>	<u>\$ 89,296</u>	<u>\$ -</u>

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			March 31, 2021	December 31, 2020	March 31, 2020
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	81	81	77
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investment	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Yestrip	Travel business	100	100	100
	Cal Park	Real estate lease and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			March 31, 2021	December 31, 2020	March 31, 2020
	Mandarin Airlines	Air transportation and maintenance of aircraft	94	94	94
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54	54
	Taoyuan International Airport Services	Airport services	49	49	49
	Taiwan Airport Services (Note)	Airport services	48	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100

(Concluded)

Note: Based on the Group's proportion of ownership.

The Company has substantial control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express, while the rest of investees have more than 50% of their voting shares owned by the Company. The above financial information for the three months ended March 31, 2021 and 2020 of these subsidiaries was not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

To strengthen the capital structure of Tigerair Taiwan Co., Ltd., the board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 6, 2020. The Company subscribed for 47,228 thousand shares in October 2020 and 26,286 thousand shares in November 2020. The proportion of ownership of the Group increased to 81%. Because the shares are subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$169,272 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2021	December 31, 2020	March 31, 2020
Investments in associates	\$ 1,072,589	\$ 1,079,852	\$ 1,161,492
Investments in jointly controlled entities	<u>817,038</u>	<u>890,950</u>	<u>1,012,437</u>
	<u>\$ 1,889,627</u>	<u>\$ 1,970,802</u>	<u>\$ 2,173,929</u>

a. Investments in associates

The amount of investments in associates were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Unlisted companies</u>			
China Aircraft Services	\$ 250,420	\$ 277,234	\$ 412,463
Dynasty Holidays	4,485	5,237	9,573
Airport Air Cargo Terminal (Xiamen)	487,319	476,219	445,285
Airport Air Cargo Service (Xiamen)	276,386	270,046	251,102
Eastern United International Logistics (Holdings) Ltd.	<u>53,979</u>	<u>51,116</u>	<u>43,069</u>
	<u>\$ 1,072,589</u>	<u>\$ 1,079,852</u>	<u>\$ 1,161,492</u>

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

Name of Associate	Proportion of Ownership and Voting Rights		
	March 31, 2021	December 31, 2020	March 31, 2020
China Aircraft Services	20%	20%	20%
Dynasty Holidays	20%	20%	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd.	35%	35%	35%

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

	For the Three Months Ended March 31	
	2021	2020
China Aircraft Services	\$ (27,310)	\$ (29,700)
Asian Compressor Technology Services	(438)	(576)
Airport Air Cargo Terminal (Xiamen)	10,908	2,975
Airport Air Cargo Service (Xiamen)	6,233	4,943
Eastern United International Logistics (Holdings) Ltd.	<u>2,844</u>	<u>725</u>
	<u>\$ (7,763)</u>	<u>\$ (21,633)</u>

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

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
China Pacific Catering Services	\$ 630,774	\$ 695,959	\$ 799,660
China Pacific Laundry Services	141,441	149,353	167,097
NORDAM Asia Ltd.	36,952	37,767	37,812
Delica International Co., Ltd.	<u>7,871</u>	<u>7,871</u>	<u>7,868</u>
	<u>\$ 817,038</u>	<u>\$ 890,950</u>	<u>\$ 1,012,437</u>

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

	Proportion of Ownership and Voting Rights		
	March 31, 2021	December 31, 2020	March 31, 2020
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%
NORDAM Asia Ltd.	49%	49%	49%
Delica International Co., Ltd.	51%	51%	51%

The Group entered into a joint venture agreement with the Taikoo Group to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both sides have the right to make major motion vetoes on the board of directors, and therefore, the Group does not have control.

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

Details of the investment loss attributable to investments in jointly controlled entities were as follows:

	For the Three Months Ended March 31	
	2021	2020
China Pacific Catering Services	\$ (65,184)	\$ (1,411)
China Pacific Laundry Services	(7,912)	(1,449)
NORDAM Asia Ltd.	(815)	(1)
Delica International Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ (73,911)</u>	<u>\$ (2,861)</u>

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2020	\$ 1,002,499	\$ 16,084,063	\$ 272,077,692	\$ 16,846,835	\$ 306,011,089
Additions	-	13,264	181,295	64,252	258,811
Disposals	-	-	(1,256,170)	(55,690)	(1,311,860)
Reclassification	-	-	1,358,008	12,328	1,370,336
Net exchange differences	<u>3,207</u>	<u>5,817</u>	<u>-</u>	<u>605</u>	<u>9,629</u>
Balance at March 31, 2020	<u>\$ 1,005,706</u>	<u>\$ 16,103,144</u>	<u>\$ 272,360,825</u>	<u>\$ 16,868,330</u>	<u>\$ 306,338,005</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2020	\$ -	\$ (7,028,540)	\$ (141,886,170)	\$ (11,209,408)	\$ (160,124,118)
Depreciation expenses	-	(122,706)	(4,550,598)	(233,605)	(4,906,909)
Disposals	-	-	1,177,898	54,790	1,232,688
Reclassification	-	-	536	(536)	-
Net exchange differences	<u>-</u>	<u>(2,973)</u>	<u>-</u>	<u>(4,704)</u>	<u>(7,677)</u>
Balance at March 31, 2020	<u>\$ -</u>	<u>\$ (7,154,219)</u>	<u>\$ (145,258,334)</u>	<u>\$ (11,393,463)</u>	<u>\$ (163,806,016)</u>
Balance at March 31, 2020, net value	<u>\$ 1,005,706</u>	<u>\$ 8,948,925</u>	<u>\$ 127,102,491</u>	<u>\$ 5,474,867</u>	<u>\$ 142,531,989</u>
<u>Cost</u>					
Balance at January 1, 2021	\$ 955,823	\$ 15,705,635	\$ 282,007,135	\$ 17,058,648	\$ 315,727,241
Additions	-	12,731	12,266	164,645	189,642
Disposals	-	-	(1,072,693)	(46,317)	(1,119,010)
Reclassification	-	-	6,63,856	13,958	6,647,814
Net exchange differences	<u>2,869</u>	<u>5,297</u>	<u>-</u>	<u>558</u>	<u>8,724</u>
Balance at March 31, 2021	<u>\$ 958,692</u>	<u>\$ 15,723,663</u>	<u>\$ 287,580,564</u>	<u>\$ 17,191,492</u>	<u>\$ 321,454,411</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ -	\$ (7,121,637)	\$ (155,376,265)	\$ (11,747,645)	\$ (174,245,547)
Depreciation expenses	-	(123,184)	(4,504,782)	(220,509)	(4,848,475)
Disposals	-	-	838,779	45,562	884,341
Reclassification	-	-	-	89	89
Net exchange differences	<u>-</u>	<u>(2,882)</u>	<u>-</u>	<u>(474)</u>	<u>(3,356)</u>
Balance at March 31, 2021	<u>\$ -</u>	<u>\$ (7,247,703)</u>	<u>\$ (159,042,268)</u>	<u>\$ (11,922,977)</u>	<u>\$ (178,212,948)</u>
Balance at March 31, 2021, net value	<u>\$ 958,692</u>	<u>\$ 8,475,960</u>	<u>\$ 128,538,296</u>	<u>\$ 5,268,515</u>	<u>\$ 143,241,463</u>

Reclassification was mainly aircraft prepayment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets:

Buildings	
Main buildings	45-55 years
Others	10-25 years
Machinery equipment	
Electro-mechanical equipment	25 years
Others	3-13 years
Office equipment	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Assets leased to others	3-5 years
Flight equipment and equipment under finance leases	
Airframes	15-25 years
Aircraft cabins	7-20 years
Engines	10-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	7-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years

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

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

16. INVESTMENT PROPERTIES

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amount			
Investment properties	<u>\$ 2,074,731</u>	<u>\$ 2,074,798</u>	<u>\$ 2,075,000</u>

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

The fair values of the investment properties held by the Group were both \$2,488,931 thousand as of March 31, 2021 and December 31, 2020. In addition, management assessed that there was no significant difference between the fair values on March 31, 2021 and December 31, 2020. The fair value valuations were performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

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

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Goodwill	Accumulated Amortization	Net Value
Balance at January 1, 2020	\$ 2,406,163	\$ 186,197	\$ (1,409,668)	\$ 1,182,692
Additions	18,457	-	-	18,457
Amortization expenses	<u>-</u>	<u>-</u>	<u>(49,902)</u>	<u>(49,902)</u>
Balance at March 31, 2020	<u>\$ 2,424,620</u>	<u>\$ 186,197</u>	<u>\$ (1,459,570)</u>	<u>\$ 1,151,247</u>
Balance at January 1, 2021	\$ 1,763,644	\$ 186,197	\$ (873,490)	\$ 1,076,351
Additions	8,266	-	-	8,266
Amortization expenses	<u>-</u>	<u>-</u>	<u>(54,328)</u>	<u>(54,328)</u>
Balance at March 31, 2021	<u>\$ 1,771,910</u>	<u>\$ 186,197</u>	<u>\$ (927,818)</u>	<u>\$ 1,030,289</u>

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

18. OTHER ASSETS

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Current</u>			
Temporary payments	\$ 626,997	\$ 136,681	\$ 254,893
Prepayments	264,231	348,554	1,292,328
Restricted assets	11,000	11,065	42,120
Others	<u>203,657</u>	<u>364,879</u>	<u>283,328</u>
	<u>\$ 1,105,885</u>	<u>\$ 861,179</u>	<u>\$ 1,872,669</u>
<u>Non-current</u>			
Prepayments for aircraft	\$ 5,349,874	\$ 5,725,340	\$ 8,983,412
Prepayments - long-term	2,373,661	2,216,049	2,874,778
Refundable deposits	1,090,546	1,087,668	1,361,370
Restricted assets	374,058	291,742	115,028
Other financial assets	18,060	18,078	3,384
Others	<u>18,998</u>	<u>14,015</u>	<u>139,014</u>
	<u>\$ 9,225,197</u>	<u>\$ 9,352,892</u>	<u>\$ 13,476,986</u>

19. BORROWINGS

a. Short-term loans

	March 31, 2021	December 31, 2020	March 31, 2020
Bank loans - unsecured	<u>\$ 1,932,000</u>	<u>\$ 1,932,000</u>	<u>\$ 8,385,000</u>
Interest rates	0.92%-1.28%	0.92%-1.28%	0.87%-1.12%

b. Short-term and bills payable

	March 31, 2021	December 31, 2020	March 31, 2020
Commercial paper	\$ -	\$ 8,100,000	\$ 8,859,472
Less: Unamortized discount on bills payable	<u>-</u>	<u>11,118</u>	<u>71,327</u>
	<u>\$ -</u>	<u>\$ 8,088,882</u>	<u>\$ 8,788,145</u>
Annual discount rate	-	0.99%-1.00%	1.00%-1.17%

c. Long-term debts

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured bank loans	\$ 22,433,196	\$ 23,470,696	\$ 5,957,500
Secured bank loans	39,587,276	39,584,540	34,939,168
Commercial paper			
Proceeds from issuance	27,480,000	29,490,000	35,420,000
Less: Unamortized discounts	<u>21,969</u>	<u>22,532</u>	<u>37,197</u>
	89,478,503	92,522,704	76,279,471
Less: Current portion	<u>17,931,908</u>	<u>15,234,374</u>	<u>15,941,499</u>
	<u>\$ 71,546,595</u>	<u>\$ 77,288,330</u>	<u>\$ 60,337,972</u>
Interest rates	0.81%-1.63%	0.81%-1.63%	1.00%-1.79%

For information on secured bank loans which were secured by freehold land, buildings, machinery equipment and flight equipment, refer to Note 33.

Bank loans (In New Taiwan dollars and U.S. dollars) are repayable quarterly, semiannually or in lump sum upon maturity. Related information is summarized as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
Periods	2009.2.4- 2032.6.30	2009.2.4- 2032.6.30	2009.2.4- 2032.3.5

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until March 2025, were used by the Group to guarantee the commercial paper issued. As of March 31, 2021, December 31, 2020 and March 31, 2020, such commercial paper was issued at discount rates of 1.0177%-1.0997%, 1.0263%-1.1629% and 0.9993%-1.1650%, respectively. In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Group applied for project finance loans from financial institutions to maintain its operations; and special funds, credit guarantees along with subsidized interest rates were provided by the government. The total amount of the loans is \$24,390,000 thousand, which shall be repaid within 2 years from the date of initial drawdown. As of March 31, 2021, the Group had made a drawdown in the amount of \$23,482,000 thousand.

20. BONDS PAYABLE

	March 31, 2021	December 31, 2020	March 31, 2020
Unsecured corporate bonds first-time issued in 2016	\$ 2,350,000	\$ 2,350,000	\$ 4,700,000
Unsecured corporate bonds second-time issued in 2016	2,500,000	2,500,000	5,000,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	1,000,000	2,350,000
Unsecured corporate bonds second-time issued in 2017	2,600,000	2,600,000	3,500,000
Unsecured corporate bonds first-time issued in 2018	4,500,000	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000	3,500,000
Convertible bonds sixth-time issues	<u>5,852,661</u>	<u>5,832,859</u>	<u>5,772,470</u>
	22,302,661	22,282,859	29,322,470
Less: Current portion and put option of convertible bonds	<u>6,150,000</u>	<u>11,982,859</u>	<u>13,022,470</u>
	<u>\$ 16,152,661</u>	<u>\$ 10,300,000</u>	<u>\$ 16,300,000</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually	2016.5.26-2021.5.26	Principal repayable in May of 2020 and 2021; interest p.a. payable annually	1.19
Five-year unsecured bonds - issued at par in September 2016; repayable in September 2020 and 2021; 1.08% interest p.a., payable annually	2016.9.27-2021.9.27	Principal repayable in September of 2020 and 2021; interest p.a. payable annually	1.08
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually	2017.5.19-2020.5.19	Principal repayable on due date; indicator rate; payable annually	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.5.19-2024.5.19	Principal repayable on due date; indicator rate; payable annually	1.75
Three-year private unsecured bonds - issued at par in October 2017; repayable on due date; interest of 1.14% p.a., payable annually	2017.10.12-2020.10.12	Principal repayable on due date; indicator rate; payable annually	1.14
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.1.30-2023.1.30	Unless bonds are converted to share capital or redeemed, principal repayable one time in January 2023; 1.3821 discount rate p.a.	-

The Company issued its 2016 first unsecured corporate bonds with a face value of \$5,000,000 thousand, and the purchasers of the bonds included Mandarin Airlines and Sabre Travel Network (Taiwan), who held a cumulative face value of \$150,000 thousand which was eliminated from the consolidated financial statements.

The Company issued the sixth issue of its unsecured convertible bonds, and the issuance conditions were as follows:

- a. The holders may demand a lump-sum payment for the bonds upon maturity.
- b. The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.
- c. The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions.
- d. Between January 26, 2014 and December 16, 2018 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to the Company's ordinary shares. The initial conversion price was set at NT\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends as of July 29, 2019, the conversion price was adjusted to NT\$12.6. Also a total face value of NT\$100 thousand of convertible bonds was converted into 8,000 ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.3821% per annum on initial recognition.

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

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 7, 2019. The cumulative face value of the bonds shall not exceed \$3,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years. During the period of public offerings, the stock market and the domestic capital market were volatile due to coronavirus pneumonia and the changes in the share price of the Company were unfavorable to the seventh issue of the Company's unsecured convertible bonds. After comprehensive consideration, the issuance was suspended with the permission of the competent authority based on the best interest of the Company and the shareholders' equity.

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 6, 2020. The Company issued all the bonds on April 28, 2021. The cumulative face value of the bonds was \$4,500,000 thousand, and the bonds were issued at the face value. The issuance period is 5 years and the conversion price is set at NT\$19.

21. LEASE AGREEMENTS

a. Right-of-use assets

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amounts			
Land	\$ 7,542,964	\$ 7,813,335	\$ 8,170,745
Buildings	1,363,432	1,394,386	1,291,054
Flight equipment	48,876,393	50,644,652	59,127,742
Other equipment	<u>8,127</u>	<u>9,164</u>	<u>2,331</u>
	<u>\$ 57,790,916</u>	<u>\$ 59,861,537</u>	<u>\$ 68,591,872</u>
		For the Three Months Ended March 31	
		2021	2020
Additions to right-of-use assets		<u>\$ 1,374,300</u>	<u>\$ 720,868</u>
Depreciation for right-of-use assets			
Land		\$ 102,486	\$ 155,719
Buildings		201,366	290,064
Flight equipment		2,725,484	2,814,198
Other equipment		<u>3,498</u>	<u>640</u>
		<u>\$ 3,032,834</u>	<u>\$ 3,260,621</u>

Except for the additions and recognitions of depreciation expense listed above, the Group's right-of-use assets for the three months ended March 31, 2021 and 2020 did not have significant sublease and impairment.

b. Lease liabilities

	March 31, 2021	December 31, 2020	March 31, 2020
Carrying amounts			
Current	<u>\$ 2,562,559</u>	<u>\$ 2,525,957</u>	<u>\$ 2,549,104</u>
Non-current	<u>\$ 13,497,658</u>	<u>\$ 13,279,792</u>	<u>\$ 15,665,569</u>

Range of discount rate for lease liabilities (including US lease hedging instruments):

	March 31, 2021	December 31, 2020	March 31, 2020
Land	1.09%-1.80%	1.09%-1.80%	0%-1.65%
Buildings	0%-2.98%	0%-3.56%	0%-3.56%
Flight equipment	0.68%-3.34%	0.68%-3.34%	2.00%-3.34%
Other equipment	1.06%-1.50%	1.06%-1.50%	1.06%-1.50%

c. Financial liabilities under hedge accounting

The Group specifies a part of US lease contract as hedging instruments to avoid exchange fluctuations in passenger revenue, and applies the accounting treatment of cash flow hedge. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
March 31, 2021	2022.2.9-2028.5.15	Financial liabilities for hedging - current	\$ 8,165,713
		Financial liabilities for hedging - non-current	30,606,694
December 31, 2020	2022.2.9-2028.5.15	Financial liabilities for hedging - current	8,120,445
		Financial liabilities for hedging - non-current	32,455,333
March 31, 2020	2021.4.15-2028.5.15	Financial liabilities for hedging - current	8,678,982
		Financial liabilities for hedging - non-current	40,472,454

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the three months ended March 31, 2021	\$ (359,570)	\$ 150,096
For the three months ended March 31, 2020	(356,468)	50,487

- d. China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, fifteen A330-300 planes, fifteen 737-800 planes, ten A320-200 planes, one A320 neo, five ERJ190 planes and three ART72-600 planes for operation, lease period are 6 to 12 years from February 2006 to March 2031. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

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

	March 31, 2021	December 31, 2020	March 31, 2020
Refundable deposits	\$ 716,694	\$ 725,135	\$ 771,140
Credit guarantees	1,766,692	1,756,656	1,868,105

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period was included in the lease liability, the lease liability would have increased by \$888,623 thousand, \$885,657 thousand and \$876,820 thousand on March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

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

- e. In September 2019, the Company signed a rental contract for six A321neo with Air Lease Corporation, which is expected to be introduced between 2021 and 2022.

In October 2019, the Company signed a rental letter of intent for eight A321neo with CALC Lease Corporation, which is expected to be introduced in 2022.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental letter of intent for eight A321neo with ICBC Lease Corporation, which is expected to be introduced between 2021 and 2024. As of March 31, 2021, one A321neo has been delivered.

- f. Other lease information

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

	For the Three Months Ended March 31	
	2021	2020
Short-term leases and low-value asset leases	<u>\$ 6,507</u>	<u>\$ 6,384</u>
Total cash outflow for leases	<u>\$ (3,100,692)</u>	<u>\$ (3,314,349)</u>

The Group chooses to waive the recognition of the contract provisions for short-term leases and low-value asset leases, and does not recognize the related right-of-use assets and lease liabilities for such leases.

22. OTHER PAYABLES

	March 31, 2021	December 31, 2020	March 31, 2020
Fuel costs	\$ 2,178,473	\$ 1,853,717	\$ 1,798,469
Short-term employee benefits	1,610,364	1,948,982	1,734,796
Ground service expenses	818,197	956,956	1,009,103
Repair expenses	717,310	366,589	1,017,554
Terminal surcharges	415,349	420,194	672,350
Interest expenses	170,560	120,550	250,531
Commission expenses	140,492	184,363	497,470
Others	<u>2,010,459</u>	<u>2,454,906</u>	<u>2,255,578</u>
	<u>\$ 8,061,204</u>	<u>\$ 8,306,257</u>	<u>\$ 9,236,031</u>

23. CONTRACT LIABILITIES/DEFERRED REVENUE

	March 31, 2021	December 31, 2020	March 31, 2020
Frequent flyer program	\$ 2,504,217	\$ 2,671,203	\$ 3,034,418
Advance ticket sales	2,442,307	2,659,093	10,363,613
Others	<u>11,214</u>	<u>168</u>	<u>-</u>
	<u>\$ 4,957,738</u>	<u>\$ 5,330,464</u>	<u>\$ 13,398,031</u>
Current			
Non-current	\$ 3,540,129	\$ 3,569,360	\$ 11,071,797
	<u>1,417,609</u>	<u>1,761,104</u>	<u>2,326,234</u>
	<u>\$ 4,957,738</u>	<u>\$ 5,330,464</u>	<u>\$ 13,398,031</u>

24. PROVISIONS

	March 31, 2021	December 31, 2020	March 31, 2020
Operating leases - aircraft	<u>\$ 15,678,217</u>	<u>\$ 14,534,286</u>	<u>\$ 11,401,462</u>
Current	\$ 1,262,426	\$ 164,800	\$ 343,645
Non-current	<u>14,415,791</u>	<u>14,369,486</u>	<u>11,057,817</u>
	<u>\$ 15,678,217</u>	<u>\$ 14,534,286</u>	<u>\$ 11,401,462</u>

Aircraft Lease Contracts

Balance at January 1, 2020	\$ 10,371,857
Additional provisions recognized	1,443,036
Usage	(469,834)
Effects of exchange rate changes	<u>56,403</u>
Balance at March 31, 2020	<u>\$ 11,401,462</u>
Balance at January 1, 2021	\$ 14,534,286
Additional provisions recognized	1,372,144
Usage	(313,099)
Effects of exchange rate changes	<u>84,886</u>
Balance at March 31, 2021	<u>\$ 15,678,217</u>

The Company and Mandarin Airlines leased flight equipment under operating lease agreements. Under the contracts, when the leases expire and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycles and the number of engine revolution. The Company and Mandarin Airlines had existing obligations to recognize provisions when signing a lease or during the lease term. Tigerair Taiwan Co., Ltd. also leased flight equipment under operating lease agreements. In accordance to the contract, Tigerair had to pay the maintenance reserve accounted for by using the number of flying hours.

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plan were calculated using the actuarially determined pension cost discount rate as of December 31, 2020 and 2019.

	For the Three Months Ended March 31	
	2021	2020
Operating costs	\$ 243,547	\$ 243,940
Operating expenses	<u>96,330</u>	<u>106,466</u>
	<u>\$ 339,877</u>	<u>\$ 350,406</u>

26. EQUITY

a. Share capital

Ordinary shares

	March 31, 2021	December 31, 2020	March 31, 2020
Numbers of authorized shares (in thousands)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Amount of authorized shares	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of issued shares	<u>\$ 54,209,926</u>	<u>\$ 54,209,846</u>	<u>\$ 54,209,846</u>

For the three months ended March 31, 2021, the Company issued the 6th domestic unsecured convertible bonds, and the convertible bonds holders applied for conversion in the amount of \$100 thousand. The number of ordinary shares exchanged was 8,000 and entitled to have their registration changed after the issuance of new shares.

b. Capital surplus

	March 31, 2021	December 31, 2020	March 31, 2020
Issuance of shares in excess of par value and conversion premium	\$ 146,369	\$ 146,351	\$ 315,114
Retirement of treasury shares	33,513	33,513	33,513
Employee share options expired	11,747	11,747	11,747
Long-term investments	119,134	119,134	118,962
Bonds payable - equity component	409,971	409,978	409,978
Difference in sale price of shares of subsidiaries and book value	-	-	1,129,080
Others	<u>466,611</u>	<u>466,604</u>	<u>466,604</u>
	<u>\$ 1,187,345</u>	<u>\$ 1,187,327</u>	<u>\$ 2,484,998</u>

The capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares and treasury share transactions) and donations may be used to offset deficits; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Group's paid-in capital on yearly basis).

The capital surplus arising from long-term investments and employee share options may not be used for any reason except to offset deficits. The capital surplus arising from share options for employees and convertible bonds, cannot be used.

c. Appropriation of earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which is to distribute dividends and bonus no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonus mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends.

Under the Company Act, if surplus earnings are distributed in the form of new shares, the distribution of shares shall be approved in the meeting of the board of directors; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Group has no loss, according to laws and regulations, the Group can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such surplus earnings is distributed in the form of new shares, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles") based on the amended Company Act, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with due consideration of any future aircraft acquisition plans and fund demands, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders by cash or shares (cash dividends cannot be less than 30% of total dividends distributed). However, if the Company's profit before tax in a fiscal year after deductions for the abovementioned items is not sufficient for earnings distribution, retained earnings can be used as a supplement for the deficiency.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2020	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Exchange differences on translating foreign operations	(16,816)	-	-	(16,816)
Cumulative loss on changes in fair value of hedging instruments	-	-	(355,209)	(355,209)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(49,091)	(49,091)
Unrealized gain on financial assets at fair value through other comprehensive income	-	2,569	-	2,569
Effects of income tax	<u>3,130</u>	<u>(124)</u>	<u>81,694</u>	<u>84,700</u>
Other comprehensive income (loss) recognized in the period	<u>(13,686)</u>	<u>2,445</u>	<u>(322,606)</u>	<u>(333,847)</u>
Balance on March 31, 2020	<u>\$ (68,393)</u>	<u>\$ 109,707</u>	<u>\$ 821,072</u>	<u>\$ 862,386</u>
Balance on January 1, 2021	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766
Exchange differences on translating foreign operations	7,102	-	-	7,102
Cumulative loss on changes in fair value of hedging instruments	-	-	(201,215)	(201,215)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(143,208)	(143,208)
Unrealized gain on financial assets at fair value through other comprehensive income	-	(2,419)	-	(2,419)
Effects of income tax	<u>(1,409)</u>	<u>912</u>	<u>69,187</u>	<u>68,690</u>
Other comprehensive income (loss) recognized in the period	<u>5,693</u>	<u>(1,507)</u>	<u>(275,236)</u>	<u>(271,050)</u>
Transfers of initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>79,606</u>	<u>79,606</u>
Balance on March 31, 2021	<u>\$ (128,559)</u>	<u>\$ 69,852</u>	<u>\$ 2,411,029</u>	<u>\$ 2,352,322</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2021	2020
Beginning balance	\$ 3,152,090	\$ 3,578,345
Net loss attributable to non-controlling interests	(197,171)	(37,232)
Exchange differences on translating foreign operations	61	(1,247)
Gain loss on hedging instruments	5	1,471
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	<u>350</u>	<u>(205)</u>
	<u>416</u>	<u>19</u>
Ending balance	<u>\$ 2,955,335</u>	<u>\$ 3,541,132</u>

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of March 31, 2021 and 2020 and were as follows:

(In Thousands of Shares)

Purpose of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the three months ended March 31, 2021	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the three months ended March 31, 2020	<u>2,889</u>	<u>(814)</u>	<u>2,075</u>

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
<u>March 31, 2021</u>			
Mandarin Airlines	2,075	<u>\$ 31,638</u>	<u>\$ 31,638</u>
<u>December 31, 2020</u>			
Mandarin Airlines	2,075	<u>\$ 24,999</u>	<u>\$ 24,999</u>
<u>March 31, 2020</u>			
Mandarin Airlines	2,075	<u>\$ 13,713</u>	<u>\$ 13,713</u>

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning. The shares of the Company held by its subsidiaries were treated as treasury shares. The subsidiaries can exercise shareholders' right on these treasury shares, except for the right to subscribe for the Company's new shares and voting rights.

Dynasty Aerotech International Corp. sold a total of 814 thousand shares of its shares in the Company between January 1, 2020 and March 31, 2020. The disposal price was \$6,854 thousand.

27. NET INCOME

a. Revenue

	For the Three Months Ended March 31	
	2021	2020
Passenger	\$ 1,974,969	\$ 18,728,022
Cargo	24,025,206	11,095,611
Others	<u>1,827,481</u>	<u>2,733,497</u>
	<u>\$ 27,827,656</u>	<u>\$ 32,557,130</u>

b. Other income

	For the Three Months Ended March 31	
	2021	2020
Interest income	\$ 41,153	\$ 88,300
Subsidy income	3,739	18,125
Others	<u>50,928</u>	<u>57,205</u>
	<u>\$ 95,820</u>	<u>\$ 163,630</u>

c. Other gains and losses

	For the Three Months Ended March 31	
	2021	2020
Gain (loss) on disposal of property, plant and equipment	\$ (36,476)	\$ 5,121
Net gain on financial assets classified as held for sale	149	3,296
Loss on foreign exchange, net	(127,657)	(79,114)
Others	<u>(55,449)</u>	<u>(83,393)</u>
	<u>\$ (219,433)</u>	<u>\$ (154,090)</u>

d. Finance costs

	For the Three Months Ended March 31	
	2021	2020
Interest expense		
Bonds payable	\$ 72,539	\$ 106,674
Bank loans	206,467	285,756
Interest on lease liabilities	<u>378,377</u>	<u>492,193</u>
	<u>\$ 657,383</u>	<u>\$ 820,672</u>
Capitalization interest	<u>\$ 8,293</u>	<u>\$ 27,649</u>
Capitalization rate	0.7204%- 1.1147%	1.226%- 1.453%

e. Depreciation and amortization expenses

	For the Three Months Ended March 31	
	2021	2020
Property, plant, equipment	\$ 4,848,475	\$ 4,906,909
Right-of-use assets	3,032,834	3,260,621
Investment properties	67	68
Intangible assets	<u>54,328</u>	<u>49,902</u>
Depreciation and amortization expenses	<u>\$ 7,935,704</u>	<u>\$ 8,217,500</u>

(Continued)

	For the Three Months Ended March 31	
	2021	2020
An analysis of depreciation by function		
Operating costs	\$ 7,506,640	\$ 7,749,835
Operating expenses	<u>374,736</u>	<u>417,763</u>
	<u>\$ 7,881,376</u>	<u>\$ 8,167,598</u>
An analysis of amortization by function		
Operating costs	\$ 3,822	\$ 3,538
Operating expenses	<u>50,506</u>	<u>46,364</u>
	<u>\$ 54,328</u>	<u>\$ 49,902</u>

(Concluded)

f. Employee benefits expense

	For the Three Months Ended March 31	
	2021	2020
Post-employment benefits		
Defined contribution plan	\$ 132,328	\$ 155,859
Defined benefit plan	<u>339,877</u>	<u>350,406</u>
	<u>\$ 472,205</u>	<u>\$ 506,265</u>
Other employee benefits		
Salary expenses	\$ 4,482,317	\$ 5,382,169
Personnel service expenses	<u>1,120,329</u>	<u>1,787,364</u>
	<u>\$ 5,602,646</u>	<u>\$ 7,169,533</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 4,879,279	\$ 6,260,960
Operating expenses	<u>1,195,572</u>	<u>1,414,838</u>
	<u>\$ 6,074,851</u>	<u>\$ 7,675,798</u>

To be in compliance with the Company Act as amended, the Articles stipulate the distribution of compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. For the three months ended March 31, 2021 and 2020, the Company has experienced a deficit and, therefore, no compensation of employees was estimated.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual consolidated financial statements are authorized for issue are adjusted in the year that the bonuses and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

28. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended March 31	
	2021	2020
Current tax		
Current year	\$ 28,101	\$ 23,296
Deferred tax		
Current year	<u>(143,402)</u>	<u>(19,213)</u>
Income tax (revenue) expense recognized in profit or loss	<u>\$ (115,301)</u>	<u>\$ 4,083</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2021	2020
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ (1,409)	\$ 3,130
Fair value changes of financial assets at FVTOCI	912	(124)
Hedging instruments' fair value revaluation	<u>69,187</u>	<u>81,694</u>
Total income tax recognized in other comprehensive income	<u>\$ 68,690</u>	<u>\$ 84,700</u>

c. Income tax assessment

Income tax returns of the Company and its subsidiaries through 2018 have been examined by the tax authorities.

29. LOSS PER SHARE

The numerators and denominators used in calculating earnings and losses per share were as follows:

	For the Three Months Ended March 31	
	2021	2020
Basic loss per share	<u>\$ (0.19)</u>	<u>\$ (0.70)</u>
Diluted loss per share	<u>\$ (0.19)</u>	<u>\$ (0.70)</u>
Loss used in the computation of diluted loss per share	<u>\$ (1,019,376)</u>	<u>\$ (3,773,333)</u>
<u>In thousands of shares</u>		
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>5,418,911</u>	<u>5,418,367</u>

30. CAPITAL MANAGEMENT

The goal, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 31 to the Group's consolidated financial statements for the year ended December 31, 2020.

31. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments not measured at fair value

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

	<u>March 31, 2021</u>		<u>December 31, 2020</u>		<u>March 31, 2020</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable	\$ 22,302,661	\$ 23,734,187	\$ 22,282,859	\$ 22,459,685	\$ 29,322,470	\$ 29,303,333

Some long-term debts are floating-rate financial liabilities, so their carrying amounts are their fair values. Fair values of bond payable trading in OTC and based on quoted market prices (Level 1).

b. Fair value of financial instruments measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- 1) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

March 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ 257,820	\$ -	\$ -	\$ 257,820
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 31,843	\$ 31,843
Unlisted shares - foreign	-	-	129,488	129,488
	\$ -	\$ -	\$ 161,331	\$ 161,331

(Continued)

	Level 1	Level 2	Level 3	Total
Financial assets for hedging	<u>\$ 3,314,286</u>	<u>\$ -</u>	<u>\$ 4,798</u>	<u>\$ 3,319,084</u>
Financial liabilities for hedging	<u>\$ 38,772,407</u>	<u>\$ 2,498</u>	<u>\$ -</u>	<u>\$ 38,774,905</u> (Concluded)

December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 274,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,761</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 29,704	\$ 29,704
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>134,042</u>	<u>134,042</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,746</u>	<u>\$ 163,746</u>
Financial assets for hedging	<u>\$ 7,613,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,613,636</u>
Financial liabilities for hedging	<u>\$ 40,575,778</u>	<u>\$ 9,307</u>	<u>\$ -</u>	<u>\$ 40,585,085</u>

March 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ 567,940	\$ -	\$ -	\$ 567,940
Foreign exchange agreement	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>
	<u>\$ 567,940</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 567,970</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 28,816	\$ 28,816
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>182,109</u>	<u>182,109</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,925</u>	<u>\$ 210,925</u> (Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 5,075</u>	\$ <u> -</u>	\$ <u> 5,075</u>
Financial assets for hedging	\$ <u> -</u>	\$ <u> 11,853</u>	\$ <u> 620</u>	\$ <u> 12,473</u>
Financial liabilities for hedging	\$ <u>49,151,436</u>	\$ <u> 14,560</u>	\$ <u> 75,877</u>	\$ <u>49,241,873</u> (Concluded)

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

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

<u>Financial Instrument</u>	<u>Valuation Techniques and Inputs</u>
Derivative instruments	The fair values of derivatives (except options) have been determined based on discounted cash flow analyses using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Group used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

5) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuation. An increase in the implied fluctuation used in isolation would result in a decrease in the fair value of fuel options.

The domestic unlisted equity investment is based on the comparative company valuation to estimate the fair value. The main assumptions are based on the multiplier of the market price of the comparable listed company and the net value per share, which have considered the liquidity discount. The higher the multiplier or the lower the liquidity discount, the higher the fair value of the relevant financial instruments.

The multiplier and liquidity discount of Level 3 financial instruments are as follows:

	Multiplier	Liquidity Discount
March 31, 2021	0.79-16.32	80%
December 31, 2020	0.79-16.32	80%
March 31, 2020	0.75-13.23	80%

The movements of Level 3 financial instruments are as follows:

	Derivative Instruments	Equity Instruments
Balance at January 1, 2021	\$ -	\$ 163,746
Recognized in other comprehensive income	<u>(2,260)</u>	<u>(2,415)</u>
Balance at March 31, 2021	<u>\$ (2,260)</u>	<u>\$ 161,331</u>
Balance at January 1, 2020	\$ 5,524	\$ 209,221
Recognized in other comprehensive income	<u>(80,781)</u>	<u>1,704</u>
Balance at March 31, 2020	<u>\$ (75,257)</u>	<u>\$ 210,925</u>

Because some financial instruments and nonfinancial instruments may not have their fair values disclosed, the total fair value disclosed herein is not the total value of the Group's collective instruments.

c. Categories of financial instruments

	March 31, 2021	December 31, 2020	March 31, 2020
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 257,820	\$ 274,761	\$ 567,970
Derivative financial assets for hedging	3,319,084	7,613,636	12,473
Financial assets at amortized cost (Note 1)	37,443,143	45,898,091	50,799,032
Financial assets at FVTOCI	161,331	163,746	210,925
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	-	-	5,075
Derivative financial liabilities for hedging	38,774,905	40,585,885	49,241,873
Financial liabilities at amortized cost (Note 2)	155,516,020	165,458,441	164,615,811

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits and other restricted financial assets.

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

d. Financial risk management objectives and policies

The Group has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest, exchange rates and fuel prices, the Group has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Group shareholders to reduce the impact of market price changes on earnings. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

In addition, the Group has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. This committee informs the Group of global economic and financial conditions, controls the entire financial risk resulting from changes in the financial environment and fuel prices, and develops the strategy and response to avoid financial risk with the assistance of financial risk experts to effect risk management.

1) Market risk

The Group is primarily exposed to the market risks of changes in foreign currency exchange rates, interest rates and fuel prices. The Group entered into derivative financial instruments to manage its exposure to those related risk.

The Group enters into forward contracts, fuel option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

The Group engages in ticket sales and purchase transactions which denominated in foreign currency, which exposed to risks on change in exchange rates. The Group uses forward contracts to manage risk within the scope of the Group's policy of management exchange rate risk.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar.

The following details the Group's sensitivity to increase and decrease in New Taiwan dollars (functional currency) against the relevant foreign currencies. U.S. dollars increase/decrease one dollar against New Taiwan dollars used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease one dollar against New Taiwan dollars change in foreign currency rates.

When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in pre-tax other comprehensive income gain and losses for the three months ended March 31, 2021 of \$271,676 thousand and \$1,237,102 thousand, respectively, and a decrease in pre-tax profit and increase in pre-tax other comprehensive income gain and loss for the three months ended March 31, 2020 of \$146,379 thousand and \$1,513,104 thousand, respectively.

The Group's hedging strategy is to enter into foreign exchange forward contracts to avoid exchange rate exposure of its foreign currency denominated receipts and payments and to manage exchange rate exposure of its aircraft prepayments in the next year. Those transactions are designated as cash flow hedges. When forecasted purchases actually take place, basis adjustments are made to the initial carrying amounts of hedged items.

For the hedges of highly probable aircraft prepayments, as the critical terms (i.e. the notional amount, useful life and underlying asset) of the foreign exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

The following table summarizes the information relating to the hedges of foreign currency risk. Please refer to Note 21 for rental contract for hedging.

March 31, 2021

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

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

December 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD127,906/ USD4,371	2021.1.8- 2021.11.9	28.5-29.7	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 3,513
Aviation fuel - forward exchange contracts	NTD/USD	NTD142,045/ USD5,000	2021.1.29- 2021.5.28	29.9-29.8	Financial assets for hedging - current/ liabilities for hedging - current	-	5,794

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars and aviation fuel) was \$(3,513) thousand and \$(5,794) thousand, respectively.

March 31, 2020

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD417,205 USD13,809	2020.4.21- 2021.3.5	29.5-30.8	Financial assets for hedging/liabilities for hedging	\$ 664	\$ 3,680
Aviation fuel - forward exchange contracts	NTD/USD	NTD755,287/ USD25,000	2020.4.30- 2021.1.29	29.6-30.7	Financial assets for hedging - current/ liabilities for hedging - current	2,482	3,769
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD2,265,861/ USD75,000	2020.11.4- 2020.12.4	29.6-30.5	Financial assets for hedging - current/ liabilities for hedging - current	8,707	7,111

The above mentioned hedging instruments applied hedging accounting. The book value of other equity which belongs to each hedging item (aircraft rentals, aviation fuel in U.S. dollars and aircraft prepayment) was \$(3,016) thousand, \$(1,287) thousand and \$1,596 thousand, respectively.

For the three months ended March 31, 2021

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

Note: Decrease in operating costs or foreign exchange loss.

For the three months ended March 31, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ 5,437	\$ 882	(Note)
Aviation fuel	8,874	(271)	
Aircraft prepayments	<u>19,904</u>	<u>-</u>	
	<u>\$ 34,215</u>	<u>\$ 611</u>	

Note: Decrease in operating costs or foreign exchange loss.

b) Interest rate risk

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

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

	March 31, 2021	December 31, 2020	March 31, 2020
Fair value interest rate risk			
Financial liabilities	\$ 67,774,114	\$ 68,883,667	\$ 86,097,609
Cash flow interest rate risk			
Financial liabilities	100,771,675	112,324,305	104,043,586

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A one yard (25 basis) point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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

Had interest rates increased one yard (25 basis points) and all other variables been held constant, the Group's pretax profit for the three months ended March 31, 2020 would have decreased by \$65,027 thousand.

c) Other price risk

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

March 31, 2021

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

Hedge accounting is continued to be applied to the abovementioned hedging instruments. The carrying amount of other equity which belongs to each hedging item (fuel payments) was \$2,260 thousand.

December 31, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	-	-	-	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ -

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments) was \$0.

March 31, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD75,257	2020.6.30-2020.12.31	USD49.65-USD78.50	Financial assets for hedging	\$ 620	\$ 75,877

Hedge accounting is continued to be applied to the abovementioned hedging instruments. The carrying amount of other equity which belongs to each hedging item (fuel payments) was \$(75,257) thousand.

For the three months ended March 31, 2021

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - fuel options	\$ 2,260	\$ - (Note)

Note: Increase in operating costs.

For the three months ended March 31, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - fuel options	\$ (80,781)	\$ (1,802) (Note)

Note: Increase in operating costs.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to fuel price risks at the end of the reporting period.

	For the Three Months Ended March 31			
	2021		2020	
	Pre-tax Profit Increase (Decrease)	Other Compre- hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre- hensive Income Increase (Decrease)
Fuel price increase 5%	\$ -	\$ (2,260)	\$ -	\$ (104,677)
Fuel price decrease 5%	-	(2,260)	-	(114,314)

2) Credit risk

The goal, policies and procedure of credit risk management are same as the consolidated financial statements for the year ended December 31, 2020. Related illustration can be referred to in Note 32.

3) Liquidity risk

The objective of the Group's management of liquidity is to maintain cash and cash equivalents sufficient for operating purposes, marketable securities with high liquidity and loan commitments that are sufficient to ensure that the Group has adequate financial flexibility.

	Unused Bank Loan Limit (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 20,694,327

Liquidity and interest rate risk table

The following table shows the remaining contractual maturity analysis of the Group's financial liabilities with agreed-upon repayment periods, which were based on the date the Group may be required to pay the first repayment and financial liabilities is evaluated based on undiscounted cash flows, including cash flows of interest and principal.

Bank loans with a repayment on demand clause were included in the second column of the table below regardless of whether or not the banks would choose to exercise early their rights to repayment. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates. The Group's liquidity analysis for its derivative financial instruments is also shown in the following table. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross cash inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves at the end of the reporting period.

March 31, 2021

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

December 31, 2020

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	1.1128	\$ 3,494,299	\$ 9,770,964	\$ 7,982,767
Floating interest rate liabilities	1.6269	26,195,346	60,977,026	17,175,894
Derivative instruments	3.0492	9,249,609	32,978,809	1,815,449
Bonds payable	2.4622	<u>12,531,511</u>	<u>9,303,608</u>	<u>1,280,778</u>
		<u>\$ 51,470,765</u>	<u>\$ 113,030,407</u>	<u>\$ 28,254,888</u>

March 31, 2020

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	2.4225	\$ 3,351,176	\$ 11,052,170	\$ 7,150,457
Floating interest rate liabilities	1.1232	3,923,432	11,165,529	14,363,237
Fixed interest rate liabilities	1.1368	12,100,000	35,000,000	-
Derivative instruments	3.1133	10,070,758	38,679,892	5,173,331
Bonds payable	1.0709	<u>7,329,913</u>	<u>19,360,504</u>	<u>3,335,338</u>
		<u>\$ 36,775,279</u>	<u>\$ 115,258,095</u>	<u>\$ 30,022,363</u>

32. TRANSACTIONS WITH RELATED PARTIES

The transactions between subsidiaries (obtain business) relationship with China Airlines, Ltd., remaining account balance, revenue and expense are eliminated when combined, which is not disclosed in the note. Unless otherwise stated, the transactions between the merged company and other business related parties are as follows:

- a. The related parties' names and relationships

<u>Name</u>	<u>Relationship with the Company</u>
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays	Associate
China Pacific Catering Services	Joint venture investment
China Pacific Laundry Services	Joint venture investment

(Continued)

Name	Relationship with the Company
Nordam Asia Ltd.	Joint venture investment
Delica International Co., Ltd.	Joint venture investment
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relative

(Concluded)

b. Operating income

Account Items	Related Party Type	For the Three Months Ended March 31	
		2021	2020
Other income	Major shareholders of the Company	<u>\$ 5,412</u>	<u>\$ 5,097</u>
	Associates	<u>\$ -</u>	<u>\$ 8</u>
	Joint venture investments	<u>\$ 4,690</u>	<u>\$ 10,415</u>

c. Purchases

Related Party Type	For the Three Months Ended March 31	
	2021	2020
Major shareholders of the Company	<u>\$ 12,510</u>	<u>\$ 11,417</u>
Associates	<u>\$ 92,634</u>	<u>\$ 77,664</u>
Joint venture investments	<u>\$ 61,201</u>	<u>\$ 330,901</u>

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

Related Party Type	March 31, 2021	December 31, 2020	March 31, 2020
Major shareholders of the Company	\$ 1,220	\$ -	\$ 169
Joint venture investments	<u>1,632</u>	<u>1,667</u>	<u>7,515</u>
	<u>\$ 2,852</u>	<u>\$ 1,667</u>	<u>\$ 7,684</u>

The receivables are not guaranteed, and there is no allowance for doubtful accounts related to accounts receivable - related parties. The payment period of such accounts was within 30 to 90 days, and there are no overdue payments.

e. Accounts payable - related parties (generated by operations)

Related Party Type	March 31, 2021	December 31, 2020	March 31, 2020
Major shareholders of the Company	\$ 2,816	\$ -	\$ -
Associates	38,687	52,187	35,607
Joint venture investments	<u>61,947</u>	<u>76,380</u>	<u>335,312</u>
	<u>\$ 103,450</u>	<u>\$ 128,567</u>	<u>\$ 370,919</u>

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

f. Leases

The Company has signed a lease contract with the China Aviation Industry Development Foundation for pilot trainings. The Company has leased the flight trainer and simulator, and the rental was calculated based on use hours. As of March 31, 2021 and 2020, the rental paid was \$12,510 thousand and \$11,417 thousand, respectively.

g. Endorsements and assurances

	March 31, 2021		December 31, 2020		March 31, 2020	
	Total Amount	Amount Used	Total Amount	Amount Used	Total Amount	Amount Used
<u>The Company</u>						
Cal Park	\$ 3,850,000	\$ 1,782,980	\$ 3,850,000	\$ 1,892,540	\$ 3,850,000	\$ 2,046,400
Taigerair Taiwan Co., Ltd.	2,671,771	266,577	2,656,591	265,062	2,825,136	482,322
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,366,500	2,000,000	1,336,000	2,000,000	1,301,327

h. Compensation of key management personnel

	For the Three Months Ended March 31	
	2021	2020
Short-term employee benefits	\$ 9,336	\$ 9,481
Post-employment benefits	<u>590</u>	<u>637</u>
	<u>\$ 9,926</u>	<u>\$ 10,118</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2021	December 31, 2020	March 31, 2020
Property, plant and equipment	\$ 33,316,314	\$ 34,170,076	\$ 29,067,660
Right-of-use assets	57,790,916	59,861,537	68,591,872
Restricted assets	<u>385,058</u>	<u>302,807</u>	<u>157,148</u>
	<u>\$ 91,492,288</u>	<u>\$ 94,334,420</u>	<u>\$ 97,816,680</u>

The above restricted assets included pledged time deposits and demand deposits due to loan agreements.

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

The Group had commitments and contingent liabilities (except for those mentioned in other notes) as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. The terminal expansion and improvements and the equipment installation and upgrade in the Taiwan Taoyuan International Airport cargo terminal and Kaohsiung cargo terminal were expected to be completed in the first 10 years of the COP. This construction project was approved by TACT's board of directors in 2003. TACT filed an application for a 10-year extension of the COP for the cargo terminals in the Taiwan Taoyuan International Airport and Kaohsiung International Airport and received the approval from the Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

However, TACT filed an arbitration in 2012 to revise the total amount of expenditure to \$6,840,000 thousand.

As of March 31, 2021, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo terminal expansion construction consultant contract	\$ 552,285
Bin Li Construction Co., Ltd., Taiwan	Cargo terminal expansion and enhancement construction	275,000
Trade-Van Information Services Co.	TACT warehouse management system integrated revision contract	30,000

As of March 31, 2021, the consultant service expense and construction equipment amounted to \$487,645 thousand (VAT included) and \$5,415,362 thousand (VAT included), respectively. Upon completion of the projects, the amounts of \$468,754 thousand (VAT included) and \$5,312,792 thousand (VAT included) were reclassified to property, plant and equipment. The remaining cumulative payments were recognized under construction in progress.

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

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

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

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

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

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

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

- c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery period of the eleven aircraft ranges from 2024 to 2026. As of March 31, 2021, the list price has been paid in the amount of US\$32,578 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand, for details please refer to Note 21.
- d. In July and August 2019, the Company signed a contract with the Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. The total list price of the six aircraft is US\$2,282,012 thousand, and the expected delivery periods are from 2020 to 2023. As of March 31, 2021, the list price had been paid in the amount of US\$118,090 thousand (recognized as prepayments for aircraft).
- e. In September 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery periods of the seven aircraft are from 2025 to 2027. As of March 31, 2020, the list price of the seven aircraft had been paid in the amount of US\$18,549 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of March 31, 2021, the list price had been paid in the amount of US\$2,988 thousand (recognized as prepayments for aircraft), for details please refer to Note 21.

35. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

Also, the Group received several relief measures such as government subsidy for operation and reduction on rent. For the three months ended March 31, 2021, because of the COVID-19 pandemic, the Group received subsidy of \$182,959 thousand for the airport landing fees and parking fees, etc. The subsidy for housing and land rental, and salary expenses of \$171,862 thousand was recognized as deduction from other income and expenses. The Group has obtained relief loan from the government. Refer to Note 19 for details on the amount of loan and its allocation.

Due to the recent pilot's infection, the Group has undergone contact tracing efforts, expands screening tests and fulfils other requirements to cooperate with the Central Epidemic Command Center. The Group has properly responded to and flexibly adjusted its flight schedules. Currently, the operation is mainly based on cargo flights, and passenger flights will be adjusted according to the status of crews' dispatch.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the entities in the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of Foreign Currencies)

March 31, 2021

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

(Continued)

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

December 31, 2020

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 702,507	28.4091	\$ 19,957,598
EUR	18,250	34.8432	635,899
HKD	344,577	3.6603	1,261,257
JPY	3,475,525	0.2750	955,769
RMB	560,252	4.3440	2,433,737

Financial liabilities

Monetary items			
USD	2,208,214	28.4091	62,733,383
EUR	6,513	34.8432	226,949
HKD	73,825	3.6603	270,223
JPY	3,725,514	0.2750	1,024,509
RMB	144,376	4.3440	627,168

March 31, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 584,082	30.2115	\$ 17,646,000
EUR	15,390	33.3333	512,983
HKD	194,538	3.9017	759,030
JPY	3,142,554	0.2787	875,837
RMB	498,926	4.2680	2,129,419
			(Continued)

<u>Financial liabilities</u>	Foreign Currencies	Exchange Rate	Carrying Amount
Monetary items			
USD	\$ 2,366,374	30.2115	\$ 71,491,698
EUR	7,851	33.3333	261,686
HKD	73,117	3.9017	285,280
JPY	5,050,494	0.2787	1,407,579
RMB	151,076	4.2680	644,794
			(Concluded)

For the three months ended March 31, 2021 and 2020, net foreign exchange losses were \$127,657 thousand and \$79,114 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. SEPARATELY DISCLOSED ITEMS

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
 - 1) Financing provided: Table 1 (attached)
 - 2) Endorsements/guarantees provided: Table 2 (attached)
 - 3) Marketable securities held: Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Acquisitions of individual real estate at costs or price of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estate at cost or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)
 - 10) Derivative financial transactions (Notes 7 and 31)
- b. Investments in mainland China: Table 7 (attached)
- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)
- d. Information of major shareholders: Table 9 (attached)

38. SEGMENT INFORMATION

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

For the three months ended March 31, 2021 and 2020, financial information of reportable segments is listed below:

	For the Three Months Ended March 31, 2021			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	<u>\$ 26,857,874</u>	<u>\$ 1,803,484</u>	<u>\$ (833,702)</u>	<u>\$ 27,827,656</u>
Operation profit and loss	<u>\$ (296,778)</u>	<u>\$ (151,484)</u>	<u>\$ (20,916)</u>	<u>\$ (469,178)</u>
Interest revenue				41,153
Investment income accounted for using the equity method				(81,674)
Revenue				54,816
Financial costs				(657,383)
Expenses				<u>(219,582)</u>
Gain before income tax				<u>\$ (1,331,848)</u>
Identifiable assets	<u>\$ 194,406,269</u>	<u>\$ 14,752,152</u>	<u>\$ (6,051,311)</u>	<u>\$ 203,107,110</u>
Investments accounted for using the equity method				1,889,627
Assets				<u>65,523,034</u>
Total assets				<u>\$ 270,519,771</u>

	For the Three Months Ended March 31, 2020			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	<u>\$ 31,322,443</u>	<u>\$ 2,133,654</u>	<u>\$ (898,967)</u>	<u>\$ 32,557,130</u>
Operation profit and loss	<u>\$ (2,890,908)</u>	<u>\$ (58,585)</u>	<u>\$ (21,363)</u>	<u>\$ (2,970,856)</u>
Interest revenue				88,300
Investment income accounted for using the equity method				(24,494)
Revenue				74,703
Financial costs				(820,672)
Expenses				<u>(153,463)</u>
Gain before income tax				<u>\$ (3,806,482)</u>
Identifiable assets	<u>\$ 203,751,681</u>	<u>\$ 15,794,670</u>	<u>\$ (6,347,490)</u>	<u>\$ 213,198,861</u>
Investments accounted for using the equity method				2,173,929
Assets				<u>79,863,403</u>
Total assets				<u>\$ 295,236,193</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE THREE MONTHS ENDED MARCH 31, 2021
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Y	\$ 100,000	\$ 100,000	\$ 57,143	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 144,951	\$ 289,903	

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	China Airlines (the "Company")	Cal Park Tigerair Taiwan Ltd.	100% subsidiary 75.86% subsidiary by direct and indirect holdings	\$ 11,269,752 11,269,752	\$ 3,850,000 2,671,771	\$ 3,850,000 2,671,771	\$ 1,782,980 266,577	- -	6.83 4.74	\$ 28,174,380 28,174,380	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% subsidiary	11,269,752	2,000,000	2,000,000	1,366,500	-	3.55	28,174,380	Yes	No	No

Note 1: Based on the Group's guidelines, the maximum amount of guarantee to an individual counter-party is up to 20% of the Group's shareholders' equity.

Note 2: Based on the Group's guidelines, the allowable aggregate amount of collateral guarantee is up to 50% of the Group's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2021

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

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	March 31, 2021				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Shares</u> Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at fair value through other comprehensive income - non-current	1,359,368	\$ 100,070	13.59	\$ 110,077	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at fair value through other comprehensive income - non-current	135,937	10,007	-	-	-
	Chung Hua Express Co.	-	Financial assets at fair value through other comprehensive income - non-current	1,100,000	31,843	11.00	31,843	-
	Jardine Air Terminal Services	-	Financial assets at fair value through profit or loss - current	12,000,000	-	15.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at fair value through profit or loss - current	4,021	-	0.02	-	-
Mandarin Airlines	<u>Shares</u> China Airlines	Parent company	Financial assets at fair value through other comprehensive income - non-current	2,074,628	31,638	-	31,638	-
Cal-Asia Investment	<u>Shares</u> Taikoo (Xiamen) Landing Gear Services	-	Financial assets at fair value through profit or loss - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at fair value through other comprehensive income - non-current	-	19,411	5.45	19,411	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u> Franklin Templeton SinoAm Money Market Fund	-	Financial assets at FVTPL - current	2,421,170	25,268	-	25,268	-
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	308,094	55,446	-	55,446	-
Taiwan Airport Services	<u>Shares</u> TransAsia Airways	-	Financial assets at fair value through profit or loss - current	2,277,786	-	0.40	-	-
Dynasty Aerotech International Corp.	<u>Beneficiary certificates</u> Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	349,523	4,773	-	4,773	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u> Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	5,407,832	86,281	-	86,281	-
	Prudential Financial Return Fund	-	Financial assets at FVTPL - current	4,493,628	70,949	-	70,949	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	1,106,807	15,103	-	15,103	-
Tigerair Taiwan Co., Ltd.	<u>Government bond</u> Treasury Bill (Philippines government bond)	-	Financial assets at amortized cost	-	1,663	Not applicable	1,663	-

(Continued)

Note 1: The subsidiary's net asset value was \$110,077 thousand, which included ordinary shares and preference shares as of and for the year ended March 31, 2021.

Note 2: The Company does not issue shares because it is a limited company.

Note 3: The table only lists financial assets that are IFRS 9 regulated.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Taiwan Air Cargo Terminal Taoyuan International Airport Service	Subsidiary Subsidiary	Purchase	\$ 180,267		30 days	\$ -	-	\$ (70,466)	(4.01)	-
			Purchase	263,337		40 days	-	-	(202,453)	(11.53)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

MARCH 31, 2021

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
China Pacific Catering Services	China Airlines	Parent company	\$ 107,373	Note	\$ -	-	\$ 107,373	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	202,453	5.04	-	-	119,213	-

Note: Accounts receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore, the turnover rate was not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars/U.S. Dollars/Hong Kong Dollars/Japanese Yen)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of March 31, 2021			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				March 31, 2021	December 31, 2020	Number of Shares	Percentage of Ownership	Carrying Amount			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	150,000,000	100.00	\$ 1,616,583	\$ 779	\$ 11,550	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	889,127	(355,601)	(334,230)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,615,887	110,654	59,754	-
	Cal-Dynasty International	Los Angeles, U.S.A.	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,186,712	(8,700)	(8,079)	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	630,774	(127,812)	(65,184)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	531,425	(145,434)	(71,263)	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	484,432	11,449	11,449	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	217,863	(15,990)	(15,020)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	20.00	250,420	(136,550)	(27,310)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	177,894	(48,483)	(22,957)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	489,950	(36,869)	(22,976)	Note 5
	Cal Hotel Co., Ltd	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	407,423	2,395	2,070	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	141,441	(14,386)	(7,912)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	146,698	10,050	10,068	Note 4
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	10,270	-	-	Note 4
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 20,400	160	20.00	4,485	(2,188)	(438)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	8,017	1,497	374	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	3,109,907	3,109,907	212,420,046	75.86	1,888,774	(549,353)	(416,761)	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	135,000,000	100.00	655,357	(44,442)	(44,435)	Note 4
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	36,952	(1,664)	(815)	-
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	5.51	137,224	(549,353)	(30,279)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	4,046	(48,483)	(522)	-
Cal-Asia Investment	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	53,979	8,126	2,844	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	381,945	8,354	8,354	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,871	-	-	-

Note 1: Adopted the treasury shares method in recognizing investment income or loss.

Note 2: Represents the consolidated financial information of the foreign holding company disclosed in accordance with local regulations.

Note 3: The Company does not issue shares because it is a limited company.

Note 4: Difference caused by lease arrangement between consolidated entities.

Note 5: Difference cause by acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2021
(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars)

China Airlines

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2021	Accumulated Inward Remittance of Earnings as of March 31, 2021
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,954 (RMB 254,480)	Indirect (Note 1)	\$ 119,599 (US\$ 4,186)	\$ -	\$ -	\$ 119,599 (US\$ 4,186)	\$ 38,499 (RMB 8,847)	14.00	\$ 5,518 (RMB 1,239)	\$ 244,408 (RMB 56,239)	\$ 101,045 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,843 (RMB 14,000)	Indirect (Note 1)	55,641 (US\$ 1,947)	-	-	55,641 (US\$ 1,947)	22,792 (RMB 5,238)	14.00	3,042 (RMB 733)	138,168 (RMB 31,793)	44,587 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,374,000 (US\$ 83,090)	Indirect (Note 1)	61,463 (US\$ 2,151)	-	-	61,463 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	333,229 (US\$ 11,663)	Indirect (Note 1)	18,171 (US\$ 636)	-	-	18,171 (US\$ 636)	-	5.45	-	19,411 (RMB 4,466)	10,186 (US\$ 357)

Accumulated Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$254,875 (US\$8,920)	\$621,443 (Note 3)	\$33,809,257 (Note 4)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2021	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2021	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of March 31, 2021	Accumulated Repatriation of Investment Income as of March 31, 2021
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,105,954 (RMB 254,480)	Indirect (Note 5)	\$ 114,810 (US\$ 4,018)	\$ -	\$ -	\$ 114,810 (US\$ 4,018)	\$ 38,499 (RMB 8,847)	14.00	\$ 5,390 (RMB 1,239)	\$ 242,913 (RMB 55,894)	\$ 129,747 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	60,843 (RMB 14,000)	Indirect (Note 5)	55,050 (US\$ 1,927)	-	-	55,050 (US\$ 1,927)	22,792 (RMB 5,238)	14.00	3,191 (RMB 733)	138,220 (RMB 31,804)	59,766 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2021	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$169,860 (US\$5,945)	\$169,860 (US\$5,945)	\$225,420 (Note 6)

Note 1: China Airlines, Ltd. the “Company” invested in Cal-Asia Investment, which, in turn, invested in a company located in mainland China.

Note 2: As of March 31, 2021, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

Note 3: The amount comprised US\$19,828,324, RMB4,200,000 and NT\$36,666,667.

Note 4: The limit stated in the Investment Commission’s regulation, “The Review Principle of Investment or Technical Cooperation in mainland China,” is the larger of the Company’s net asset value or 60% of the consolidated net asset value.

Note 5: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which in return, invested in a company located in mainland China.

Note 6: The RMB and U.S. dollar amounts of assets are translated at year-end rates and those of gains (losses), at the average of the year-end rates of refer for the reporting period.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2021

(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Taiwan Air Cargo Terminal	a	Other operating costs	\$ 180,267	The same as ordinary transactions	0.65
		Mandarin Airlines	a	Bonds payable - non-current	107,373	The same as ordinary transactions	0.04
		Taoyuan International Airport Service	a	Accounts payable - related parties	202,453	The same as ordinary transactions	0.73
		Taoyuan International Airport Service	a	Terminal and landing fees	263,337	The same as ordinary transactions	0.95
		Mandarin Airlines	a		125,000	The same as ordinary transactions	0.05
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	180,267	The same as ordinary transactions	0.65
2	Mandarin Airlines	China Airlines, Ltd.	b	Accounts payable - related parties	107,373	The same as ordinary transactions	0.04
		China Airlines, Ltd.	b	Financial assets at amortized cost	125,000	The same as ordinary transactions	0.05
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	263,337	The same as ordinary transactions	0.95
		China Airlines, Ltd.	b	Accounts receivable - related parties	202,453	The same as ordinary transactions	0.73

Note 1: Three kinds of business relationships between China Airlines, Ltd. and its subsidiaries were as follows:

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

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

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

TABLE 9**CHINA AIRLINES, LTD.****INFORMATION OF MAJOR SHAREHOLDERS
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	34.44
National Development Fund (NDF)	519,750,519	9.59

Note 1: The table presents information provided by the Taiwan Depository & Clearing Corporation on shareholders holding greater than 5% of the Company's ordinary shares that have completed the process of dematerialized registration and delivery as of the last business day for the current quarter. Number of shares in the consolidated financial report may differ from actual number of dematerialized securities that have completed the process of registration and delivery due to different basis of computation.

Note 2: If the shareholders transferred shares for trust, the accounts are disclosed separately by the principal who opened a trust account for the subcontractor. Insiders' shares of shareholders who held more than 10% of shares based on the laws and regulations of securities transaction include those held by the shareholders plus the shares for trust while the shareholders have controlling interest over trusted property. For the shareholder's rights in filing information of insiders, please refer to the Market Observation Post System website.