China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the
Nine Months Ended September 30, 2017 and 2016 and
Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and the Stockholders
China Airlines, Ltd.

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months ended and the nine months ended September 30, 2017 and 2016, and the statements of changes in equity and cash flows for the nine months ended September 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Notes 14 and 15 to the accompanying consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for by using the equity method were not reviewed. As of September 30, 2017 and 2016, the total combined assets of these non-significant subsidiaries were NT$15,206,985 thousand and NT$14,629,533 thousand, respectively, representing 6.81% and 6.76%, respectively, of the Group's total consolidated assets, and as of September 30, 2017 and 2016, the total combined liabilities of these subsidiaries were NT$6,130,646 thousand and NT$6,692,131 thousand, respectively, representing 3.73% and 4.27%, respectively, of the Group's total consolidated liabilities; and for the three months ended and the nine months ended September 30, 2017 and 2016, the combined comprehensive income of these subsidiaries were NT$239,617 thousand, NT$165,207 thousand, NT$631,803 thousand and NT$618,764 thousand, respectively, representing 7.78%, 32.52%, 61.56% and 32.41%, respectively, of the Group's consolidated total comprehensive income. As of September 30, 2017 and 2016, the aforementioned investments accounted for by using the equity method were NT$2,678,739 thousand and NT$2,809,980 thousand, respectively; and for the three months ended and the nine months ended September 30, 2017 and 2016, the Group's share of the profit of associates and joint ventures were NT$130,154 thousand, NT$138,821 thousand, NT$385,762 thousand and NT$397,508 thousand, respectively.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the financial statements of these non-significant subsidiaries and investments accounted for by using the equity method as described in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 5, 2017

<u>*Notice to Readers*</u>

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)

	September 30, 2017 (Reviewed)		December 31, 2016 (Audited)		September 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6, 19 and 32)	$ 25,848,493	12	$ 24,267,197	11	$ 22,192,084	10
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	279,822	-	416,641	-	437,847	-
Derivative financial assets for hedging - current (Notes 4, 5, 9 and 32)	18,880	-	58,449	-	7,017	-
Receivables:						
Notes and accounts, net (Notes 4, 5, 11 and 32)	8,297,352	4	8,353,785	4	7,154,355	3
Notes and accounts - related parties (Notes 32 and 33)	8,920	-	3,562	-	3,955	-
Other receivables (Note 32)	468,504	-	952,320	-	1,037,262	1
Current tax assets (Notes 4 and 29)	48,934	-	28,259	-	50,218	-
Inventories, net (Notes 4 and 12)	8,662,991	4	8,434,386	4	8,361,307	4
Noncurrent assets held for sale (Notes 4, 5 and 13)	494,686	-	185,100	-	121,406	-
Other assets - current (Notes 6 and 19)	3,282,388	1	4,638,502	2	4,032,780	2
Total current assets	47,410,970	21	47,338,201	21	43,398,231	20
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 32)	-	-	-	-	14,099	-
Derivative financial assets for hedging - noncurrent (Notes 4, 5, 9 and 32)	65	-	3,268	-	-	-
Financial assets carried at cost - noncurrent, net of current portion (Notes 10 and 32)	83,885	-	140,357	-	140,603	-
Investments accounted for by using the equity method (Notes 4 and 15)	2,678,739	1	2,866,431	1	2,809,980	1
Property, plant and equipment (Notes 4, 5, 16 and 34)	146,904,608	66	140,136,737	62	128,208,152	59
Investment properties (Notes 4 and 17)	2,075,693	1	2,075,903	1	2,075,972	1
Other intangible assets (Notes 4 and 18)	1,025,808	-	1,137,115	1	1,148,515	1
Deferred income tax asset (Notes 4, 5 and 29)	5,550,436	3	6,256,665	3	6,462,820	3
Other assets - noncurrent (Notes 19, 22, 32, 34 and 35)	17,544,598	8	24,546,082	11	32,313,108	15
Total noncurrent assets	175,863,832	79	177,162,558	79	173,173,249	80
TOTAL	$ 223,274,802	100	$ 224,500,759	100	$ 216,571,480	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 20)	$ 33,030	-	$ 135,000	-	$ 208,135	-
Short-term bills payable (Note 20)	10,000	-	900,000	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	13,360	-	-	-	5,419	-
Derivative financial liabilities for hedging - current (Notes 4, 5, 9 and 32)	46,558	-	20,854	-	237,253	-
Notes and accounts payable (Note 32)	638,453	-	869,712	-	1,486,299	1
Notes and accounts payable - related parties (Notes 32 and 33)	691,440	-	555,829	-	517,401	-
Other payable (Notes 23 and 32)	11,408,984	5	11,465,254	5	11,343,881	5
Current tax liabilities (Notes 4 and 29)	79,082	-	48,687	-	120,995	-
Provisions - current (Notes 4, 5, 25 and 32)	64,945	-	81,925	-	35,497	-
Deferred revenue - current (Notes 4, 5 and 24)	15,371,818	7	14,820,860	7	12,784,380	6
Bonds payable and put option of convertible bonds - current portion (Notes 4, 21, 27 and 32)	2,700,000	1	2,700,000	1	5,279,164	2
Loans and debts - current portion (Notes 20, 32 and 34)	27,740,345	13	32,268,540	14	27,949,134	13
Capital lease obligations - current portion (Notes 4, 22, 32 and 34)	1,755,615	1	1,284,001	1	1,457,957	1
Other current liabilities (Note 32)	3,714,231	2	3,455,062	2	3,291,300	2
Total current liabilities	64,267,861	29	68,605,724	30	64,716,815	30
NONCURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - noncurrent (Notes 4, 5, 7 and 32)	2,634	-	-	-	-	-
Derivative financial liabilities for hedging - noncurrent (Notes 4, 5, 9 and 32)	4,957	-	2,775	-	-	-
Bonds payable - noncurrent (Notes 4, 21, 27 and 32)	19,209,457	9	19,538,044	9	17,900,000	8
Loans and debts - noncurrent (Notes 20, 32 and 34)	62,088,579	28	56,962,187	25	53,278,932	25
Provisions - noncurrent (Notes 4, 5, 25 and 32)	8,559,375	4	7,408,229	3	7,096,907	3
Deferred tax liabilities (Notes 4 and 29)	194,929	-	273,610	-	302,914	-
Capital lease obligations - noncurrent (Notes 4, 22, 32 and 34)	725,832	-	3,645,304	2	4,098,317	2
Deferred revenue - noncurrent (Notes 4, 5 and 24)	1,801,082	1	1,808,903	1	1,802,227	1
Accrued pension costs (Notes 4, 5 and 26)	7,164,649	3	7,956,835	4	7,202,558	3
Other noncurrent liabilities	449,216	-	431,950	-	425,485	-
Total noncurrent liabilities	100,200,710	45	98,027,837	44	92,107,340	42
Total liabilities	164,468,571	74	166,633,561	74	156,824,155	72
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 27)						
Capital stock	54,709,846	24	54,708,901	25	54,708,901	25
Capital surplus	799,999	-	799,932	-	799,932	1
Retained earnings (accumulated deficits)						
Legal reserve	206,092	-	287,224	-	287,224	-
Special reserve	-	-	76,486	-	76,486	-
Unappropriated retained earnings (accumulated deficits)	950,198	1	(157,618)	-	1,802,594	1
Total retained earnings (accumulated deficits)	1,156,290	1	206,092	-	2,166,304	1
Other equity	(46,547)	-	112,264	-	(146,098)	-
Treasury stock	(43,372)	-	(43,372)	-	(43,372)	-
Total equity attributable to owners of the Company	56,576,216	25	55,783,817	25	57,485,667	27
NON-CONTROLLING INTERESTS (Note 27)	2,230,015	1	2,083,381	1	2,261,658	1
Total equity	58,806,231	26	57,867,198	26	59,747,325	28
TOTAL	$ 223,274,802	100	$ 224,500,759	100	$ 216,571,480	100

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

(With Deloitte & Touche review report dated November 5, 2017)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUES (Notes 4, 28 and 33)	$ 40,542,703	100	$ 36,552,871	100	$ 114,495,782	100	$ 105,386,860	100
COSTS (Notes 4, 9, 12, 19, 26, 28 and 33)	33,474,463	83	31,627,877	86	98,605,365	86	90,834,028	86
GROSS PROFIT	7,068,240	17	4,924,994	14	15,890,417	14	14,552,832	14
OPERATING EXPENSES (Notes 4, 26 and 28)	3,366,153	8	3,499,398	10	9,755,078	9	10,135,114	10
OPERATING PROFIT	3,702,087	9	1,425,596	4	6,135,339	5	4,417,718	4
NONOPERATING INCOME AND EXPENSES								
Other income (Notes 10 and 28)	131,867	1	181,036	-	435,203	1	582,686	1
Other gains and losses (Notes 9, 10, 13, 15, 16 and 28)	51,590	-	(418,914)	(1)	(3,944,936)	(3)	(1,543,317)	(1)
Finance costs (Notes 9 and 28)	(345,594)	(1)	(303,921)	(1)	(1,013,780)	(1)	(978,558)	(1)
Share of the profit of associates and joint ventures (Note 15)	130,154	-	138,821	-	385,762	-	397,508	-
Total nonoperating income and expenses	(31,983)	-	(402,978)	(2)	(4,137,751)	(3)	(1,541,681)	(1)
PROFIT BEFORE INCOME TAX	3,670,104	9	1,022,618	2	1,997,588	2	2,876,037	3
INCOME TAX EXPENSE (Notes 4, 5 and 29)	619,282	1	435,737	1	808,389	1	876,968	1
NET INCOME	3,050,822	8	586,881	1	1,189,199	1	1,999,069	2
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Notes 4 and 27)	3,491	-	(72,231)	-	(124,213)	-	(130,588)	-
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 27)	-	-	(637)	-	-	-	(8,934)	-
Cash flow hedges (Notes 4 and 27)	29,766	-	(16,623)	-	(71,854)	-	42,193	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 29)	(5,706)	-	10,568	-	33,196	-	7,658	-
Other comprehensive income (loss) for the year, net of income tax	27,551	-	(78,923)	-	(162,871)	-	(89,671)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 3,078,373	8	$ 507,958	1	$ 1,026,328	1	$ 1,909,398	2

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ 2,951,880	8	$ 513,429	2	$ 952,467	1	$ 1,807,768	2
Non-controlling interests	98,942	-	73,452	-	236,732	-	191,301	-
	$ 3,050,822	8	$ 586,881	2	$ 1,189,199	1	$ 1,999,069	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ 2,978,279	8	$ 441,067	1	$ 793,656	1	$ 1,727,953	2
Non-controlling interests	100,094	-	66,891	-	232,672	-	181,445	-
	$ 3,078,373	8	$ 507,958	1	$ 1,026,328	1	$ 1,909,398	2
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 30)								
Basic	$ 0.54		$ 0.09		$ 0.17		$ 0.33	
Diluted	$ 0.53		$ 0.09		$ 0.17		$ 0.32	

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

(With Deloitte & Touche review report dated November 5, 2017) (Concluded)

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											
			Retained Earnings									
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 54,708,901	$ 798,415	$ -	$ -	$ 2,872,235	$ 157,959	$ 1,755	$ (225,997)	$ (43,372)	$ 58,269,896	$ 2,286,647	$ 60,556,543
Change in unappropriated earnings from investments in associates and joint ventures accounted for by using the equity method	-	-	-	-	(1,638)	-	-	-	-	(1,638)	-	(1,638)
Difference between cost and net value of acquired subsidiaries	-	-	-	-	(3,536)	-	-	-	-	(3,536)	(4,548)	(8,084)
Appropriation of 2015 earnings												
Legal reserve	-	-	287,224	-	(287,224)	-	-	-	-	-	-	-
Special reserve	-	-	-	76,486	(76,486)	-	-	-	-	-	-	-
Cash dividends - $0.458522382 per share	-	-	-	-	(2,508,525)	-	-	-	-	(2,508,525)	-	(2,508,525)
Change in capital surplus from dividends distributed to subsidiaries	-	1,517	-	-	-	-	-	-	-	1,517	-	1,517
Net income for the nine months ended September 30, 2016	-	-	-	-	1,807,768	-	-	-	-	1,807,768	191,301	1,999,069
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	(107,804)	(2,359)	30,348	-	(79,815)	(9,856)	(89,671)
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	1,807,768	(107,804)	(2,359)	30,348	-	1,727,953	181,445	1,909,398
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(201,886)	(201,886)
BALANCE AT SEPTEMBER 30, 2016	$ 54,708,901	$ 799,932	$ 287,224	$ 76,486	$ 1,802,594	$ 50,155	$ (604)	$ (195,649)	$ (43,372)	$ 57,485,667	$ 2,261,658	$ 59,747,325
BALANCE AT JANUARY 1, 2017	$ 54,708,901	$ 799,932	$ 287,224	$ 76,486	$ (157,618)	$ 78,564	$ 1,714	$ 31,986	$ (43,372)	$ 55,783,817	$ 2,083,381	$ 57,867,198
Convertible bonds converted to common stock	945	131	-	-	-	-	-	-	-	1,076	-	1,076
Disposal of capital surplus of investments in associates accounted for by using the equity method	-	(64)	-	-	-	-	-	-	-	(64)	-	(64)
Compensation of deficits for 2016	-	-	(81,132)	(76,486)	157,618	-	-	-	-	-	-	-
Difference between cost and net value from acquiring subsidiaries	-	-	-	-	(2,269)	-	-	-	-	(2,269)	(46,118)	(48,387)
Net income for the nine months ended September 30, 2017	-	-	-	-	952,467	-	-	-	-	952,467	236,732	1,189,199
Other comprehensive loss for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	(99,208)	-	(59,603)	-	(158,811)	(4,060)	(162,871)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	952,467	(99,208)	-	(59,603)	-	793,656	232,672	1,026,328
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(39,920)	(39,920)
BALANCE AT SEPTEMBER 30, 2017	$ 54,709,846	$ 799,999	$ 206,092	$ -	$ 950,198	$ (20,644)	$ 1,714	$ (27,617)	$ (43,372)	$ 56,576,216	$ 2,230,015	$ 58,806,231

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

(With Deloitte & Touche review report dated November 5, 2017)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,997,588	$ 2,876,037
Adjustments to reconcile net cash generated from (used in) operating activities:		
Depreciation expenses	13,707,159	13,002,138
Amortization expenses	195,164	92,197
Bad-debt expenses	38,006	13,943
Net loss on fair value change of financial assets and liabilities held for trading	27,488	30,580
Interest income	(156,833)	(193,002)
Dividend income	(9,057)	(59,927)
Share of profit of associates and joint ventures	(385,762)	(397,508)
Gain on disposal of property, plant and equipment	(215)	(11,337)
Loss on disposal of financial assets measured at cost	-	346
(Gain) loss on disposal of noncurrent assets held for sale	(147,568)	26,429
Impairment loss on financial assets measured at cost	56,023	71,826
Loss on disposal of available-for-sale financial assets	-	12
Loss on disposal of investments accounted for by using the equity method	(119,739)	-
Loss on inventory and property, plant and equipment	601,565	357,667
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	3,692,410	138,335
Net (gain) loss on foreign currency exchange	(189,646)	(43,618)
Finance costs	1,013,780	978,558
Recognition of provisions	2,371,400	1,908,338
Amortization of unrealized gain on sale-leasebacks	(10,884)	(10,884)
Changes in operating assets and liabilities		
Financial assets held for trading	124,146	75,416
Derivatives financial assets for hedging	-	13,096
Notes and accounts receivable	(14,893)	186,095
Accounts receivable - related parties	(5,295)	(69,169)
Other receivables	351,722	45,003
Inventories	(554,836)	(210,303)
Other current assets	1,597,777	(152,009)
Notes and accounts payable	(435,870)	325,835
Accounts payable - related parties	295,765	134,720
Other payables	(177,870)	(997,371)
Deferred revenue	543,818	(383,111)
Provisions	(920,122)	(936,054)
Other current liabilities	270,548	(630,705)

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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 Nine Months Ended September 30	
	2017	**2016**
Accrued pension liabilities	$ (804,232)	$ (3,363,329)
Other liabilities	18,911	(15,358)
Cash generated from operations	22,970,448	12,802,886
Interest received	143,127	150,200
Dividends received	458,880	437,812
Interest paid	(1,057,576)	(956,914)
Income tax paid	(141,286)	(166,088)
Net cash generated from operating activities	22,373,593	12,267,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(6,711,221)	(6,625,710)
Proceeds from disposal of property, plant and equipment	80,840	17,948
Proceeds from disposal of available-for-sale financial assets	-	63
Proceeds from disposal of noncurrent assets held for sale	836,768	384,285
Proceeds from disposal of investments accounted for by using the equity method	380,850	-
Proceeds from disposal of financial assets measured at cost	-	5,579
Increase in refundable deposits	(158,364)	(276,592)
Decrease in refundable deposits	174,876	145,051
Increase in prepayments for equipment	(11,824,421)	(9,493,653)
Refund in prepayments for aircrafts	-	5,126,799
Increase in computer software costs	(83,936)	(231,034)
Decrease in restricted assets	1,362	474,589
Net cash used in investing activities	(17,303,246)	(10,472,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	120,000	115,000
Decrease in short-term loans	(225,000)	(80,000)
Decrease in short-term bills payable	(890,000)	(9,995)
Proceeds from issue of bonds payable	2,350,000	9,700,000
Repayments of bonds payable	(2,700,000)	(2,400,000)
Proceeds of long-term debts	21,247,000	19,430,500
Repayments of long-term debts and capital lease obligations	(23,096,592)	(27,007,433)
Proceeds of guarantee deposits received	122,192	84,851
Refund of guarantee deposits received	(86,715)	(54,633)
Proceeds from acquisition of subsidiaries' stocks	(48,387)	(8,084)
Dividends paid to owners of the Company	-	(2,508,525)
Cash dividends paid to non-controlling interests	(39,920)	(201,886)
Net cash used in financing activities	(3,247,422)	(2,940,205)

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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 Nine Months Ended September 30	
	2017	**2016**
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (241,629)	$ (154,017)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,581,296	(1,299,001)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24,267,197	23,491,085
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 25,848,493	$ 22,192,084

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

(With Deloitte & Touche review report dated November 5, 2017) (Concluded)

1. GENERAL INFORMATION

China Airlines, Ltd. (the "Company") was founded in 1959 and its stocks 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 and aviation equipment; and (f) leasing of aircrafts.

The major stockholders of the Company are the China Aviation Development Foundation ("CADF") and the National Development Fund ("NDF"), Executive Yuan. As of September 30, 2017, December 31, 2016 and September 30, 2016, CADF and NDF held a combined 43.63% of the Company's stock.

2. APPROVAL OF CONSOLIDATED 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 November 5, 2017.

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 (FSC) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed and issued into effect by the FSC

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies:

   1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which an impairment loss has been recognized or reversed is the fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendment should be applied retrospectively from January 1, 2017. Refer to Notes 13 and 16 for related disclosures.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Group, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Group has significant transactions. If the transactions or balance with a specific related party is 10% or more of the Group's respective total transactions or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions and the impairment of goodwill are enhanced. Refer to Note 33 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments" and related amendments

<u>Recognition, measurement and impairment of financial assets</u>

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Group analyzed the facts and circumstances of its financial assets that exist as of September 30, 2017 and performed a preliminary assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income, and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

IFRS 9 requires that impairment loss on financial assets is recognized by using the expected credit loss model. A credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since its initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since its initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

After performing a preliminary assessment on the approach the Group will apply, a simplified approach to recognize lifetime expected credit losses for trade receivables is implemented.

Hedge accounting

The main changes in hedge accounting were amendments of the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessments with the principle of economic relationships between the hedging instruments and the hedged items. A preliminary assessment on the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

2) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deductions against income of a specific type; in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group's assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences. In assessing deferred tax assets, the Group currently assumes it will recover the assets at their carrying amounts when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue" and IAS 11 "Construction Contracts".

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

In identifying performance obligations, IFRS 15 and the related amendment require that a good or service be distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items). The Group has performed a preliminary assessment whereby, under IFRS 15, the Group will allocate the transaction price to each performance obligation identified in a contract on a relative stand-alone selling price basis. Currently, the Group applies the residual value method to allocate the amount of revenue to be recognized.

Except for the above impact, as of the date the financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17"Insurance Contracts"	January 1, 2021
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

IFRS 16 "Leases

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2016.

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 Consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including special purpose entities).

Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When necessary, adjustments are made to the financial statements of subsidiaries, to ensure that subsidiaries' accounting policies are consistent with the Company.

All intra-group transactions, balances, income and expenses are written of in consolidation financial statement.

Non-controlling interests shall be presented in the consolidated balance sheets within equity and separately from the equity of the owners of the Company. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The proportion of ownership and main businesses of subsidiaries can be found in Note 14 and Table 6 following the notes to the consolidated financial statements.

Retirement 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.

Taxation

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

Material accounting judgments, estimates and assumptions adopted for these consolidated financial statements are equivalent to those adopted for the consolidated financial statements for the year ended December 31, 2016.

6. CASH AND CASH EQUIVALENTS

	September 30, 2017	December 31, 2016	September 30, 2016
Cash on hand and revolving funds	$ 408,046	$ 359,106	$ 438,192
Checking accounts and demand deposits	9,356,923	9,266,679	7,301,543
Cash equivalent			
Time deposits with original maturities of less than three months	12,037,496	3,698,109	5,667,223
Repurchase agreements collateralized by bonds	4,046,028	10,943,303	8,785,126
	$ 25,848,493	$ 24,267,197	$ 22,192,084

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

	September 30, 2017	December 31, 2016	September 30, 2016
Bank balance	0%-2%	0.05%-2%	0%-1.9%
Time deposits with original maturities of less than three months	0.59%-3.78%	0.13%-12.9%	0.3%-4.82%
Repurchase agreements collateralized by bonds	0.38%-1.66%	0.33%-1.40%	0.33%-0.95%

The amounts of time deposits with original maturities of more than three months as of September 30, 2017, December 31, 2016 and September 30, 2016 were $684,496 thousand, $1,267,927 thousand and $1,393,713 thousand, respectively, and the respective market rate intervals were 0.16%-1.065%, 0.16%-2.45% and 0.21%-2.45%, which were recognized as other current assets. (Refer to Note 19.)

The Group designated its time deposits with original maturities of less than three months and repurchase agreements collateralized by bonds as fair value hedges to hedge exchange rate exposure on its A350-900 aircraft purchase commitment. As of September 30, 2016, the book value of the hedging instruments was $6,666,667 thousand, and the gain on fair value changes due to the fluctuations of exchange rates in the amount of $191,121 thousand was recognized in profit or loss for the nine months ended September 30, 2016 with corresponding adjustments to prepayments for aircrafts.

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

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets held for trading - current			
Derivative financial instruments (not under hedge accounting)			
Foreign exchange forward contracts	$ -	$ 1,200	$ 1,010
Non-derivative financial assets			
Beneficial certificates	279,822	415,441	436,837
	$ 279,822	$ 416,641	$ 437,847

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
Financial liabilities held for trading			
Derivative financial instruments (not under hedge accounting) - foreign exchange forward contracts			
Current	$ 13,360	$ -	$ 5,419
Noncurrent	$ 2,634	$ -	$ -

(Concluded)

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

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2017			
Buy forward contracts	NTD/USD	2017.10.31-2019.01.31	NTD424,242/USD14,000
December 31, 2016			
Buy forward contracts	NTD/USD	2017.1.26	NTD32,258/USD1,000
September 30, 2016			
Buy forward contracts	NTD/USD	2016.10.14-2017.01.26	NTD263,323/USD8,400

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Noncurrent						
Domestic market						
TransAsia Airways	$ -	-	$ -	-	$ 14,099	-

On November 22, 2016, the board of the directors of TransAsia Airways ("TNA") resolved to dissolve TNA. Therefore, the Group recognized an impairment loss on its investment related to TNA. Furthermore, the Group recognized a full allowance for bad debts on the accounts receivable related to TNA.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2017	December 31, 2016	September 30, 2016
Derivative financial assets under hedge accounting			
Foreign exchange forward contracts	$ 18,945	$ 61,634	$ 6,818
Currency options	-	-	11
Fuel options	-	83	188
	$ 18,945	$ 61,717	$ 7,017
Current	$ 18,880	$ 58,449	$ 7,017
Noncurrent	65	3,268	-
	$ 18,945	$ 61,717	$ 7,017
Derivative financial liabilities under hedge accounting			
Interest rate swaps	$ -	$ 3,855	$ 6,914
Foreign exchange forward contracts	51,515	19,774	185,648
Currency options	-	-	44,684
Fuel options	-	-	7
	$ 51,515	$ 23,629	$ 237,253
Current	$ 46,558	$ 20,854	$ 237,253
Noncurrent	4,957	2,775	-
	$ 51,515	$ 23,629	$ 237,253

The Group determined the fair value of each derivative contract based on price quotes from financial institutions.

Cash Flow Hedges

a. Interest rate swaps

The Group entered into interest rate swap contracts to mitigate the risk of changes in interest rates on its cash flow exposure resulting from its outstanding floating rate debt. All interest rate swap contracts with fixed interest rates and floating interest rates are designated as cash flow hedges.

The outstanding interest rate swap contracts at the end of the reporting period were as follows:

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2016			
NT$2,500,000	2017.3.9-2017.6.22	1.01%-1.14%	TAIBOR Rate

(Continued)

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
September 30, 2016			
NT$3,000,000	2016.11.28-2017.6.22	1.01%-1.14%	TAIBOR Rate

(Concluded)

The interest rate swaps are settled on a quarterly basis. The Group will settle the difference between the fixed and floating interest rates on a net basis.

b. Currency options

The Group entered into currency options to minimize the risk of changes in foreign currency rates on its cash flow exposures related to fuel payments, which will be paid in U.S. dollars.

The outstanding currency options at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2016			
Buy USD call option	JPY/USD	2016.10.12-2016.12.19	JPY1,120,340/USD9,400
Sell USD put option	JPY/USD	2016.10.12-2016.12.19	JPY1,091,095/USD9,400

c. Fuel options

The Group used fuel options to minimize the risk of changes in fuel prices related to operating costs.

The outstanding fuel options at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2016			
Buy fuel call option	USD	2017.01.05-2017.02.08	NTD83
September 30, 2016			
Buy fuel call option	USD	2016.10.31-2017.01.31	NTD188
Sell fuel put option	USD	2016.10.31-2017.01.31	NTD7

Based on the Taiwan Stock Exchange's regulation for public companies' monthly declarations on the trading of derivative financial instruments, the contractual amounts are shown at the absolute values of their fair values because fuel option contracts only have notional amounts.

d. Foreign exchange forward contracts

The Group entered into foreign exchange forward contracts to minimize the risk of changes in foreign currency rates on its cash flow exposure related to fuel payments and aircraft leases, which will be paid in U.S. dollars.

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2017			
Buy forward contracts	NTD/USD	2017.10.2-2019.06.21	NTD5,807,515/USD191,720
December 31, 2016			
Buy forward contracts	NTD/USD	2017.1.3-2018.10.25	NTD5,381,178/USD167,078
September 30, 2016			
Buy forward contracts	NTD/USD	2016.10.03-2018.05.22	NTD5,933,347/USD189,180

Gains and losses of hedging instruments reclassified from equity to profit or loss were included in the following line items in the consolidated statements of comprehensive income:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Increase in operating costs	$ (14,491)	$ (20,777)	$ (35,419)	$ (336,674)
Increase in finance costs	-	(2,989)	(2,814)	(6,901)
Other foreign exchange gains (losses)	(5,810)	73,431	(22,138)	57,355
	$ (20,301)	$ 49,665	$ (60,371)	$ (286,220)

The amount of gains and losses on hedging instruments for the nine months ended September 30, 2017 and 2016 reclassified from profit or loss to prepayments for equipment was $103,369 thousand and $110,449 thousand, respectively.

The amount of gains and losses on hedging instruments for the three months ended September 30, 2017 and 2016 reclassified from profit or loss to prepayments for equipment was $12,831 thousand and $105,721 thousand, respectively.

10. FINANCIAL ASSETS CARRIED AT COST

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Unlisted common stocks						
Everest Investment Holdings Ltd.	$ 52,704	14	$ 52,704	14	$ 52,704	14
Jardine Aviation Service	-	15	56,023	15	56,023	15
Taikoo (Xiamen) Landing Gear Service Co., Ltd.	-	6	-	6	-	6

(Continued)

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Taikoo Spirt Aerospace Systems (Jin Jiang) Composite Co., Ltd.	$ 19,708	5	$ 20,157	5	$ 20,403	5
Chung Hwa Express Co.	11,000	11	11,000	11	11,000	11
	83,412		139,884		140,130	
Unlisted preferred stocks						
Everest Investment Holdings Ltd.	473	-	473	-	473	-
	$ 83,885		$ 140,357		$ 140,603	
Classified according to financial asset measurement categories						
Available-for-sale financial assets	$ 83,885		$ 140,357		$ 140,603	

(Concluded)

The Group recognized an impairment loss of $71,826 thousand in July 2016, because the value of Taikoo (Xiamen) Landing Gear Service Co., Ltd. permanently declined. Due to the permanent decrease in the value of Jardine Aviation Service held by the Group, the Group recognized an impairment loss of $56,023 thousand in June 2017, which was classified as other gains and losses.

On the reporting date, the above unlisted stock investments held by the Group were measured at cost after deducting impairment losses because their ranges of reasonable fair value estimates were significant and unable to be reasonably evaluated. Thus, the management considered their fair values unable to be measured.

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Notes receivable	$ 444,756	$ 525,797	$ 485,228
Accounts receivable			
Accounts receivable	8,074,845	8,019,386	6,791,152
Less: Allowance for impairment loss	(222,249)	(191,398)	(122,025)
	7,852,596	7,827,988	6,669,127
	$ 8,297,352	$ 8,353,785	$ 7,154,355

The average credit period on sales was 7 to 55 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit qualities of the accounts receivable since the dates credit was initially granted to the end of the reporting period, and the allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Group's past default experience with the respective counterparties and analyses of their current financial positions.

Movement in the allowance for impairment loss recognized as notes receivable and accounts receivables was as follow:

	For the Nine Months Ended September 30	
	2017	2016
Beginning balance	$ 191,398	$ 109,927
Impairment loss recognized on receivables	38,006	13,943
Amounts written off during current period	(7,058)	(2,098)
Amounts receivable during current period	(86)	-
Effects of exchange rate changes	(11)	253
Ending balance	$ 222,249	$ 122,025

12. INVENTORIES

	September 30, 2017	December 31, 2016	September 30, 2016
Aircraft spare parts	$ 8,034,146	$ 7,713,264	$ 7,666,251
Items for in-flight sale	558,467	553,327	529,406
Work in process - maintenance services	66,861	166,684	163,140
Others	3,517	1,111	2,510
	$ 8,662,991	$ 8,434,386	$ 8,361,307

The operating costs for the nine months ended September 30, 2017 and 2016 included losses from inventory write-downs of $325,686 thousand and $158,457 thousand, respectively. The operating costs for the three months ended September 30, 2017 and 2016 included losses from inventory write-downs of $100,968 thousand and $53,676 thousand, respectively.

13. NONCURRENT ASSETS HELD FOR SALE

	September 30, 2017	December 31, 2016	September 30, 2016
Aircrafts held for sale	$ 494,686	$ 185,100	$ 121,406

To enhance its competitiveness, the Company plans to introduce new aircrafts and retire old aircrafts according to a planned schedule. Such aircrafts, classified as noncurrent assets held for sale, had an original book value which was higher than the expected sale price and which was recognized as an impairment loss. However, the actual loss shall be identified by the actual sale price.

The Company recognized an impairment loss of $3,571,301 thousand and $138,335 thousand for the nine months ended September 30, 2017 and 2016, respectively. Some aircrafts completed the planned disposal procedures, and the Company recognized respective disposal gains and losses of $147,568 thousand and $(26,429) thousand for the nine months ended September 30, 2017 and 2016, respectively.

The Company recognized an impairment loss of $0 and $138,335 thousand for the three months ended September 30, 2017 and 2016, respectively. Some aircrafts completed the planned disposal procedures, and the Company recognized respective disposal gains of $82,544 thousand and $0 for the three months ended September 30, 2017 and 2016, respectively.

The related measurement of fair value is a Level 3 measure to which the second-hand market and the conditions of the aircrafts were referred.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)		
Investor Company	**Investee Company**	**Main Businesses and Products**	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
China Airlines, Ltd.	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investing	100	100	100
	Hwa Hsia	Cleaning of aircrafts and maintenance of machine and equipment	100	100	100
	Yestrip	Travel business	100	100	100
	Cal Park	Real estate leasing 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
	Mandarin Airlines	Air transportation and maintenance of aircrafts	94	94	94
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Dynasty Holidays	Travel business	51	51	51
	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
	Freighter Princess Ltd.	Aircraft leasing	-	100	100
	Freighter Prince Ltd.	Aircraft leasing	-	100	100
	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	100	90	90
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
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 investing	100	100	100

Note: Proportion of ownership is considered from the Group view.

The Group liquidated Freighter Princess Ltd. and Freighter Prince Ltd., because the lease contracts related to these subsidiaries expired.

The board of directors reached an agreement to purchase 10% of the stock of Tigerair Taiwan Co., Ltd., which was held by Roar Aviation III Pte. Ltd., in December 2016. The transaction was completed in January 2017.

The Company increased its investment in Taiwan Aircraft Maintenance and Engineering Co., Ltd., with a payment of $490,000 thousand and $100,000 thousand in April 2017 and October 2016, respectively, for the purpose of building hangars.

Each of the Company's holdings of the issued capital stock of Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express did not exceed 50%, but since the Company had control over these investees, they were listed as subsidiaries. The financial information for the nine months ended September 30, 2017 and 2016 of these subsidiaries was reported according to information that had not been independently reviewed, except for that of Mandarin Airlines and Tigerair Taiwan Co., Ltd.

The Group's holding of the issued capital stock of China Pacific Catering Services and China Pacific Laundry Services each exceeded 50%, yet the Group did not have control over the investees. For related information, refer to Note 15,b.

15. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	September 30, 2017	December 31, 2016	September 30, 2016
Investments in associates	$ 1,793,417	$ 2,060,403	$ 2,000,345
Investments in jointly controlled entities	885,322	806,028	809,635
	$ 2,678,739	$ 2,866,431	$ 2,809,980

a. Investments in associates

	September 30, 2017	December 31, 2016	September 30, 2016
Unlisted companies			
China Aircraft Services	$ 507,323	$ 515,051	$ 509,095
Kaohsiung Catering Services	274,504	267,371	253,363
Asian Compressor Technology Services	248,904	279,176	247,795
Science Park Logistics	-	257,928	248,254
Airport Air Cargo Terminal (Xiamen)	472,183	467,041	472,486
Airport Air Cargo Service (Xiamen)	246,760	230,888	227,641
Eastern United International Logistics (Holdings) Ltd.	43,743	42,948	41,711
	$ 1,793,417	$ 2,060,403	$ 2,000,345

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

	Proportion of Ownership and Voting Rights		
Name of Associate	**September 30, 2017**	**December 31, 2016**	**September 30, 2016**
China Aircraft Services	20%	20%	20%
Kaohsiung Catering Services	36%	36%	36%
Asian Compressor Technology Services	25%	25%	25%
Science Park Logistics	-	26%	26%
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 recognized investment income of associates accounted for by using the equity method were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
China Aircraft Services	$ 6,314	$ 10,865	$ 21,769	$ 40,986
Kaohsiung Catering Services	23,554	24,489	60,120	60,389
Asian Compressor Technology Services	31,402	27,327	69,365	78,434
Science Park Logistics	2,208	8,183	21,819	16,413
Airport Air Cargo Terminal (Xiamen)	4,889	6,713	15,265	12,690
Airport Air Cargo Service (Xiamen)	6,507	5,615	20,790	17,847
Eastern United International Logistics (Holdings) Ltd.	643	2,027	1,757	2,964
	$ 75,517	$ 85,219	$ 210,885	$ 229,723

In August 2017, the Group sold all of its holdings of Science Park Logistics to a non-related party, HCT Logistics Co., Ltd. The agreed upon price was $380,850 thousand, and a disposal gain of $119,800 thousand was recognized.

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
China Pacific Catering Services	$ 718,468	$ 638,980	$ 646,277
China Pacific Laundry Services	166,854	167,048	163,358
	$ 885,322	$ 806,028	$ 809,635

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		
	September 30, 2017	December 31, 2016	September 30, 2016
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%

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.

Details of the investment income attributable to investments in jointly controlled entitles were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
China Pacific Catering Services	$ 48,246	$ 48,001	$ 158,251	$ 152,786
China Pacific Laundry Services	6,391	5,601	16,626	14,999
	$ 54,637	$ 53,602	$ 174,877	$ 167,785

The investments accounted for by 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 have not been reviewed.

For information on the major businesses and products and the locations of registration for the major business offices of 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.

16. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2017	December 31, 2016	September 30, 2016
Cost			
Freehold land	$ 930,620	$ 965,174	$ 949,089
Buildings	13,743,554	13,104,983	13,140,658
Flight equipment	254,081,603	248,262,079	237,787,465
Equipment under finance leases	25,986,980	28,898,891	28,617,154
Machinery equipment	10,530,148	10,317,327	10,231,023
Office equipment	1,108,789	1,086,015	1,063,699
Leased assets	116,214	120,100	121,918
Leasehold improvements	4,031,728	3,958,811	3,947,134
Construction in progress	247,434	499,547	355,286
	$ 310,777,070	$ 307,212,927	$ 296,213,426
Accumulated depreciation and impairment			
Buildings	$ 6,134,770	$ 5,781,555	$ 5,713,459
Flight equipment	134,042,823	135,893,108	137,448,382
Equipment under finance leases	13,848,198	15,846,688	15,405,038
Machinery equipment	7,238,171	6,964,422	6,882,676
Office equipment	893,629	894,997	876,327
Leased assets	101,126	101,882	102,342
Leasehold improvements	1,613,745	1,593,538	1,577,050
	$ 163,872,462	$ 167,076,190	$ 168,005,274
Net value	$ 146,904,608	$ 140,136,737	$ 128,208,152

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
Cost						
Balance at January 1, 2016	$ 976,427	$ 13,140,158	$ 229,849,035	$ 28,087,404	$ 15,167,890	$ 287,220,914
Additions	-	49,441	5,026,019	777,700	772,550	6,625,710
Disposals	-	(1,981)	(2,754,814)	(247,950)	(218,261)	(3,223,006)
Reclassification	-	406	5,667,225	-	2,486	5,670,117
Net exchange differences	(27,338)	(47,366)	-	-	(5,605)	(80,309)
Balance at September 30, 2016	$ 949,089	$ 13,140,658	$ 237,787,465	$ 28,617,154	$ 15,719,060	$ 296,213,426
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ (5,355,804)	$ (128,953,990)	$ (14,201,904)	$ (9,080,350)	$ (157,592,048)
Depreciation expenses	-	(380,351)	(10,502,147)	(1,548,447)	(570,983)	(13,001,928)
Disposals	-	1,981	2,554,703	345,313	214,503	3,116,500
Reclassification	-	-	(546,948)	-	(5,349)	(552,297)
Net exchange differences	-	20,715	-	-	3,784	24,499
Balance at September 30, 2016	$ -	$ (5,713,459)	$ (137,448,382)	$ (15,405,038)	$ (9,438,395)	$ (168,005,274)
Cost						
Balance at January 1, 2017	$ 965,174	$ 13,104,983	$ 248,262,079	$ 28,898,891	$ 15,981,800	$ 307,212,927
Additions	-	705,740	4,431,993	1,300,854	272,634	6,711,221
Disposals	-	(5,917)	(2,647,394)	(279,416)	(266,327)	(3,199,054)
Reclassification	-	-	4,034,925	(3,933,349)	52,415	153,991
Net exchange differences	(34,554)	(61,252)	-	-	(6,209)	(102,015)
Balance at September 30, 2017	$ 930,620	$ 13,743,554	$ 254,081,603	$ 25,986,980	$ 16,034,313	$ 310,777,070
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ (5,781,555)	$ (135,893,108)	$ (15,846,688)	$ (9,554,839)	$ (167,076,190)
Depreciation expenses	-	(384,135)	(11,353,769)	(1,424,314)	(544,731)	(13,706,949)
Disposals	-	3,902	2,172,303	419,255	252,816	2,848,276
Reclassification	-	-	11,152,860	3,003,549	(5,199)	14,151,210
Net exchange differences	-	27,018	-	-	5,282	32,300
Impairment	-	-	(121,109)	-	-	(121,109)
Balance at September 30, 2017	$ -	$ (6,134,770)	$ (134,042,823)	$ (13,848,198)	$ (9,846,671)	$ (163,872,462)

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

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

(Continued)

Flight equipment and equipment under finance leases	
Airframes	15-25 years
Aircraft cabins	7-20 years
Engines	10-20 years
Heavy maintenance on aircrafts	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

(Concluded)

Regarding changes in fleet composition and the future retirement plan, the Group recognized impairment losses on aircraft equipment for the nine months ended September 30, 2017 of $121,109 thousand based on the difference between the recoverable amount of $320,000 thousand, which applied the fair value (Level 3), and the book value. The fair value was determined based on aircraft conditions and market estimates.

Refer to Note 34 for the carrying amounts of property, plant and equipment pledged by the Group. Based on the particularity of risk in the aviation industry, all of the Group's assets such as aircrafts, real estate, and movable property are adequately insured to diversify the potential risk related to operations.

17. INVESTMENT PROPERTIES

	September 30, 2017	December 31, 2016	September 30, 2016
Carrying amount			
Investment properties	$ 2,075,693	$ 2,075,903	$ 2,075,972

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

The fair value of the investment properties held by the Group are $2,506,230 thousand, $2,348,759 thousand and $2,348,759 thousand as of September 30, 2017, December 31, 2016 and September 30, 2016. The above amounts were evaluated by taking into account the report of an appointed real estate appraiser and the market transactions assessed by the Group's management.

18. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Accumulated Amortization	Net Value
Balance at January 1, 2016	$ 1,623,186	$ (613,508)	$ 1,009,678
Additions	231,034	-	231,034
Amortization expenses	-	(92,197)	(92,197)
Balance at September 30, 2016	$ 1,854,220	$ (705,705)	$ 1,148,515
Balance at January 1, 2017	$ 1,898,154	$ (761,039)	$ 1,137,115
Additions	83,936	-	83,936
Amortization expenses	-	(195,164)	(195,164)
Effects of exchange rate changes	-	(79)	(79)
Balance at September 30, 2017	$ 1,982,090	$ (956,282)	$ 1,025,808

The above other intangible asset was depreciated on a straight-line basis over 2-12 years.

19. OTHER ASSETS

	September 30, 2017	December 31, 2016	September 30, 2016
Current			
Other financial assets	$ 684,496	$ 1,267,927	$ 1,393,713
Temporary payments	441,662	355,003	1,137,769
Prepayments	1,701,622	2,429,741	1,206,491
Restricted assets	144,053	178,193	36,367
Others	310,555	407,638	258,440
	$ 3,282,388	$ 4,638,502	$ 4,032,780

The Group designated its time deposits with original maturities of more than three months, which were classified as other financial instruments, as cash flow hedges in order to hedge exchange rate exposure from the expenditure on aircraft rentals. The losses on the effective portion of the cash flow hedges, which were reclassified from equity to profit or loss for the three months ended September 30, 2017 and 2016 and amounted to $0 and $1,449 thousand, respectively, were classified as operating costs in the consolidated statements of comprehensive income. The losses on the effective portion of the cash flow hedges, which were reclassified from equity to profit or loss for the nine months ended September 30, 2017 and 2016 and amounted to $9,038 thousand and $1,449 thousand, respectively, were classified as operating costs in the consolidated statements of comprehensive income.

	September 30, 2017	December 31, 2016	September 30, 2016
Noncurrent			
Prepayments for aircrafts	$ 14,464,620	$ 20,942,278	$ 26,995,647
Prepayments - long-term	1,584,651	2,020,389	3,731,180
Refundable deposits	1,323,913	1,389,464	1,554,189
Restricted assets	161,394	144,835	8,536
Other financial assets	2,845	18,827	22,297
Others	7,175	30,289	1,259
	$ 17,544,598	$ 24,546,082	$ 32,313,108

The prepayments for aircrafts were the prepaid deposits and capitalized interest from the purchases of A350-900 and ATR 72-600 aircrafts. For the related stipulations of the contracts, refer to Note 35.

20. BORROWINGS

a. Short-term loans

	September 30, 2017	December 31, 2016	September 30, 2016
Bank loans - unsecured	$ 33,030	$ 135,000	$ 208,135
Interest rates	1.1%	1.51%-2%	1.11%-2.83%

b. Short-term and bills payable

	September 30, 2017	December 31, 2016	September 30, 2016
Commercial paper	$ 10,000	$ 900,000	$ -
Less: Unamortized discount on bills payable	-	-	-
	$ 10,000	$ 900,000	$ -
Annual discount rate	1.18%	0.758%	-

c. Long-term debts

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured bank loans	$ 28,504,833	$ 33,993,999	$ 30,732,418
Secured bank loans	32,849,057	18,100,914	16,290,334
Commercial paper			
Proceeds from issue	28,500,000	37,200,000	34,250,000
Less: Unamortized discount	(24,966)	(64,186)	(44,686)
	89,828,924	89,230,727	81,228,066
Less: Current portion	(27,740,345)	(32,268,540)	(27,949,134)
	$ 62,088,579	$ 56,962,187	$ 53,278,932

Secured bank loans were secured by freehold land, buildings, machinery equipment and flight equipment; refer to Note 34.

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

	Currency	
	New Taiwan Dollars	U.S. Dollars
Original currency		
September 30, 2017	$ 61,353,890	$ -
December 31, 2016	51,045,365	32,536
September 30, 2016	45,453,151	50,070

(Continued)

	Currency	
	New Taiwan Dollars	U.S. Dollars
Translated to New Taiwan dollars		
September 30, 2017	$ 61,353,890	$ -
December 31, 2016	51,045,365	1,049,548
September 30, 2016	45,453,151	1,569,601
Interest rates		
September 30, 2017	0.65%-1.82%	-
December 31, 2016	0.92%-2.27%	0.8539%-4.39%
September 30, 2016	0.55%-1.945%	0.8539%-4.39%
Periods		
September 30, 2017	2016.7.11-2029.6.29	-
December 31, 2016	2015.3.4-2029.2.4	2015.1.18-2017.9.21
September 30, 2016	2014.12.16-2029.2.4	2014.12.10-2017.9.21

(Concluded)

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities of up until February 2021, were used by the Group to guarantee issued commercial paper. As of September 30, 2017, December 31, 2016 and September 30, 2016, such commercial paper was issued at discount rates of 0.9983%-1.2897%, 1.0510%-1.4580% and 1.056%-1.4563%, respectively.

21. BONDS PAYABLE

	September 30, 2017	December 31, 2016	September 30, 2016
Unsecured corporate bonds first-time issued in 2013	$ 8,200,000	$ 10,900,000	$ 10,900,000
Unsecured corporate bonds first-time issued in 2016	4,700,000	4,700,000	4,700,000
Unsecured corporate bonds second-time issued in 2016	5,000,000	5,000,000	5,000,000
Unsecured corporate bonds first-time issued in 2017	2,350,000	-	-
Convertible bonds issued the fifth time	1,659,457	1,638,044	2,579,164
	21,909,457	22,238,044	23,179,164
Less: Current portion and put options of convertible bonds	(2,700,000)	(2,700,000)	(5,279,164)
	$ 19,209,457	$ 19,538,044	$ 17,900,000

The related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year private unsecured bonds - issued at par in January 2013; repayable in January 2017 and 2018; interest of 1.6% p.a., payable annually	2013.1.17-2018.1.17	Principal repayable in January of 2017 and 2018; indicator rate; payable annually	1.60
Seven-year private unsecured bonds - issued at par in January 2013; repayable in January 2019 and 2020; interest of 1.6% p.a., payable annually	2013.1.17-2020.1.17	Principal repayable in January of 2019 and 2020; indicator rate; payable annually	1.85
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; interest of 1.19% 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; interest of 1.08% p.a., payable annually	2016.9.27-2021.9.27	Principal repayable in May 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
Five-year convertible bonds - issued at discount in December 2013; repayable in lump sum upon maturity; discount rate of 1.8245% p.a.	2013.12.26-2018.12.26	Except if converted to capital stock or bought back, principal repayable in December of 2018	-

The Company issued its 2016 first unsecured corporate bonds 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 $300,000 thousand, which was eliminated from the consolidated financial statements.

The Company issued the fifth 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 100.75% of the face value on the third anniversary of the offering date. Because the holders can exercise selling rights on December 26, 2016, the Company reclassified the bonds payable to “current portion of bonds payable” in December 2015. The Company paid $994,705 thousand to the holders of the bonds payable who exercised the put options, and the difference between the payment amount and carrying amount recognized was a loss on the bonds payable buy-back, for which the Company reclassified the remaining face value to noncurrent assets.

c. The Company may redeem the bonds at face value between March 26, 2014 and November 16, 2018 under certain conditions.

d. Between January 26, 2014 and December 16, 2018 (except for the period between the ex-dividend date and the date of dividend declaration on record), holders may convert the bonds to the Company’s common stock. The initial conversion price was set at NT$12.24, which is subject to adjustment if there is a capital injection by cash, a stock dividend distribution, and the proportion of cash dividends per share at the market price exceeds 1.5%. Because the Company distributed cash dividends as of July 31, 2016, the conversion price was adjusted to NT$11.64, and corporate bonds with a face value of $3,316,800 thousand were converted to 270,985 thousand shares of common stock.

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 1.8245% per annum on initial recognition.

Proceeds from issuance	$ 6,000,000
Equity component	(518,621)
Liability component at the date of issuance	$ 5,481,379

On November 5, 2017, the Company's board of directors resolved to issue its 2017 second, five-year unsecured convertible bonds with a face value of $6,000,000 thousand and coupon value of 100%-100.5%.

22. LEASING

a. Sale-leaseback finance leases

	September 30, 2017	December 31, 2016	September 30, 2016
Minimum lease payments - flight equipment			
Within one year	$ 1,726,000	$ 1,254,000	$ 1,428,467
Beyond one year and within five years	670,000	3,562,000	4,007,783
Present value of minimum lease payments	$ 2,396,000	$ 4,816,000	$ 5,436,250
Interest rates	1.0617%-1.1317%	1.032%-1.098%	1.0672%-1.63%

The Group had leased A330-300 aircrafts, totaling 3 aircrafts, under sale-leaseback finance leases as of September 30, 2017. The lease terms started from June 2006 to April 2019. During the lease terms, the Group retained all risks and rewards attached to the aircrafts and engines and enjoyed the same substantive rights as those prior to the transactions. The interest rates underlying all obligations under these finance leases were floating. Therefore, the minimum lease payments under the sale-leaseback aircraft contracts do not include interest expenses.

b. Finance leases

Taiwan Air Cargo Terminal Co. ("TACT") entered into a terminal construction contract. Refer to Note 35 for the terms of the contract. Dynasty Holiday Co., Ltd. signed a long-term equipment lease contract, and the lease contract is a finance lease contract.

	September 30, 2017	December 31, 2016	September 30, 2016
Minimum lease payments - cargo terminal and other			
Within one year	$ 30,398	$ 30,131	$ 29,902
Beyond one year and within five years	57,400	85,244	92,885
	87,798	115,375	122,787
Less: Finance costs	(2,351)	(2,070)	(2,763)
Present value of minimum lease payments	$ 85,447	$ 113,305	$ 120,024

(Continued)

	September 30, 2017	December 31, 2016	September 30, 2016
Present value of minimum lease payments - cargo terminal and other			
Within one year	$ 29,615	$ 30,001	$ 29,490
Beyond one year and within five years	55,832	83,304	90,534
	$ 85,447	$ 113,305	$ 120,024
Discount rate	4.756%	4.756%	4.97%
Total amount of present value of minimum lease payments			
Current	$ 1,755,615	$ 1,284,001	$ 1,457,957
Noncurrent	725,832	3,645,304	4,098,317
	$ 2,481,447	$ 4,929,305	$ 5,556,274

(Concluded)

c. Operating lease arrangements (include sale-leaseback operating leases)

The Company, Mandarin Airlines, Tigerair Taiwan Co., Ltd. and Taiwan Air Cargo Terminal rented planes and hangars under various operating lease contracts expiring on various dates of up until May 2028. The Group does not have a bargain purchase option to acquire the leased planes and hangars at the expiration of the lease periods.

Of the rental rates stated in the aircraft lease agreements, some are fixed and some are floating. If the agreed-upon rental rate is floating and will be revised monthly or semiannually, then subleasing is not allowed for these lease arrangements. As of September 30, 2017, the Group has rented eleven A330-300 planes, fifteen B737-800 planes, ten 777-300ER planes, six ERJ190 planes and nine A320-200 planes under operating contracts for which the lease terms range from 6 to 12 years.

As of September 30, 2017, December 31, 2016 and September 30, 2016, the refundable deposits paid by the Group under operating lease contracts were $898,068 thousand, $982,988 thousand and $1,033,792 thousand, respectively. A part of the guarantees is secured by credit guarantees, and outstanding credit guarantees as of September 30, 2017, December 31, 2016 and September 30, 2016 were $1,415,923 thousand, $1,459,935 thousand and $1,379,874 thousand, respectively.

The future minimum lease payments for the non-cancelable operating lease commitments were as follows:

	September 30, 2017	December 31, 2016	September 30, 2016
Up to 1 year	$ 11,402,423	$ 10,431,969	$ 10,234,381
Over 1 year to 5 years	43,053,332	39,692,972	37,017,468
Over 5 years	31,376,924	33,360,179	36,484,496
	$ 85,832,679	$ 83,485,120	$ 83,736,345

The lease payments recognized in profit or loss for the current period were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Minimum lease payments	$ 2,891,306	$ 2,925,994	$ 8,631,115	$ 7,834,871

23. OTHER PAYABLES

	September 30, 2017	December 31, 2016	September 30, 2016
Fuel costs	$ 2,800,530	$ 2,664,944	$ 2,498,113
Ground service expenses	1,182,311	902,879	1,017,807
Repair expenses	1,058,017	968,371	966,679
Interest expenses	197,765	294,751	187,043
Short-term employee benefits	2,255,736	1,926,538	2,353,631
Terminal surcharges	739,944	748,070	751,942
Commission expenses	286,642	391,857	408,813
Others	2,888,039	3,567,844	3,159,853
	$ 11,408,984	$ 11,465,254	$ 11,343,881

24. DEFERRED REVENUE

	September 30, 2017	December 31, 2016	September 30, 2016
Frequent flyer program	$ 2,425,479	$ 2,427,565	$ 2,375,105
Advance ticket sales	14,747,421	14,202,198	12,211,502
	$ 17,172,900	$ 16,629,763	$ 14,586,607
Current	$ 15,371,818	$ 14,820,860	$ 12,784,380
Noncurrent	1,801,082	1,808,903	1,802,227
	$ 17,172,900	$ 16,629,763	$ 14,586,607

25. PROVISIONS

	September 30, 2017	December 31, 2016	September 30, 2016
Operating leases - aircrafts	$ 8,624,320	$ 7,490,154	$ 7,132,404
Current	$ 64,945	$ 81,925	$ 35,497
Noncurrent	8,559,375	7,408,229	7,096,907
	$ 8,624,320	$ 7,490,154	$ 7,132,404

	Aircraft Lease Contracts
Balance at January 1, 2016	$ 6,187,481
Additional provisions recognized	1,908,338
Usage	(936,054)
Effects of exchange rate changes	(27,361)
Balance at September 30, 2016	$ 7,132,404
Balance at January 1, 2017	$ 7,490,154
Additional provisions recognized	2,371,400
Usage	(920,122)
Effects of exchange rate changes	(317,112)
Balance at September 30, 2017	$ 8,624,320

The Group leased flight equipment under operating lease agreements. Under the contracts (some of the leased flight equipment's lease payments are calculated monthly), when the lease expires and the equipment is returned to the lessor, the flight equipment has to be repaired according to the expected years of use, number of flight hours, flight cycle and the number of engine revolutions. The Group had existing obligations to recognize provisions when signing a lease or during the lease term.

26. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rates as of December 31, 2016 and 2015.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Operating costs	$ 188,430	$ 151,143	$ 565,228	$ 452,338
Operating expenses	87,386	111,237	226,366	261,034
	$ 275,816	$ 262,380	$ 791,594	$ 713,372

27. EQUITY

a. Capital stock

Common stock

	September 30, 2017	December 31, 2016	September 30, 2016
Numbers of stock authorized (in thousands)	6,000,000	6,000,000	6,000,000
Amount of stock authorized	$ 60,000,000	$ 60,000,000	$ 60,000,000
Amount of stock issued	$ 54,709,846	$ 54,708,901	$ 54,708,901

For the nine months ended September 30, 2017, the Company issued the 5th domestic unsecured convertible bonds and the amount of $1,100 thousand convertible bonds holders apply for conversion, and the capital shares were exchanged 95 thousand and entitled to change registration after issuing new shares.

b. Capital surplus

	September 30, 2017	December 31, 2016	September 30, 2016
Issuance of stock in excess of par value and conversion premium	$ 552,696	$ 552,470	$ 552,470
Distribution of cash dividends to treasury stock held by subsidiaries	2,673	2,673	2,673
Employee stock options expired	11,747	11,747	11,747
Long-term investments	955	1,019	1,019
Bonds payable equity component	146,589	146,684	232,023
Others	85,339	85,339	-
	$ 799,999	$ 799,932	$ 799,932

The capital surplus from stock issued in excess of par (including additional paid-in capital from issuance of common stock and treasury stock 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 a yearly basis).

The capital surplus arising from long-term investments, employee stock options and the distribution of cash dividends to treasury stock held by subsidiaries may not be used for other purposes but to offset deficits. The capital surplus arising from stock 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") amended on June 24, 2016 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 stockholders' meeting for the distribution of dividends and bonuses to stockholders by cash or stock (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. If the Company has no deficit in a fiscal year, the Company can distribute all or part of the capital surplus by cash or stock with due consideration of finance, marketing and management requirements in accordance with the laws and regulations.

The distribution of profit surplus shall be approved in the annual stockholders' meeting held in the following year and shall be accounted for in that year.

1) Appropriation of earnings in 2015

The appropriation of earnings for 2015 was resolved in the stockholders' meeting on June 24, 2016. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 287,224	
Special reserve	76,486	
Cash dividends	2,508,525	$ 0.458522382

2) Appropriation of earnings in 2016

The legal reserve of $81,132 thousand and special reserve of $76,486 thousand used to offset deficits are subject to resolution by the shareholders in their meeting to be held on June 22, 2017.

When the Company distributes undistributed earnings for the years after 1998, except for non-ROC residents stockholders, all stockholders can receive an imputation tax credit calculated according to the Tax Deduction Ratio on the distribution date.

d. Others equity items

The movement of other equity items is as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total
Balance on January 1, 2016	$ 157,959	$ 1,755	$ (225,997)	$ (66,283)
Exchange differences on translating foreign operations	(127,828)	-	-	(127,828)
Unrealized gain (loss) on available-for-sale financial assets	-	(2,359)	-	(2,359)
Cumulative gain (loss) arising on changes in fair value of hedging instruments	-	-	(358,448)	(358,448)
Cumulative (loss) gain arising on changes in fair value of hedging instruments reclassified to profit or loss	-	-	396,032	396,032
Effect of income tax	20,024	-	(7,236)	12,788
Balance on September 30, 2016	$ 50,155	$ (604)	$ (195,649)	$ (146,098)

(Continued)

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Total
Balance on January 1, 2017	$ 78,564	$ 1,714	$ 31,986	$ 112,264
Exchange differences on translating the foreign operations	(118,908)	-	-	(118,908)
Cumulative loss on changes in fair value of hedging instruments	-	-	(244,526)	(244,526)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	172,714	172,714
Effects of income tax	19,700	-	12,209	31,909
Balance on September 30, 2017	$ (20,644)	$ 1,714	$ (27,617)	$ (46,547)

(Concluded)

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2017	2016
Beginning balance	$ 2,083,381	$ 2,286,647
Net income attributable to non-controlling interests	236,732	191,301
Exchange differences on translating foreign operations	(5,305)	(2,760)
Unrealized gain or loss on available-for-sale financial assets	-	(6,575)
Cumulative gain (loss) on changes in fair value of hedging instruments	(106)	2,523
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	64	2,086
Effects of income tax	1,287	(5,130)
Acquisition of non-controlling interests in subsidiaries	(46,118)	(4,548)
Dividends paid by subsidiaries	(39,920)	(201,886)
Ending balance	$ 2,230,015	$ 2,261,658

f. Treasury stock

Treasury stock are the Company's stock held by its subsidiaries as of September 30, 2017 and 2016 and are as follows:

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Reduction During the Year (Note)	Number of Shares, End of Year
Nine months ended September 30, 2017			
Company's stock held by its subsidiaries reclassified from investments in shares of stock to treasury stock	2,889	-	2,889
Nine months ended September 30, 2016			
Company's stock held by its subsidiaries reclassified from investments in shares of stock to treasury stock	2,889	-	2,889

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
September 30, 2017			
Mandarin Airlines	2,075	$ 23,443	$ 23,443
Hwa Hsia	814	9,200	9,200
		$ 32,643	$ 32,643
December 31, 2016			
Mandarin Airlines	2,075	$ 19,294	$ 19,294
Hwa Hsia	814	7,572	7,572
		$ 26,866	$ 26,866
September 30, 2016			
Mandarin Airlines	2,075	$ 19,398	$ 19,398
Hwa Hsia	814	7,612	7,612
		$ 27,010	$ 27,010

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

28. NET INCOME

a. Revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Passenger	$ 26,724,874	$ 25,267,766	$ 76,571,150	$ 72,814,244
Cargo	11,179,232	8,775,508	30,129,719	25,035,280
Others	2,638,597	2,509,597	7,794,913	7,537,336
	$ 40,542,703	$ 36,552,871	$ 114,495,782	$ 105,386,860

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest income	$ 59,515	$ 48,779	$ 156,833	$ 193,002
Subsidy income	8,532	9,991	34,928	110,376
Dividend income	3,069	54,182	9,057	59,927
Others	60,751	68,084	234,385	219,381
	$ 131,867	$ 181,036	$ 435,203	$ 582,686

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Gain (loss) on disposal of property, plant and equipment	$ (2,498)	$ 2,053	$ 215	$ 11,337
Gain (loss) on disposal of noncurrent assets held for sale	82,544	-	147,568	(26,429)
Net gain (loss) arising on financial assets classified as held for trading	787	(11,537)	(27,488)	(30,580)
Gain (loss) on disposal of investments	119,800	(358)	119,739	(358)
Gain (loss) on foreign exchange, net	33,825	(203,421)	(84,770)	(655,487)
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	-	(138,335)	(3,692,410)	(138,335)
Loss on financial assets carried at cost	-	(71,826)	(56,023)	(71,826)
Others	(182,868)	4,510	(351,767)	(631,639)
	$ 51,590	$ (418,914)	$ (3,944,936)	$ (1,543,317)

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Interest expense				
Bonds payable	$ 80,320	$ 73,557	$ 233,427	$ 212,798
Bank loans	252,626	209,386	735,276	700,832
Interest on obligations under financial leases	12,648	17,917	42,263	57,955
Loss on derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	-	2,989	2,814	6,901
Others	-	72	-	72
	$ 345,594	$ 303,921	$ 1,013,780	$ 978,558

Information of interest capitalization was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Capitalization interest	$ 46,301	$ 109,360	$ 175,217	$ 329,434
Capitalization rate	1.31%-1.37%	1.53%-1.62%	1.31%-1.41%	1.53%-1.73%

e. Depreciation and amortization expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Property, plant, equipment	$ 4,552,496	$ 4,389,125	$ 13,706,949	$ 13,001,928
Investment properties	70	70	210	210
Intangible assets	66,706	44,189	195,164	92,197
Depreciation and amortization expenses	$ 4,619,272	$ 4,433,384	$ 13,902,323	$ 13,094,335
An analysis of depreciation by function				
Operating costs	$ 4,382,636	$ 4,216,759	$ 13,202,026	$ 12,486,891
Operating expenses	169,930	172,436	505,133	515,247
	$ 4,552,566	$ 4,389,195	$ 13,707,159	$ 13,002,138

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
An analysis of amortization by function				
Operating costs	$ 141	$ 454	$ 141	$ 486
Operating expenses	66,565	43,735	195,023	91,711
	$ 66,706	$ 44,189	$ 195,164	$ 92,197

f. Employment benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Post-employment benefits				
Defined contribution plans	$ 123,268	$ 108,722	$ 358,836	$ 316,061
Defined benefit plans	275,816	262,380	791,594	713,372
	$ 399,084	$ 371,102	$ 1,150,430	$ 1,029,433
Other employee benefits				
Salary expenses	$ 5,208,110	$ 4,902,196	$ 14,877,120	$ 14,323,300
Personnel service expenses	1,364,674	1,310,920	4,065,845	3,810,497
	$ 6,572,784	$ 6,213,116	$ 18,942,965	$ 18,133,797
An analysis of employee benefits expense by function				
Operating costs	$ 5,825,101	$ 5,410,357	$ 16,694,579	$ 15,610,016
Operating expenses	1,146,767	1,173,861	3,398,816	3,553,214
	$ 6,971,868	$ 6,584,218	$ 20,093,395	$ 19,163,230

The Company distributes employees' compensation at rates of no less than 3% of net profit before income tax and employees' compensation. For the nine months ended September 30, 2017 and 2016, the employees' compensation was $50,030 thousand and $681,690 thousand, respectively, representing a certain percentage of the base net profit.

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 compensation and remuneration are 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.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2016 and 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

29. 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 September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Current tax				
Current year	$ 57,840	$ 57,455	$ 141,173	$ 163,947
Prior year adjustments	(1,247)	-	1,617	(116)
Deferred tax				
Current year	562,689	378,282	665,599	713,137
Income tax expense recognized in profit or loss	$ 619,282	$ 435,737	$ 808,389	$ 876,968

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	**2016**	**2017**	**2016**
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ (646)	$ 8,829	$ 20,980	$ 15,758
Fair value revaluation of hedging instruments for cash flow hedging	(5,060)	1,739	12,216	(8,100)
Total income tax benefit (expense) recognized in other comprehensive income	$ (5,706)	$ 10,568	$ 33,196	$ 7,658

c. Integrated income tax

	September 30, 2017	December 31, 2016	September 30, 2016
Imputation credit accounts	$ 195,252	$ 102,527	$ 128,967

The actual creditable tax ratio of the distribution of earnings for the year ended December 31, 2015 was 20.22%. The Company accumulated a deficit to be compensated for the year ended December 31, 2016, and therefore there was no tax deduction ratio resulting from its earnings distribution.

Under the Income Tax Law, for the distributions of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Company were calculated based on the creditable ratio as of the dates of each dividend distribution.

d. Income tax assessments

Except for the matters mentioned below, the income tax returns through the year 2014 of the Company and its subsidiaries have been examined by the tax authorities.

The income tax return of TACT for 2001 was assessed by the tax authorities. After a reinvestigation, an administrative appeal and administrative proceedings, the case was settled, and the amount of penalty assigned on June 8, 2017 was $59,501 thousand. TACT had recognized a sufficient provision for the fine, and the payment is expected to be made on schedule.

30. EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Basic earnings per share	$ 0.54	$ 0.09	$ 0.17	$ 0.33
Diluted earnings per share	$ 0.53	$ 0.09	$ 0.17	$ 0.32

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Earnings used in the computation of basic earnings per share	$ 2,951,880	$ 513,429	$ 952,467	$ 1,807,768
Effects of potentially dilutive common stock:				
Interest on convertible bonds (after tax)	6,257	11,573	18,485	34,718
Earnings used in the computation of diluted earnings per share	$ 2,958,137	$ 525,002	$ 970,952	$ 1,842,486

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Weighted average number of common stock in computation of basic earnings (losses) per share	5,468,018	5,468,002	5,468,007	5,468,002
Effects of potentially dilutive common stock:				
Convertible bonds	145,775	230,610	145,786	230,610
Employees' compensation or bonuses issued to employees	4,427	1,587	6,833	81,234
Weighted average number of common stock used in the computation of diluted earnings per share	5,618,220	5,700,199	5,620,626	5,779,846

If the Group offers to settle compensation or bonuses paid to employees in cash or stock, the Group assumes the entire amount of the compensation or bonuses would be settled in stock and the resulting potential stock were included in the weighted average number of stock outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effects of the potential stock was included in the computation of diluted earnings per share until the number of stock to be distributed to employees is resolved in the following year.

31. CAPITAL MANAGEMENT

The goals, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 31 in the Group's consolidated financial statements for the year ended December 31, 2016.

32. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

1) Financial instruments net evaluated at fair value

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Bonds payable	$ 21,909,457	$ 22,313,019	$ 22,238,044	$ 22,580,069	$ 23,179,164	$ 23,507,176
Loans and debts	89,828,924	93,842,980	89,230,727	91,315,640	81,228,066	81,279,447

Some long-term debts and capital lease obligations are floating-rate financial liabilities, so their carrying amounts are their fair values. As of September 30, 2017, December 31, 2016 and September 30, 2016, the fair values of long-term debts and private bonds with fixed interest rates were estimated at the present value of expected cash flows discounted at rates of 1.566%, 1.191% and 0.935%, respectively, prevailing in the market for long-term debts (Level 2). Fair values of bonds payable were the same as identical liabilities trading on the over-the-counter exchange and were based on quoted market prices (Level 1).

2) Financial instruments evaluated at fair value

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:

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

b) 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

c) 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 (i.e. unobservable inputs).

September 30, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 279,822	$ -	$ -	$ 279,822
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 15,994	$ -	$ 15,994
Derivative financial assets for hedging	$ -	$ 18,945	$ -	$ 18,945
Derivative financial liabilities for hedging	$ -	$ 51,515	$ -	$ 51,515

December 31, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 1,200	$ -	$ 1,200
Domestic money market funds	415,441	-	-	415,441
	$ 415,441	$ 1,200	$ -	$ 416,641
Derivative financial assets for hedging	$ -	$ 61,634	$ 83	$ 61,717
Derivative financial liabilities for hedging	$ -	$ 23,629	$ -	$ 23,629

September 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 1,010	$ -	$ 1,010
Domestic money market funds	436,837	-	-	436,837
	$ 436,837	$ 1,010	$ -	$ 437,847
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 5,419	$ -	$ 5,419
Available-for-sale financial assets				
Domestic listed securities	$ 14,099	$ -	$ -	$ 14,099

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging	$ -	$ 6,818	$ 199	$ 7,017
Derivative financial liabilities for hedging	$ -	$ 192,562	$ 44,691	$ 237,253

(Concluded)

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

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

Financial Instruments	Valuation Techniques and Inputs
Derivatives	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.

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

The fair values of foreign exchange forward contracts and fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuations. Changes in the implied fluctuations used in isolation would result in an increase or decrease in the fair values of the foreign exchange forward contracts and fuel options.

Because the individual fair values of some financial instruments and non-financial instruments need not be disclosed, the total fair value disclosed is not the total value of the Group's financial and non-financial instruments.

c. Categories of financial instruments

	September 30, 2017	December 31, 2016	September 30, 2016
Financial assets			
Financial assets at FVTPL	$ 279,822	$ 416,641	$ 437,847
Available-for-sale financial assets (Note 3)	83,885	140,357	154,702
Derivative financial assets for hedging	18,945	61,717	7,017
Loans and receivables (Note 1)	36,939,970	36,576,111	33,402,758
Financial liabilities			
Financial liabilities at FVTPL	15,994	-	5,419
Derivative financial liabilities for hedging	51,515	23,629	237,253
Financial liabilities at amortized cost (Note 2)	136,774,434	136,575,661	123,293,645

Note 1: The balance of loans and receivables measured at amortized cost comprised cash and cash equivalents, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits, other financial assets and other restricted financial assets.

Note 2: The balance of financial liabilities measured at amortized cost comprised short-term loans, short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable and long-term loans, capital lease obligations, provisions, parts of other current liabilities, parts of other noncurrent liabilities and guarantee deposits.

Note 3: The balance of available-for-sale financial assets comprised financial assets measured at cost.

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 in fuel prices, the Group has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Group's stockholders to reduce the impact of market price changes on earnings. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

The Group is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

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

a) Foreign currency risk

The Group enters into currency options to hedge against the risks of changes in the related exchange rates and enters into foreign exchange forward contracts to hedge against the risks of changes in the related exchange rates of foreign-currency assets, liabilities and commitments.

<u>Sensitivity analysis</u>

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

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

When the New Taiwan dollar increases one dollar against the U.S. dollar and all other variables are held constant, there would be a decrease in pre-tax profit at the end of September 30, 2017 of $35,020 thousand and a decrease in pre-tax profit at the end of September 30, 2016 of $140,444 thousand.

b) Interest rate risk

The Group enters into interest rate swap contracts to hedge against the risks of changes in interest rates on the net liability portions of borrowings. The risk is managed by the Group through 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 liabilities with exposure to interest rates at the end of the reporting period were as follows.

	September 30, 2017	**December 31, 2016**	**September 30, 2016**
Fair value interest rate risk			
Financial liabilities	$ 23,952,487	$ 26,093,421	$ 23,725,660
Cash flow interest rate risk			
Financial liabilities	90,310,371	91,339,655	86,445,979

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities 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 been one yard (25 basis points) higher and had all other variables been held constant, the Group's pre-tax profit for the nine months ended September 30, 2017 would have decreased by $169,332 thousand. Had interest rates increased one yard (25 basis points) and had all other variables been held constant, the Group's pre-tax profit for the nine months ended September 30, 2016 would have decreased by $162,086 thousand.

c) Other price risk

The Group was exposed to fuel price risk on its purchases of aviation fuel. The Group enters into fuel options to hedge against adverse risks from fuel price changes.

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 Nine Months Ended September 30			
	2017		2016	
	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)
Fuel price increases 5%	$ -	$ -	$ -	$ 180
Fuel price decreases 5%	-	-	-	(180)

2) Credit risk

The goal, policies and procedure of credit risk management are same as those disclosed in the consolidated financial statement for the year ended December 31, 2016, with the related illustration found in Note 32.

3) Liquidity risk

The goal, policies and procedures of liquidity risk management are the same as those disclosed in the consolidated financial statement for the year ended December 31, 2016, with the related illustration found in Note 32.

33. RELATED-PARTY TRANSACTIONS

The balances and transactions between the Company and its subsidiaries, including remaining account balances, revenue and expense, have been eliminated upon consolidation and are not disclosed in this note. Unless otherwise stated, the transactions between the Group and other related parties are as follows:

a. Related parties' names and relationships

Name	Relationship with the Company
Kaohsiung Catering Services	Associate
Science Park Logistics	Associate (disposal in August 2017)
Asian Compressor Technology Services	Associate
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
China Pacific Catering Services	Joint venture investment
China Pacific Laundry Services	Joint venture investment
China Aviation Development Foundation	Director of the Company and major stockholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relatives

b. Operating income

Account Items	Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2017	2016	2017	2016
Other income	Major stockholder of the Company	$ 9,373	$ 6,203	$ 25,142	$ 23,182
	Associate	$ 386	$ 439	$ 1,621	$ 1,743
	Joint venture investment	$ 10,444	$ 3,634	$ 35,455	$ 10,447

c. Purchases

Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Major stockholder of the Company	$ 21,405	$ 14,027	$ 56,695	$ 51,669
Associate	$ 203,646	$ 159,276	$ 529,058	$ 489,490
Joint venture investment	$ 477,352	$ 405,836	$ 1,405,931	$ 1,190,934

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

Related Party Type	September 30, 2017	December 31, 2016	September 30, 2016
Major stockholder of the Company	$ 3,041	$ 1,512	$ 2,138
Associate	196	501	2
Joint venture investment	5,683	1,549	1,815
	$ 8,920	$ 3,562	$ 3,955

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

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

Related Party Type	September 30, 2017	December 31, 2016	September 30, 2016
Major stockholder of the Company	$ 6,765	$ 3,503	$ 4,604
Associate	143,435	120,824	100,354
Joint venture investment			
China Pacific Catering Services	520,139	411,698	393,224
Others	21,101	19,804	19,219
	$ 691,440	$ 555,829	$ 517,401

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

f. Leases of properties (operating leases)

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, and the Company paid the rental based on usage hours. As of September 30, 2017 and 2016, the Company paid rentals of $56,695 thousand and $51,669 thousand, respectively; for the three months ended September 30, 2017 and 2016, the Company's paid rentals amounted to $21,405 thousand and $14,027 thousand.

g. Endorsements and guarantees

	September 30, 2017		December 31, 2016		September 30, 2016	
	Authorized Amount	Amount Used	Authorized Amount	Amount Used	Authorized Amount	Amount Used
The Company						
Cal Park	$ 3,850,000	$ 2,750,000	$ 3,850,000	$ 2,783,000	$ 3,850,000	$ 2,780,000
Taiwan Air Cargo Terminal	1,080,000	338,249	1,080,000	436,418	1,080,000	456,056
Cal Hotel Co., Ltd.	180,000	-	180,000	-	180,000	1,586
Tigerair Taiwan Co., Ltd.	1,068,500	412,150	919,742	438,740	893,793	426,362

h. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 10,118	$ 11,677	$ 34,110	$ 38,608
Post-employment benefits	946	9,944	2,897	11,467
	$ 11,064	$ 21,621	$ 37,007	$ 50,075

The remuneration of directors and key executives was determined by the remuneration committee with regard to the performance of individuals and market trends.

34. PLEDGED ASSETS

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

	September 30, 2017	December 31, 2016	September 30, 2016
Property, plant and equipment	$ 82,269,516	$ 77,847,771	$ 86,827,242
Restricted assets	305,447	323,028	44,903
	$ 82,574,963	$ 78,170,799	$ 86,872,145

35. COMMITMENTS AND CONTINGENT LIABILITIES

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

a. In January 2008, the Company entered into a contract to buy fourteen A350-900 aircrafts from Airbus, with the option to buy six more A350-900 aircrafts, with aggregate purchase prices of US$3,933,235 thousand and US$1,802,645 thousand, respectively. The expected period of delivery of the aircrafts was from 2016 to 2018. As of September 30, 2017, eight of the aircrafts had been handed over to the Company, and the total list price of the remaining six aircrafts was US$1,713,782 thousand, which has been paid in the amount of US$414,058 thousand (recognized as prepayments for aircrafts).

b. For operation needs, the board of directors of Mandarin Airlines resolved to enter into a contract to buy six ATR72-600 aircrafts, and the total list price of the six aircrafts was $120,000 thousand. The expected delivery period ranges from June 2018 to June 2020. Additionally, Mandarin Airlines signed a lease contract for three ATR72-600 aircrafts, which are expected to be delivered on November 2017, and has been paid in the amount of US$1,800 thousand (recognized as prepayments for aircrafts).

c. Tigerair Taiwan Co., Ltd. entered into four lease contracts for a total of four A320-200 aircrafts, each with a 10-year lease term, on July, November and December 2015. Three of the four aircrafts were delivered in January and June 2016. The expected delivery date of the remaining aircrafts will be in December 2017.

d. 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 the CAA to TACT. 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 approval from the Taoyuan Airport Corporation and the CAA in July 2013 and July 2015, respectively.

   The total expenditure of the main construction project mentioned above was $6,840,000 thousand. As of September 30, 2017, TACT had signed the following construction contracts with non-related parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo Terminal Expansion Construction Consultant Contract	$ 552,285

   As of September 30, 2017, the accumulated consulting services expense and construction equipment amounted to $464,642 thousand and $5,028,095 thousand, respectively. Upon completion of the projects, the amounts of $460,273 thousand and $5,021,711 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 acquisitions and subsequent equipment acquisitions and replacements 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%.

e. 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 to this contract. The contract is effective for 50 years (consisting of the development stage and operation period) from the contract date. Three years before the contract expiry date, CAL Park is the first with the 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 services and related industries adhering to the base and essential services laws and approved by the Taoyuan Airport Corporation.

   CAL Park shall pay land rental 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 shall 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 shall include the land value added tax plus the necessary maintenance fees; in the operation period, rental is 60% of the amount based on the National Building Land Rental Standard plus land value tax, value-added tax and the necessary maintenance fees.

   During the 50 years beginning from the initial operation date of CAL Park to the end of the construction period, CAL Park shall 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 shall pay additional royalties at 10% of this excess.

   CAL Park shall 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 asset transfer contract 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 shall remove all related buildings and equipment within three months after the expiry date.

f. Taiwan Aircraft Maintenance Company contracted out Ronggong Engineering Co., Ltd. for a construction repair project. The contract expiration date is June 15, 2018, and the estimated total cost of the project is $1.906 billion. As of September 30, 2017, $165,865 thousand was paid (recognized as construction in progress).

g. The Group has been named as a defendant, together with other airline members of the Association of Asia Pacific Airlines, in a civil class action lawsuit filed at the U.S. Northern District Court of California by a group of passengers who alleged that there was an antitrust violation in December 2007. The Company has duly answered the complaint and will explore favorable solutions.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 396,180	30.3030	$ 12,005,435
EUR	14,374	35.7143	513,353
HKD	257,365	3.8790	987,104
JPY	5,482,202	0.2689	1,474,154
RMB	576,214	4.5393	2,615,605
Financial liabilities			
Monetary items			
USD	326,989	30.3030	9,908,749
EUR	5,489	35.7143	196,024
HKD	94,824	3.8790	366,914
JPY	4,849,975	0.2689	1,304,153
RMB	143,832	4.5393	652,896

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 310,384	32.2581	$ 10,012,403
EUR	15,665	34.0136	532,807
HKD	273,060	4.1580	1,135,385
JPY	5,138,687	0.2770	1,423,417
RMB	483,548	4.6425	2,244,088
Financial liabilities			
Monetary items			
USD	259,145	32.2581	8,359,536
EUR	6,512	34.0136	221,486
HKD	94,831	4.1580	394,306
JPY	4,442,045	0.2770	1,230,446
RMB	137,773	4.6425	639,614

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 434,535	31.3480	$ 13,621,811
EUR	13,559	35.2113	477,431
HKD	202,420	4.0420	818,185
JPY	2,893,598	0.3099	896,729
RMB	632,396	4.6992	2,979,025
Financial liabilities			
Monetary items			
USD	83,408	31.3480	2,616,827
EUR	1,535	35.2113	54,030
HKD	27,097	4.0420	110,014
JPY	250,087	0.3099	77,438
RMB	59,872	4.6992	282,913

For the three months ended September 30, 2017 and 2016, net foreign exchange gain (losses) were $33,825 thousand and $(203,421) thousand, respectively; and for the nine months ended September 30, 2017 and 2016, net foreign exchange losses were $84,770 thousand and $655,487 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 group entities.

37. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:

1) Financing provided: None

2) Endorsements/guarantees provided: Table 1 (attached)

3) Marketable securities held: Table 2 (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: Table 3 (attached)

5) Acquisitions of individual real estate at costs or prices of at least NT$100 million or 20% of the paid-in capital: None

6) Disposals of individual real estate at costs or prices of at least NT$100 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 4 (attached)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 5 (attached)

9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)

10) Derivative financial transactions (Notes 7 and 9)

b. Investments in mainland China: Table 7 (attached)

c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)

38. SEGMENT INFORMATION

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 Group's sole reportable segment is its flight segment. For operating segment reporting in the consolidated financial statements, the reportable segment of the Group and its subsidiaries comprises the flight and the non-flight business departments. The accounting policies applied for reportable segments are consistent with the policies aforementioned in Note 4.

	For the Nine Months Ended September 30, 2017			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 113,397,815	$ 5,861,685	$ (4,763,718)	$ 114,495,782
Operating profit and loss	$ 5,402,690	$ 732,649	$ -	$ 6,135,339
Interest revenue				156,833
Investment income accounted for by using the equity method				385,762
Revenue				463,344
Finance costs				(1,013,780)
Expenses				(4,129,910)
Profit before income tax				$ 1,997,588
Identifiable assets	$ 140,095,339	$ 8,884,962	$ -	$ 148,980,301
Investments accounted for by using the equity method				2,678,739
Assets				71,615,762
Total assets				$ 223,274,802

	For the Nine Months Ended September 30, 2016			
	Air Transportation	**Others**	**Adjustments and Write-offs**	**Total**
Operating revenue	$ 104,254,198	$ 5,883,493	$ (4,750,831)	$ 105,386,860
Operating profit and loss	$ 3,546,085	$ 871,633	$ -	$ 4,417,718
Interest revenue				193,002
Investment income accounted for by using the equity method				397,508
Revenue				332,601
Finance costs				(978,558)
Expenses				(1,486,234)
Profit before income tax				$ 2,876,037
Identifiable assets	$ 121,298,921	$ 8,985,203	$ -	$ 130,284,124
Investments accounted for by using the equity method				2,809,980
Assets				83,477,376
Total assets				$ 216,571,480

TABLE 1

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counterparty		Limits on Each Counterparty's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Property, Plant, or Equipment Pledged as Collateral	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, Ltd. (the "Company")	Cal Park	100% owned subsidiary	$ 11,315,243	$ 3,850,000	$ 3,850,000	$ 2,750,000	-	6.80	$ 28,288,108	Y	N	N
		Taiwan Air Cargo Terminal	54% owned subsidiary	11,315,243	1,080,000	1,080,000	338,249	-	1.91	28,288,108	Y	N	N
		Cal Hotel Co., Ltd.	100% owned subsidiary	11,315,243	180,000	180,000	-	-	0.32	28,288,108	Y	N	N
		Tigerair Taiwan Co., Ltd.	100% owned subsidiary by way of direct and indirect holdings	11,315,243	1,079,101	1,068,500	412,150	-	1.89	28,288,108	Y	N	N

Note 1: Based on the Group's guidelines, the maximum amount of guarantee provided to an individual counterparty is 20% of the Group's stockholders' equity.

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2017
(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	September 30, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines, Ltd.	Stock							
(the "Company")	Everest Investment Holdings Ltd. - common stock	-	Financial assets carried at cost - noncurrent	1,359,368	$ 52,704	13.59	$ 60,230	Note 1
	Everest Investment Holdings Ltd. - preferred stock	-	Financial assets carried at cost - noncurrent	135,937	473	-	-	Note 1
	Chung Hua Express Co.	-	Financial assets carried at cost - noncurrent	1,100,000	11,000	11.00	22,304	-
	Jardine Air Terminal Services	-	Financial assets carried at cost - noncurrent	12,000,000	-	15.00	(1,949)	-
Mandarin Airlines	Stock							
	China Airlines, Ltd.	Parent company	Available-for-sale financial assets - current	2,074,628	23,443	-	23,443	-
	Beneficial certificates							
	Barclays America Bonds Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	30,406	-	30,406	-
Cal-Asia Investment	Stock							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets carried at cost - noncurrent	-	-	5.83	(49,321)	-
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets carried at cost - noncurrent	-	19,708	5.45	24,530	-
Sabre Travel Network (Taiwan)	Beneficial certificates							
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,005,106	51,362	-	51,362	-
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,021,023	61,083	-	61,083	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	180,589	32,000	-	32,000	-
	Allianz Global Investors Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,018,291	50,000	-	50,000	-
Taiwan Airport Services	Stock							
	TransAsia Airways	-	Available-for-sale financial assets - noncurrent	2,277,786	-	0.40	-	-
	Beneficial certificates							
	Fuh Hwa Emerging Market Short-term Income Fund	-	Financial assets at fair value through profit or loss - current	4,568,824	50,276	-	50,276	-
Hwa Hsia	Stock							
	China Airlines, Ltd.	Parent company	Available-for-sale financial assets - current	814,152	9,200	-	9,200	-
	Beneficial certificates							
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	349,523	4,695	-	4,695	-

Note 1: The subsidiary's net asset value was $60,230 thousand, which included common stocks and preferred stocks as of and for the year ended December 31, 2016.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition (Note 3)		Disposal (Note 3)				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
China Airlines, Ltd.	Stock													
	Science Park Logistics	Investments accounted for by using the equity method	HCT Logistics Co., Ltd.	Non-related party	-	$ -	-	$ -	-	$ -	$ -	$ -	-	$ -
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Investments accounted for by using the equity method	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	-	-	-	-	-	-	-	-	-	-

Note 1: The marketable securities in this table refer to stocks, bonds, beneficial certificates and the securities derived from the above items.

Note 2: Marketable securities which are recognized as investments accounts for by using the equity method are required to be filled in the second column.

Note 3 The cumulative amount of acquired and disposed of marketable securities are required to be calculated separately to determine whether they are at least NT$300 million or 20% of the paid-in capital.

Note 4 Paid-in capital refers to paid-in capital of the indicated parent company. If the stocks issued by an issuer have no par value or a par value other than NT$10 per share, the threshold of 20% of paid-in capital, as set out in the preceding item, shall be replaced by 10% of equity attributable to owners of the indicated parent company, as stated in the respective balance sheet.

TABLE 4

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 NINE MONTHS ENDED SEPTEMBER 30, 2017
(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	Subsidiary	Purchase	$ 345,903	0.38	30 days	$ -	-	$ (42,351)	(2.38)	-
	Hwa Hsia	Subsidiary	Purchase	250,924	0.28	2 months	-	-	(59,512)	(3.35)	-
	Taiwan Airport Service	Subsidiary	Purchase	277,355	0.31	40 days	-	-	(64,961)	(3.65)	-
	Cal Park	Subsidiary	Purchase	171,120	0.19	2 months	-	-	(54,302)	(3.05)	-
	Mandarin Airlines	Subsidiary	Sale	(1,885,476)	(1.84)	2 months	-	-	575,810	6.56	-
	Mandarin Airlines	Subsidiary	Purchase	106,957	0.12	2 months	-	-	(282,344)	(15.87)	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(235,752)	(0.23)	1 month	-	-	25,186	0.29	-
	China Pacific Catering Services	Equity-method investee	Purchase	1,316,288	1.46	90 days	-	-	(520,139)	(29.24)	-
	Kaohsiung Catering Services	Equity-method investee	Purchase	255,965	0.28	60 days	-	-	(78,511)	(4.41)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	880,780	0.98	40 days	-	-	(188,998)	(10.63)	-
	China Aircraft Services	Equity-method investee	Purchase	151,850	0.17	30 days	-	-	(52,392)	(2.95)	-
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	111,687	0.12	1 month	-	-	(9,241)	(0.50)	-
Tigerair Taiwan Co., Ltd.	Taoyuan International Airport Service	Same parent company	Purchase	110,264	2.59	30 days	-	-	(14,877)	(0.36)	-

Note: Intercompany transactions were written off in the consolidated financial statements.

TABLE 5

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2017
(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 Airlines, Ltd. (“China Airlines”)	Mandarin Airlines	Subsidiary	$ 575,810	Note	$ -	-	$ 302,192	$ -
Mandarin Airlines	China Airlines, Ltd.	Parent company	282,344	Note	-	-	260,017	-
China Pacific Catering Services	China Airlines, Ltd.	Parent company	520,139	3.77	-	-	152,715	-
Taoyuan International Airport Service	China Airlines, Ltd.	Parent company	188,998	4.58	-	-	183,175	-

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 INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2017			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2017	December 31, 2016	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate leasing and international trade	$ 1,500,000	$ 1,500,000	150,000,000	100.00	$ 1,519,234	$ 6,555	$ 6,555	-
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircrafts	2,042,368	2,042,368	188,154,025	93.99	1,336,490	225,605	212,046	Note 1
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,327,691	121,847	65,798	-
	Cal-Dynasty International	Los Angeles, California, U.S.A.	A holding company, real estate and hotel services	US$ 26,145	US$ 26,145	2,614,500	100.00	1,196,919	28,351	28,351	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	718,468	310,296	158,251	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	741,837	234,506	114,908	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investing	US$ 7,172	US$ 7,172	7,172,346	100.00	460,070	19,559	19,559	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	408,116	138,750	130,336	-
	China Aircraft Service	Hong Kong	Airport services	HK$ 58,000	HK$ 58,000	28,400,000	20.00	507,323	108,845	21,769	-
	Asian Compressor Technology Services	Taoyuan, Taiwan	Research, manufacture and maintenance of engines	77,322	77,322	7,732,200	24.50	248,904	283,122	69,365	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	267,579	82,836	39,223	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	140,240	140,240	14,329,759	35.78	274,504	168,027	60,120	-
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	419,834	32,459	32,459	-
	Science Park Logistics	Tainan, Taiwan	Storage and customs of services	-	214,745	-	0.00	-	83,919	21,819	
	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	166,854	30,230	16,626	-
	Hwa Hsia	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	82,113	10,578	10,578	Note 1
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	26,166	702	702	-
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 20,400	JPY 20,400	408	51.00	26,537	(4,450)	(2,269)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,019	5,205	1,301	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircrafts	1,648,387	1,600,000	180,000,000	90.00	850,195	496,931	446,478	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	650,000	160,000	65,000,000	100.00	558,030	(42,099)	(42,099)	Note 4
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircrafts	200,000	200,000	20,000,000	10.00	94,466	496,931	49,693	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	6,086	82,836	892	
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	43,743	5,020	1,757	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investing	US$ 5,877	US$ 5,877	-	100.00	359,229	17,551	17,551	Note 3

Note 1: The treasury stock method was adopted in recognizing investment income or loss.

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

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

Note 4: Taiwan Aircraft Maintenance and Engineering Co., Ltd. invested capital in the amount of $490,000 thousand in April 2017.

TABLE 7

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars, Unless Stated Otherwise)

China Airlines, Ltd.

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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2017	Accumulated Inward Remittance of Earnings as of September 30, 2017
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,018,974 (RMB 224,480)	Indirect (Note 1)	$ 126,848 (US$ 4,186)	$ -	$ -	$ 126,848 (US$ 4,186)	$ 56,488 (RMB 12,585)	14.00	$ 7,842 (RMB 1,762)	$ 236,960 (RMB 52,202)	$ 84,901 (US$ 2,802) (Note 4)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	63,550 (RMB 14,000)	Indirect (Note 1)	59,013 (US$ 1,947)	-	-	59,013 (US$ 1,947)	76,101 (RMB 16,955)	14.00	10,682 (RMB 2,374)	123,542 (RMB 27,216)	26,525 (US$ 875) (Note 4)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	1,117,879 (US$ 36,890)	Indirect (Note 1)	65,188 (US$ 2,151)	-	-	65,188 (US$ 2,151)	-	5.83	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	353,424 (US$ 11,663)	Indirect (Note 1)	19,273 (US$ 636)	-	-	19,273 (US$ 636)	-	5.45	-	19,708 (RMB 4,342)	-
Shanghai Eastern Aircraft Maintenance	Aircraft line maintenance	93,939 (US$ 3,100)	Indirect (Note 2)	7,515 (US$ 248)	-	-	7,515 (US$ 248)	-	8.00	-	-	-
Shanghai Eastern United International	Forwarding of air cargo and ocean freight	30,303 (US$ 1,000)	Indirect (Note 3)	5,197 (US$ 172)	-	-	5,197 (US$ 172)	-	-	-	-	-

Accumulated Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$283,034 (US$9,340)	$656,590 (Note 5)	$35,283,739 (Note 6)

(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, 2017	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of September 30, 2017	Accumulated Repatriation of Investment Income as of September 30, 2017
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,018,974 (RMB 224,480)	Indirect (Note 7)	$ 124,485 (US$ 4,108)	$ -	$ -	$ 124,485 (US$ 4,108)	$ 56,488 (RMB 12,585)	14.00	$ 7,423 (RMB 1,762)	$ 235,223 (RMB 51,820)	$ 115,333 (US$ 3,806)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	63,550 (RMB 14,000)	Indirect (Note 7)	58,394 (US$ 1,927)	-	-	58,394 (US$ 1,927)	76,101 (RMB 16,955)	14.00	10,108 (RMB 2,374)	123,218 (RMB 27,145)	42,636 (US$ 1,407)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$182,879 (US$6,035)	$182,879 (US$6,035)	$339,065 (Note 6)

Note 1: The Company invested in Cal-Asia Investment, which, in turn, invested in a company located in mainland China.

Note 2: The Company invested in China Aircraft Services, which, in turn, invested in a company located in mainland China.

Note 3: Cal-Asia Investment invested in Eastern United International Logistics (Holdings), which, in turn, invested in a company located in mainland China. The investee company was disposed of, and the Company is preparing for its declaration to the Investment Commission.

Note 4: The inward remittance of earnings as of September 30, 2017 amounted to NT$2,801,749 and US$875,330.

Note 5: The amount comprised US$19,828,324, RMB4,200,000 and NT$36,666,667.

Note 6: 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 Group's consolidated net asset value.

Note 7: Taiwan Airport Services invested in Taiwan Airport Services (Samoa), which, in return, invested in a company located in mainland China.

Note 8: The RMB and U.S. dollar amounts of assets are translated at year-end rates, and those of gains and losses are translated at the average of the period-end rates for each reporting period.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Mandarin Airlines	a	Passenger revenue	$ 1,643,957	The same as ordinary transactions	1.44
	China Airlines, Ltd.	Mandarin Airlines	a	Other operating revenue	241,519	The same as ordinary transactions	0.21
	China Airlines, Ltd.	Tigerair Taiwan Co., Ltd.	a	Other operating revenue	235,752	The same as ordinary transactions	0.21
	China Airlines, Ltd.	Taoyuan International Airport Services	a	Airport service cost	880,780	The same as ordinary transactions	0.77
	China Airlines, Ltd.	Taiwan Airport Service	a	Airport service cost	277,355	The same as ordinary transactions	0.24
	China Airlines, Ltd.	Hwa Hsia	a	Airport service cost	250,924	The same as ordinary transactions	0.22
	China Airlines, Ltd.	Mandarin Airlines	a	Passenger cost	106,957	The same as ordinary transactions	0.09
	China Airlines, Ltd.	Taiwan Air Cargo Terminal	a	Other operating costs	345,903	The same as ordinary transactions	0.30
	China Airlines, Ltd.	Cal Park	a	Other operating costs	171,120	The same as ordinary transactions	0.15
	China Airlines, Ltd.	Cal Hotel Co., Ltd.	a	Other operating costs	111,687	The same as ordinary transactions	0.10
	China Airlines, Ltd.	Mandarin Airlines	a	Accounts receivable - related parties	575,810	The same as ordinary transactions	0.26
	China Airlines, Ltd.	Mandarin Airlines	a	Accounts payable - related parties	282,344	The same as ordinary transactions	0.13
	China Airlines, Ltd.	Taoyuan International Airport Services	a	Accounts payable - related parties	188,998	The same as ordinary transactions	0.08
	China Airlines, Ltd.	Mandarin Airlines	a	Bonds payable	250,000	The same as ordinary transactions	0.11
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	345,903	The same as ordinary transactions	0.30
2	Mandarin Airlines	China Airlines, Ltd.	b	Passenger revenue	106,957	The same as ordinary transactions	0.09
	Mandarin Airlines	China Airlines, Ltd.	b	Passenger cost	1,643,957	The same as ordinary transactions	1.44
	Mandarin Airlines	China Airlines, Ltd.	b	Operating expenses	241,519	The same as ordinary transactions	0.21
	Mandarin Airlines	China Airlines, Ltd.	b	Accounts receivable - related parties	282,344	The same as ordinary transactions	0.13
	Mandarin Airlines	China Airlines, Ltd.	b	Held-to-maturity financial assets	250,000	The same as ordinary transactions	0.11
	Mandarin Airlines	China Airlines, Ltd.	b	Notes payable - related parties	575,810	The same as ordinary transactions	0.26
3	Taoyuan International Airport Services	Tigerair Taiwan Co., Ltd.	c	Airport service revenue	110,264	The same as ordinary transactions	0.10
	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	880,780	The same as ordinary transactions	0.77
	Taoyuan International Airport Services	China Airlines, Ltd.	b	Accounts receivable - related parties	188,998	The same as ordinary transactions	0.08
4	Taiwan Airport Service	China Airlines, Ltd.	b	Operating revenue	277,355	The same as ordinary transactions	0.24
5	Hwa Hsia	China Airlines, Ltd.	b	Operating revenue	250,924	The same as ordinary transactions	0.22
6	Cal Park	China Airlines, Ltd.	b	Operating revenue	171,120	The same as ordinary transactions	0.15
7	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	111,687	The same as ordinary transactions	0.10
8	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expenses	235,752	The same as ordinary transactions	0.21
	Tigerair Taiwan Co., Ltd.	Taoyuan International Airport Services	c	Airport service cost	110,264	The same as ordinary transactions	0.10

Note 1: The three directional types for transactions by business relationship between China Airlines, Ltd. and its subsidiaries are as follows:

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

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

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