China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the
Six Months Ended June 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 June 30, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months and the six months ended June 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 the equity method were not reviewed. As of June 30, 2017 and 2016, the total combined assets of these non-significant subsidiaries were NT$15,375,681 thousand and NT$14,998,501 thousand, respectively, representing 6.78% and 6.85%, respectively, of the Group's total consolidated assets, and the total combined liabilities of these subsidiaries as of June 30, 2017 and 2016 were NT$6,637,410 thousand and NT$6,741,301 thousand, respectively, representing 3.88% and 4.22%, respectively, of the Group's total consolidated liabilities. For the three months and six months ended June 30, 2017 and 2016, the combined comprehensive income of these subsidiaries were NT$237,308 thousand, NT$255,915 thousand, NT$392,186 thousand and NT$453,557 thousand, respectively, representing 12.12%, (659.18%), (19.11%) and 32.36%, respectively, of the Group's consolidated total comprehensive income. As of June 30, 2017 and 2016, the aforementioned investments accounted for by the equity method were NT$2,820,766 thousand and NT$2,925,267 thousand, respectively; for the three months and six months ended June 30, 2017 and 2016, the Group's share of the profit of associates and joint ventures were NT$136,328 thousand, NT$135,077 thousand, NT$255,608 thousand and NT$258,687 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 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

August 10, 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)

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6, 19 and 32)	$ 30,691,840	13	$ 24,267,197	11	$ 24,959,550	11
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	447,325	-	416,641	-	1,055,613	1
Derivative financial assets for hedging - current (Notes 4, 5, 9 and 32)	18,025	-	58,449	-	24,913	-
Receivables:						
Notes and accounts, net (Notes 4, 5, 11 and 32)	8,433,105	4	8,353,785	4	7,508,793	3
Notes and accounts - related parties (Notes 32 and 33)	11,329	-	3,562	-	4,217	-
Other receivables (Note 32)	919,665	-	952,320	-	1,129,007	1
Current tax assets (Notes 4 and 29)	33,114	-	28,259	-	20,156	-
Inventories, net (Notes 4 and 12)	8,521,811	4	8,434,386	4	8,243,016	4
Noncurrent assets held for sale (Notes 4, 5 and 13)	468,411	-	185,100	-	259,740	-
Other assets - current (Notes 6 and 19)	3,750,307	2	4,638,502	2	4,422,176	2
Total current assets	53,294,932	23	47,338,201	21	47,627,181	22
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 32)	-	-	-	-	14,623	-
Derivative financial assets for hedging - noncurrent (Notes 4, 5, 9 and 32)	784	-	3,268	-	-	-
Financial assets carried at cost - noncurrent, net of current portion (Notes 10 and 32)	83,699	-	140,357	-	219,920	-
Investments accounted for by the equity method (Notes 4 and 15)	2,820,766	1	2,866,431	1	2,925,267	1
Property, plant and equipment (Notes 4, 5, 16 and 34)	140,452,920	62	140,136,737	62	125,418,264	57
Investment properties (Notes 4 and 17)	2,075,763	1	2,075,903	1	2,076,042	1
Other intangible assets (Notes 4 and 18)	1,070,046	1	1,137,115	1	1,104,369	1
Deferred income tax asset (Notes 4, 5 and 29)	6,127,050	3	6,256,665	3	6,840,681	3
Other assets - noncurrent (Notes 19, 22, 32, 34 and 35)	20,931,507	9	24,546,082	11	32,585,664	15
Total noncurrent assets	173,562,535	77	177,162,558	79	171,184,830	78
TOTAL	$ 226,857,467	100	$ 224,500,759	100	$ 218,812,011	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 20)	$ 103,040	-	$ 135,000	-	$ 118,226	-
Short-term bills payable (Note 20)	-	-	900,000	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	23,309	-	-	-	3,863	-
Derivative financial liabilities for hedging - current (Notes 4, 5, 9 and 32)	74,670	-	20,854	-	244,210	-
Notes and accounts payable (Note 32)	780,467	-	869,712	-	829,505	-
Notes and accounts payable - related parties (Notes 32 and 33)	634,972	-	555,829	-	492,969	-
Other payable (Notes 23 and 32)	10,394,903	5	11,465,254	5	11,154,917	5
Current tax liabilities (Notes 4 and 29)	54,706	-	48,687	-	97,284	-
Provisions - current (Notes 4, 5, 25 and 32)	657,457	-	81,925	-	32,403	-
Deferred revenue - current (Notes 4, 5 and 24)	16,082,348	7	14,820,860	7	14,181,844	7
Bonds payable and put option of convertible bonds - current portion (Notes 4, 21, 27 and 32)	2,700,000	1	2,700,000	1	5,267,339	2
Loans and debts - current portion (Notes 20, 32 and 34)	29,145,630	13	32,268,540	14	32,546,417	15
Capital lease obligations - current portion (Notes 4, 22, 32 and 34)	2,275,998	1	1,284,001	1	1,457,957	1
Other current liabilities (Notes 27 and 32)	4,052,366	2	3,455,062	2	6,290,581	3
Total current liabilities	66,979,866	29	68,605,724	30	72,717,515	33
NONCURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - noncurrent (Notes 4, 5, 7 and 32)	4,033	-	-	-	-	-
Derivative financial liabilities for hedging - noncurrent (Notes 4, 5, 9 and 32)	6,475	-	2,775	-	-	-
Bonds payable - noncurrent (Notes 4, 21, 27 and 32)	19,202,951	9	19,538,044	9	12,900,000	6
Loans and debts - noncurrent (Notes 20, 32 and 34)	65,967,840	29	56,962,187	25	50,459,840	23
Provisions - noncurrent (Notes 4, 5, 25 and 32)	7,427,905	3	7,408,229	3	6,654,329	3
Deferred tax liabilities (Notes 4 and 29)	204,187	-	273,610	-	322,310	-
Capital lease obligations - noncurrent (Notes 4, 22, 32 and 34)	2,007,738	1	3,645,304	2	4,464,572	2
Deferred revenue - noncurrent (Notes 4, 5 and 24)	1,771,176	1	1,808,903	1	1,795,075	1
Accrued pension costs (Notes 4, 5 and 26)	7,130,390	3	7,956,835	4	9,823,624	5
Other noncurrent liabilities	428,068	-	431,950	-	436,909	-
Total noncurrent liabilities	104,150,763	46	98,027,837	44	86,856,659	40
Total liabilities	171,130,629	75	166,633,561	74	159,574,174	73
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 27)						
Capital stock	54,708,901	24	54,708,901	25	54,708,901	25
Capital surplus	799,932	1	799,932	-	798,415	-
Retained earnings (accumulated deficits)						
Legal reserve	206,092	-	287,224	-	287,224	-
Special reserve	-	-	76,486	-	76,486	-
Unappropriated retained earnings (accumulated deficits)	(2,001,682)	(1)	(157,618)	-	1,289,165	1
Total retained earnings (accumulated deficits)	(1,795,590)	(1)	206,092	-	1,652,875	1
Other equity	(72,946)	-	112,264	-	(73,736)	-
Treasury stock	(43,372)	-	(43,372)	-	(43,372)	-
Total equity attributable to owners of the Company	53,596,925	24	55,783,817	25	57,043,083	26
NON-CONTROLLING INTERESTS (Note 27)	2,129,913	1	2,083,381	1	2,194,754	1
Total equity	55,726,838	25	57,867,198	26	59,237,837	27
TOTAL	$ 226,857,467	100	$ 224,500,759	100	$ 218,812,011	100

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

(With Deloitte & Touche review report dated August 10, 2017)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUES (Notes 4, 28 and 33)	$ 38,156,614	100	$ 33,834,966	100	$ 73,953,079	100	$ 68,833,989	100
COSTS (Notes 4, 9, 12, 25, 26, 28 and 33)	32,133,817	84	29,955,893	88	65,130,902	88	59,206,151	86
GROSS PROFIT	6,022,797	16	3,879,073	12	8,822,177	12	9,627,838	14
OPERATING EXPENSES (Notes 4, 26 and 28)	3,220,115	9	3,258,165	10	6,388,925	9	6,635,716	9
OPERATING PROFIT	2,802,682	7	620,908	2	2,433,252	3	2,992,122	5
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 10 and 28)	162,538	1	245,606	1	303,336	-	401,650	1
Other gains and losses (Notes 9, 10, 13, 16 and 28)	(915,678)	(2)	(685,163)	(2)	(3,996,526)	(5)	(1,124,403)	(2)
Finance cost (Notes 9 and 28)	(341,496)	(1)	(329,371)	(1)	(668,186)	(1)	(674,637)	(1)
Share of the profit of associates and joint ventures (Note 15)	136,328	-	135,077	-	255,608	-	258,687	-
Total non-operating income and expenses	(958,308)	(2)	(633,851)	(2)	(4,105,768)	(6)	(1,138,703)	(2)
PROFIT (LOSS) BEFORE INCOME TAX	1,844,374	5	(12,943)	-	(1,672,516)	(3)	1,853,419	3
INCOME TAX (BENEFIT) EXPENSE (Notes 4, 5 and 29)	(7,370)	-	82,334	-	189,107	-	441,231	1
NET INCOME (LOSS) FOR THE PERIOD	1,851,744	5	(95,277)	-	(1,861,623)	(3)	1,412,188	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)	20,292	-	(7,984)	-	(127,704)	-	(58,357)	-
Unrealized loss on available-for-sale financial assets (Notes 4 and 27)	-	-	(6,330)	-	-	-	(8,297)	-
Cash flow hedges (Notes 4 and 27)	106,919	-	83,882	-	(101,620)	-	58,816	-

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Share of the other comprehensive income of associates and joint ventures accounted for by using the equity method (Notes 4, 15 and 27)	$ -	-	$ 987	-	$ -	-	$ -	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 29)	(20,560)	-	(14,101)	-	38,902	-	(2,910)	-
Other comprehensive income (loss) for the period, net of income tax	106,651	-	56,454	-	(190,422)	-	(10,748)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 1,958,395	5	$ (38,823)	-	$ (2,052,045)	(3)	$ 1,401,440	2
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owner of the Company	$ 1,761,462	5	$ (169,612)	-	$ (1,999,413)	(3)	$ 1,294,339	2
Non-controlling interests	90,282	-	74,335	-	137,790	-	117,849	-
	$ 1,851,744	5	$ (95,277)	-	$ (1,861,623)	(3)	$ 1,412,188	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owner of the Company	$ 1,864,346	5	$ (112,794)	-	$ (2,184,623)	(3)	$ 1,286,886	2
Non-controlling interests	94,049	-	73,971	-	132,578	-	114,554	-
	$ 1,958,395	5	$ (38,823)	-	$ (2,052,045)	(3)	$ 1,401,440	2
EARNINGS (LOSSES) PER SHARE (NEW TAIWAN DOLLARS; Note 30)								
Basic	$ 0.32		$(0.03)		$(0.37)		$(0.24)	
Diluted	$ 0.31		$(0.03)		$(0.37)		$ 0.23	

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

(With Deloitte & Touche review report dated August 10, 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 capital surplus 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	-	-	-	-	(2,508,525)	-	-	-	-	(2,508,525)	-	(2,508,525)
Net income for the six months ended June 30, 2016	-	-	-	-	1,294,339	-	-	-	-	1,294,339	117,849	1,412,188
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	(49,978)	(2,105)	44,630	-	(7,453)	(3,295)	(10,748)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	1,294,339	(49,978)	(2,105)	44,630	-	1,286,886	114,554	1,401,440
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(201,899)	(201,899)
BALANCE AT JUNE 30, 2016	$ 54,708,901	$ 798,415	$ 287,224	$ 76,486	$ 1,289,165	$ 107,981	$ (350)	$ (181,367)	$ (43,372)	$ 57,043,083	$ 2,194,754	$ 59,237,837
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
Difference between cost and net value of acquired subsidiaries	-	-	-	-	(2,269)	-	-	-	-	(2,269)	(46,118)	(48,387)
Offsetting deficits in 2016	-	-	(81,132)	(76,486)	157,618	-	-	-	-	-	-	-
Net income (loss) for the six months ended June 30, 2017	-	-	-	-	(1,999,413)	-	-	-	-	(1,999,413)	137,790	(1,861,623)
Other comprehensive loss for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	(100,911)	-	(84,299)	-	(185,210)	(5,212)	(190,422)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	(1,999,413)	(100,911)	-	(84,299)	-	(2,184,623)	132,578	(2,052,045)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(39,928)	(39,928)
BALANCE AT JUNE 30, 2017	$ 54,708,901	$ 799,932	$ 206,092	$ -	$ (2,001,682)	$ (22,347)	$ 1,714	$ (52,313)	$ (43,372)	$ 53,596,925	$ 2,129,913	$ 55,726,838

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

(With Deloitte & Touche review report dated August 10, 2017)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) income before income tax	$ (1,672,516)	$ 1,853,419
Adjustments to reconcile net cash generated from (used in) operating activities:		
Depreciation expenses	9,154,593	8,612,943
Amortization expenses	128,458	48,008
Bad-debts expense	25,283	12,388
Net loss on fair value changes of financial assets and liabilities held for trading	28,275	19,043
Interest income	(97,318)	(144,223)
Dividend income	(5,988)	(5,745)
Share of profit of associates and joint ventures	(255,608)	(258,687)
Gain on disposal of property, plant and equipment	(2,713)	(9,284)
(Gain) loss on disposal of noncurrent assets held for sale	(65,024)	26,429
Loss on disposal of available-for-sale financial assets	-	12
Loss on disposal of investments	61	-
Loss on inventory and property, plant and equipment	349,219	241,825
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	3,692,410	-
Loss on financial assets carried at cost	56,023	-
Net (gain) loss on foreign currency exchange	(292,872)	96,843
Finance costs	668,186	674,637
Recognition of provisions	1,586,297	1,274,785
Amortization of unrealized gain on sale-leasebacks	(7,256)	(7,256)
Changes in operating assets and liabilities		
Increase in financial assets and liabilities held for trading	(31,617)	(528,513)
Decrease in derivative financial assets for hedging	-	13,096
Increase in notes and accounts receivable	(156,836)	(206,663)
Decrease in accounts receivable - related parties	67,960	53,732
Decrease in other receivables	255,934	66,901
Increase in inventories	(310,447)	(37,791)
Decrease (increase) in other current assets	946,466	(881,491)
Decrease in notes and accounts payable	(244,786)	(356,128)
Increase in accounts payable - related parties	214,157	96,756
Decrease in other payables	(1,153,964)	(652,666)
Increase in deferred revenue	1,224,492	1,014,648
Decrease in provisions	(690,386)	(765,172)
Increase (decrease) in other current liabilities	584,531	(284,514)
Decrease in accrued pension liabilities	(838,648)	(742,482)
Increase (decrease) in other liabilities	28,348	(3,593)
Cash generated from operations	13,184,714	9,221,257
Interest received	92,744	149,234
Dividends received	74,095	5,745

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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 Six Months Ended June 30	
	2017	**2016**
Interest paid	$ (760,782)	$ (723,176)
Income tax paid	(92,464)	(100,998)
Net cash generated from operating activities	12,498,307	8,552,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(4,624,193)	(4,335,611)
Proceeds from disposal of property, plant and equipment	18,109	14,460
Proceeds from disposal of available-for-sale financial assets	-	63
Proceeds from disposal of noncurrent assets held for sale	584,502	384,285
Increase in refundable deposits	(112,473)	(149,784)
Decrease in refundable deposits	137,903	83,961
Increase in prepayments for equipment	(5,886,365)	(4,896,105)
Increase in computer software costs	(61,417)	(142,478)
Decrease (increase) in restricted assets	(39,148)	330,224
Refund in prepayments for aircrafts	-	5,126,799
Net cash used in investing activities	(9,983,082)	(3,584,186)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	110,000	40,000
Decrease in short-term loans	(145,000)	(95,000)
Decrease in short-term bills payable	(900,000)	(9,995)
Proceeds from issuance of bonds payable	2,350,000	4,700,000
Repayments of bonds payable	(2,700,000)	(2,400,000)
Proceeds of long-term debts and capital lease obligations	20,330,000	10,400,000
Repayments of long-term debts and capital lease obligations	(15,082,950)	(15,865,889)
Proceeds of guarantee deposits received	93,003	57,115
Refund of guarantee deposits received	(62,818)	(34,770)
Proceeds from acquisition of subsidiaries' shares	(48,387)	(8,084)
Cash dividends paid to non-controlling interests	(39,928)	(201,899)
Net cash generated from (used in) financing activities	3,903,920	(3,418,522)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	5,498	(80,889)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,424,643	1,468,465
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	$ 30,691,840	$ 24,959,550

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

(With Deloitte & Touche review report dated August 10, 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 June 30, 2017, December 31, 2016 and June 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 August 10, 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”

Recognition and measurement of financial assets

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 June 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.

The impairment of financial assets

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 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
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

Principles for preparing consolidated financial statements

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 5 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

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand and revolving funds	$ 411,364	$ 359,106	$ 392,493
Checking accounts and demand deposits	11,810,110	9,266,679	9,859,693
Cash equivalent			
Time deposits with original maturities of less than three months	13,798,995	3,698,109	10,427,044
Repurchase agreements collateralized by bonds	4,671,371	10,943,303	4,280,320
	$ 30,691,840	$ 24,267,197	$ 24,959,550

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

	June 30, 2017	December 31, 2016	June 30, 2016
Bank balance	0%-2%	0.05%-2%	0%-2%
Time deposits with original maturities of less than three months	0.59%-4.07%	0.13%-12.9%	0.5%-2.45%
Repurchase agreements collateralized by bonds	0.37%-1.58%	0.33%-1.40%	0.35%-1.1%

The amounts of time deposits with original maturities of more than three months for June 30, 2017, December 31, 2016 and June 30, 2016 were $628,472 thousand, $1,267,927 thousand and $1,649,640 thousand, respectively, and the respective market rate intervals were 0.16%-1.78%, 0.16%-2.45% and 0.1%-1.07%, which were recognized as other current assets. (Refer to Note 19.)

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

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets held for trading - current			
Derivative financial instruments (not under hedge accounting)			
Foreign exchange forward contracts	$ -	$ 1,200	$ 9,009
Non-derivative financial assets			
Beneficial certificates	447,325	415,441	1,046,604
	$ 447,325	$ 416,641	$ 1,055,613
Financial liabilities held for trading			
Derivative financial instruments (not under hedge accounting) - foreign exchange forward contracts			
Current	$ 23,309	$ -	$ 3,863
Noncurrent	$ 4,033	$ -	$ -

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)
June 30, 2017			
Buy forward contracts	NTD/USD	2017.7.24-2019.1.31	NTD835,866/USD27,500
December 31, 2016			
Buy forward contracts	NTD/USD	2017.1.26	NTD32,258/USD1,000
June 30, 2016			
Buy forward contracts	NTD/USD	2016.7.1-2017.1.26	NTD812,903/USD25,200

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017		December 31, 2016		June 30, 2016	
	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship	Carrying Amount	% of Owner-ship
Noncurrent						
Domestic market						
TransAsia Airways	$ -	-	$ -	-	$ 14,623	-

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

	June 30, 2017	December 31, 2016	June 30, 2016
Derivative financial assets under hedge accounting			
Foreign exchange forward contracts	$ 18,809	$ 61,634	$ 24,095
Currency options	-	-	306
Fuel options	-	83	512
	$ 18,809	$ 61,717	$ 24,913
Current	$ 18,025	$ 58,449	$ 24,913
Noncurrent	784	3,268	-
	$ 18,809	$ 61,717	$ 24,913

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Derivative financial liabilities under hedge accounting			
Interest rate swaps	$ -	$ 3,855	$ 10,331
Foreign exchange forward contracts	81,145	19,774	139,327
Currency options	-	-	91,600
Fuel options	-	-	2,952
	$ 81,145	$ 23,629	$ 244,210
Current	$ 74,670	$ 20,854	$ 244,210
Noncurrent	6,475	2,775	-
	$ 81,145	$ 23,629	$ 244,210

(Concluded)

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
June 30, 2016			
NT$3,000,000	2016.11.28-2017.6.22	1.01%-1.14%	TAIBOR Rate

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)
June 30, 2016			
Buy USD call option	JPY/USD	2016.7.12-2016.12.19	JPY2,446,080/USD20,500
Sell USD put option	JPY/USD	2016.7.12-2016.12.19	JPY2,388,484/USD20,500

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	2017.1.5-2017.2.8	NTD83
June 30, 2016			
Buy fuel call option	USD	2016.7.31-2017.1.31	NTD512
Sell fuel put option	USD	2016.7.31-2017.1.31	NTD2,952

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.

The outstanding foreign exchange forward contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
June 30, 2017			
Buy forward contracts	NTD/USD	2017.7.3-2019.6.21	NTD4,824,878/USD158,671
December 31, 2016			
Buy forward contracts	NTD/USD	2017.1.3-2018.10.25	NTD5,381,178/USD167,078
June 30, 2016			
Buy forward contracts	NTD/USD	2016.7.1-2018.5.22	NTD7,936,835/USD246,027

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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Increase in operating costs	$ (18,181)	$ (67,351)	$ (20,928)	$ (315,897)
Increase in finance costs	(981)	(2,633)	(2,814)	(3,912)
Other foreign exchange losses	(10,684)	(15,860)	(16,328)	(16,076)
	$ (29,846)	$ (85,844)	$ (40,070)	$ (335,885)

The amount of gains and losses on hedging instruments for the six months ended June 30, 2017 and 2016 reclassified from profit or loss to prepayments for equipment was $90,538 thousand and $4,728 thousand, respectively.

The amount of gains and losses on hedging instruments for the three months ended June 30, 2017 and 2016 reclassified from profit or loss to prepayments for equipment was $30,961 thousand and $4,216 thousand, respectively.

10. FINANCIAL ASSETS CARRIED AT COST

	June 30, 2017		December 31, 2016		June 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	72,697	6
Taikoo Spirt Aerospace Systems (Jin Jiang) Composite Co., Ltd.	19,522	5	20,157	5	21,098	5
Chung Hwa Express Co.	11,000	11	11,000	11	11,000	11
Regal International Advertising	-	-	-	-	5,925	6
	83,226		139,884		219,447	
Unlisted preferred stocks						
Everest Investment Holdings Ltd.	473	-	473	-	473	-
	$ 83,699		$ 140,357		$ 219,920	
Classified according to financial asset measurement categories						
Available-for-sale financial assets	$ 83,699		$ 140,357		$ 219,920	

Due to the permanent decrease in the value of an investment held by the Group, the Group recognized an impairment loss of $56,023 thousand for the three months ended June 30, 2017.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivable	$ 663,141	$ 525,797	$ 535,406
Accounts receivable			
Accounts receivable	7,979,598	8,019,386	7,095,388
Less: Allowance for impairment loss	(209,634)	(191,398)	(122,001)
	7,769,964	7,827,988	6,973,387
	$ 8,433,105	$ 8,353,785	$ 7,508,793

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 Six Months Ended June 30	
	2017	2016
Beginning balance	$ 191,398	$ 109,927
Impairment loss recognized on receivables	25,283	12,388
Amounts written off during current period	(6,880)	(594)
Effects of exchange rate changes	(167)	280
Ending balance	$ 209,634	$ 122,001

12. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Aircraft spare parts	$ 7,762,677	$ 7,713,264	$ 7,530,466
Items for in-flight sale	556,071	553,327	541,296
Work in process - maintenance services	196,821	166,684	168,198
Others	6,242	1,111	3,056
	$ 8,521,811	$ 8,434,386	$ 8,243,016

The operating costs for the six months ended June 30, 2017 and 2016 included losses from inventory write-downs of $224,718 thousand and $104,781 thousand, respectively.

The operating costs for the three months ended June 30, 2017 and 2016 included gains from reversals of inventory write-downs of $20,795 thousand and losses from inventory write-downs of $5,596 thousand, respectively. There was gains from reversals of inventory write-downs because some inventory write-downs were no longer applicable.

13. NONCURRENT ASSETS HELD FOR SALE

	June 30, 2017	December 31, 2016	June 30, 2016
Aircrafts held for sale	$ 468,411	$ 185,100	$ 259,740

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 a difference the original book value higher than the expected sale price 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 $0 thousand for the six months ended June 30, 2017 and 2016. Some aircrafts had completed the planned disposal procedures, and the Company recognized the respective disposal gain and loss of $65,024 thousand and $(26,429) thousand for the six months ended June 30, 2017 and 2016, respectively.

The Company recognized an impairment loss of $850,027 thousand and $0 thousand for the three months ended June 30, 2017 and 2016. Some aircrafts had completed the planned disposal procedures, and the Company recognized the respective disposal gain and loss of $39,884 thousand and $(26,429) thousand for the three months ended June 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:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%) June 30, 2017	December 31, 2016	June 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
Hwa Hsia	Hwa Shin Building Safeguard	Building security and maintenance services	-	-	100

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

The Group no longer leases aircrafts, and therefore the Group liquidated Freighter Princess Ltd. and Freighter Prince Ltd.

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.

Hwa Hsia Co., Ltd. merged with Hwa Shin Building Safeguard Co., Ltd. (the dissolved company) and was the surviving entity on August 1, 2016. All of the assets, liabilities and other rights and obligations were transferred to Hwa Hsia Co., Ltd.

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 six months ended June 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 THE EQUITY METHOD

	June 30, 2017	December 31, 2016	June 30, 2016
Investments in associates	$ 1,966,588	$ 2,060,403	$ 1,957,590
Investments in jointly controlled entities	854,178	806,028	967,677
	$ 2,820,766	$ 2,866,431	$ 2,925,267

a. The amount of investments in associates were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Unlisted companies			
China Aircraft Services	$ 500,972	$ 515,051	$ 510,629
Kaohsiung Catering Services	250,950	267,371	228,874
Asian Compressor Technology Services	212,258	279,176	225,401
Science Park Logistics	258,907	257,928	240,071
Airport Air Cargo Terminal (Xiamen)	462,823	467,041	481,861
Airport Air Cargo Service (Xiamen)	237,971	230,888	229,647
Eastern United International Logistics (Holdings) Ltd.	42,707	42,948	41,107
	$ 1,966,588	$ 2,060,403	$ 1,957,590

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	June 30, 2017	December 31, 2016	June 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%	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 June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
China Aircraft Services	$ 6,259	$ 13,139	$ 15,455	$ 30,121
Asian Compressor Technology Services	21,704	26,857	37,963	51,107
Kaohsiung Catering Services	18,930	21,362	36,566	35,900
Science Park Logistics	10,824	4,146	19,611	8,230
Airport Air Cargo Terminal (Xiamen)	6,266	5,014	10,376	5,977
Airport Air Cargo Service (Xiamen)	7,247	8,125	14,283	12,232
Eastern United International Logistics (Holdings) Ltd.	241	517	1,114	937
	$ 71,471	$ 79,160	$ 135,368	$ 144,504

The Group planned to sell all of its holdings of Science Park Logistics to the non-related party, HCT Logistics Co., Ltd. The agreed upon price was $381,996 thousand, and the transaction was to be completed by August 2017.

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
China Pacific Catering Services	$ 693,715	$ 638,980	$ 809,920
China Pacific Laundry Services	160,463	167,048	157,757
	$ 854,178	$ 806,028	$ 967,677

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		
	June 30, 2017	**December 31, 2016**	**June 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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
China Pacific Catering Services	$ 58,921	$ 50,235	$ 110,005	$ 104,785
China Pacific Laundry Services	5,936	5,682	10,235	9,398
	$ 64,857	$ 55,917	$ 120,240	$ 114,183

Other comprehensive income or loss of associates accounted for by using the equity method for the three months June 30, 2017 and 2016 are $0 and $987 thousand, respectively, and for both six months ended June 30, 2017 and 2016 there was no other comprehensive income or loss for associates accounted for by using the equity method.

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 5 and 6 (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

	June 30, 2017	December 31, 2016	June 30, 2016
Cost			
Freehold land	$ 932,248	$ 965,174	$ 965,174
Buildings	13,056,700	13,104,983	13,130,261
Flight equipment	246,115,596	248,262,079	231,308,934
Equipment under finance leases	25,418,495	28,898,891	28,700,452
Machinery equipment	10,479,255	10,317,327	10,153,480
Office equipment	1,083,049	1,086,015	1,061,787
Leased assets	116,727	120,100	124,884
Leasehold improvements	4,028,664	3,958,811	3,905,050
Construction in progress	666,360	499,547	293,406
	$ 301,897,094	$ 307,212,927	$ 289,643,428

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Accumulated depreciation and impairment			
Buildings	$ 6,004,453	$ 5,781,555	$ 5,598,377
Flight equipment	132,447,660	135,893,108	134,441,894
Equipment under finance leases	13,284,372	15,846,688	14,880,901
Machinery equipment	7,127,220	6,964,422	6,775,453
Office equipment	885,501	894,997	863,436
Leased assets	100,610	101,882	104,374
Leasehold improvements	1,594,358	1,593,538	1,560,729
	$ 161,444,174	$ 167,076,190	$ 164,225,164
Net value	$ 140,452,920	$ 140,136,737	$ 125,418,264

(Concluded)

	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	-	11,342	3,080,280	695,605	548,384	4,335,611
Disposals	-	(1,811)	(2,154,876)	(345,313)	(158,619)	(2,660,619)
Reclassification	-	-	534,495	262,756	(19,418)	777,833
Net exchange differences	(11,253)	(19,428)	-	-	370	(30,311)
Balance at June 30, 2016	$ 965,174	$ 13,130,261	$ 231,308,934	$ 28,700,452	$ 15,538,607	$ 289,643,428
Accumulated depreciation and impairment						
Balance at January 1, 2016	$ -	$ (5,355,804)	$ (128,953,990)	$ (14,201,904)	$ (9,080,349)	$ (157,592,047)
Depreciation expenses	-	(252,875)	(6,959,709)	(1,024,310)	(375,909)	(8,612,803)
Disposals	-	1,811	2,017,605	345,313	156,269	2,520,998
Reclassification	-	-	(545,800)	-	(5,362)	(551,162)
Net exchange differences	-	8,491	-	-	1,360	9,851
Balance at June 30, 2016	$ -	$ (5,598,377)	$ (134,441,894)	$ (14,880,901)	$ (9,303,992)	$ (164,225,164)
Cost						
Balance at January 1, 2017	$ 965,174	$ 13,104,983	$ 248,262,079	$ 28,898,891	$ 15,981,800	$ 307,212,927
Additions	-	15,976	3,128,968	940,980	563,191	4,649,115
Disposals	-	(5,898)	(1,361,499)	(202,476)	(214,397)	(1,784,270)
Reclassification	-	-	(3,913,952)	(4,218,900)	49,363	(8,083,489)
Net exchange differences	(32,926)	(58,361)	-	-	(5,902)	(97,189)
Balance at June 30, 2017	$ 932,248	$ 13,056,700	$ 246,115,596	$ 25,418,495	$ 16,374,055	$ 301,897,094
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	-	(252,497)	(7,597,387)	(941,846)	(362,723)	(9,154,453)
Disposals	-	3,883	1,102,024	342,315	204,157	1,652,379
Reclassification	-	-	10,061,920	3,161,847	687	13,224,454
Net exchange differences	-	25,716	-	-	5,029	30,745
Impairment	-	-	(121,109)	-	-	(121,109)
Balance at June 30, 2017	$ -	$ (6,004,453)	$ (132,447,660)	$ (13,284,372)	$ (9,707,689)	$ (161,444,174)

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
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

Regarding changes in fleet composition and the future retirement plan, the Group recognized impairment losses on aircraft equipment for the six months ended June 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

	June 30, 2017	December 31, 2016	June 30, 2016
Carrying amount			
Investment properties	$ 2,075,763	$ 2,075,903	$ 2,076,042

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 June 30, 2017, December 31, 2016 and June 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	142,478	-	142,478
Amortization expenses	-	(48,008)	(48,008)
Effects of exchange rate changes	-	221	221
Balance at June 30, 2016	$ 1,765,664	$ (661,295)	$ 1,104,369
Balance at January 1, 2017	$ 1,898,154	$ (761,039)	$ 1,137,115
Additions	61,417	-	61,417
Amortization expenses	-	(128,458)	(128,458)
Effects of exchange rate changes	-	(28)	(28)
Balance at June 30, 2017	$ 1,959,571	$ (889,525)	$ 1,070,046

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

19. OTHER ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Current			
Other financial assets	$ 628,472	$ 1,267,927	$ 1,649,640
Temporary payments	403,687	355,003	1,053,678
Prepayments	2,091,796	2,429,741	1,260,096
Restricted assets	183,068	178,193	61,298
Others	443,284	407,638	397,464
	$ 3,750,307	$ 4,638,502	$ 4,422,176

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 for the six months ended June 30, 2017 and amounted to $9,038 thousand, were classified as operating costs in the consolidated statement of comprehensive income.

	June 30, 2017	December 31, 2016	June 30, 2016
Noncurrent			
Prepayments for aircrafts	$ 18,315,353	$ 20,942,278	$ 28,427,494
Prepayments - long-term	1,116,839	2,020,389	2,516,555
Refundable deposits	1,325,731	1,389,464	1,491,711
Restricted assets	162,867	144,835	126,040
Other financial assets	2,785	18,827	14,217
Others	7,932	30,289	9,647
	$ 20,931,507	$ 24,546,082	$ 32,585,664

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

20. BORROWINGS

a. Short-term loans

	June 30, 2017	December 31, 2016	June 30, 2016
Bank loans - unsecured	$ 103,040	$ 135,000	$ 118,226
Interest rates	0.94%-3.33%	1.51%-2%	1.54%-2.66%

b. Short-term and bills payable

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

c. Long-term debts

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured bank loans	$ 29,498,000	$ 33,993,999	$ 30,137,171
Secured bank loans	34,153,167	18,100,914	19,015,935
Commercial paper			
Proceeds from issue	31,500,000	37,200,000	33,900,000
Less: Unamortized discount	(37,697)	(64,186)	(46,849)
	95,113,470	89,230,727	83,006,257
Less: Current portion	(29,145,630)	(32,268,540)	(32,546,417)
	$ 65,967,840	$ 56,962,187	$ 50,459,840

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		
June 30, 2017	$ 63,490,711	$ 5,279
December 31, 2016	51,045,365	32,536
June 30, 2016	46,921,525	69,179
Translated to New Taiwan dollars		
June 30, 2017	63,490,711	160,456
December 31, 2016	51,045,365	1,049,548
June 30, 2016	46,921,525	2,231,581
Interest rates		
June 30, 2017	0.92%-1.82%	1.1373%-4.39%
December 31, 2016	0.92%-2.27%	0.8539%-4.39%
June 30, 2016	1.0517%-2.613%	0.2724%-4.39%
Periods		
June 30, 2017	2006.7.11-2029.6.29	2005.7.8-2017.9.21
December 31, 2016	2005.3.4-2029.2.4	2005.1.18-2017.9.21
June 30, 2016	2004.12.16-2029.2.4	2004.7.8-2017.9.21

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 June 30, 2017, December 31, 2016 and June 30, 2016, such commercial paper was issued at discount rates of 1.058%-1.496%, 1.051%-1.458% and 1.0917%-1.4917%, respectively.

21. BONDS PAYABLE

	June 30, 2017	December 31, 2016	June 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	-
Unsecured corporate bonds first-time issued in 2017	2,350,000	-	-
Convertible bonds issued the fifth time	1,652,951	1,638,044	2,567,339
	21,902,951	22,238,044	18,167,339
Less: Current portion and put options of convertible bonds	(2,700,000)	(2,700,000)	(5,267,339)
	$ 19,202,951	$ 19,538,044	$ 12,900,000

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 1.85% 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 1, 2016, the conversion price was adjusted to NT$11.64, and corporate bonds with a face value of $3,315,700 thousand were converted to 270,890 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

22. LEASING

a. Sale-leaseback finance leases

	June 30, 2017	December 31, 2016	June 30, 2016
Minimum lease payments - flight equipment			
Within one year	$ 2,246,000	$ 1,254,000	$ 1,428,467
Beyond one year and within five years	1,943,000	3,562,000	4,364,900
Present value of minimum lease payments	$ 4,189,000	$ 4,816,000	$ 5,793,367
Interest rates	1.068%-1.138%	1.032%-1.098%	1.133%-1.63%

The Group had leased A330-300 aircrafts and B747-400 aircrafts, totaling 4 aircrafts, under sale-leaseback finance leases as of June 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.

	June 30, 2017	December 31, 2016	June 30, 2016
Minimum lease payments - cargo terminal and other			
Within one year	$ 30,687	$ 30,131	$ 29,809
Beyond one year and within five years	66,537	85,244	102,161
	97,224	115,375	131,970
Less: Finance costs	(2,488)	(2,070)	(2,808)
Present value of minimum lease payments	$ 94,736	$ 113,305	$ 129,162

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Present value of minimum lease payments - cargo terminal and other			
Within one year	$ 29,998	$ 30,001	$ 29,490
Beyond one year and within five years	64,738	83,304	99,672
	$ 94,736	$ 113,305	$ 129,162
Discount rate	4.756%	4.756%	4.96%
Total amount of present value of minimum lease payments			
Current	$ 2,275,998	$ 1,284,001	$ 1,457,957
Noncurrent	2,007,738	3,645,304	4,464,572
	$ 4,283,736	$ 4,929,305	$ 5,922,529

(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 June 30, 2017, the Group has rented eleven A330-300 planes, fifteen B737-800 planes, ten B777-300ER planes, six ERJ190 planes and nine A320-200 planes under operating contracts for which the lease terms range from 8 to 12 years.

As of June 30, 2017, December 31, 2016 and June 30, 2016, the refundable deposits paid by the Group under operating lease contracts were $887,437 thousand, $982,988 thousand and $926,027 thousand, respectively. A part of the guarantees is secured by credit guarantees, and outstanding credit guarantees as of June 30, 2017, December 31, 2016 and June 30, 2016 were $1,420,228 thousand, $1,459,935 thousand and $1,361,790 thousand, respectively.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Up to 1 year	$ 11,471,279	$ 10,431,969	$ 9,917,790
Over 1 year to 5 years	43,132,693	39,692,972	37,158,329
Over 5 years	32,797,010	33,360,179	36,512,606
	$ 87,400,982	$ 83,485,120	$ 83,588,725

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Minimum lease payments	$ 2,849,083	$ 2,439,012	$ 5,739,809	$ 4,908,877

23. OTHER PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Fuel costs	$ 2,503,657	$ 2,664,944	$ 2,134,891
Ground service expenses	880,499	902,879	1,471,657
Repair expenses	934,413	968,371	1,214,202
Interest expenses	185,283	294,751	139,009
Short-term employee benefits	1,615,491	1,926,538	1,907,375
Terminal surcharges	736,013	748,070	697,842
Commission expenses	256,242	391,857	303,341
Others	3,283,305	3,567,844	3,286,600
	$ 10,394,903	$ 11,465,254	$ 11,154,917

24. DEFERRED REVENUE

	June 30, 2017	December 31, 2016	June 30, 2016
Frequent flyer program	$ 2,385,729	$ 2,427,565	$ 2,408,905
Advance ticket sales	15,467,795	14,202,198	13,568,014
	$ 17,853,524	$ 16,629,763	$ 15,976,919
Current	$ 16,082,348	$ 14,820,860	$ 14,181,844
Noncurrent	1,771,176	1,808,903	1,795,075
	$ 17,853,524	$ 16,629,763	$ 15,976,919

25. PROVISIONS

	June 30, 2017	December 31, 2016	June 30, 2016
Operating leases - aircrafts	$ 8,085,362	$ 7,490,154	$ 6,686,732
Current	$ 657,457	$ 81,925	$ 32,403
Noncurrent	7,427,905	7,408,229	6,654,329
	$ 8,085,362	$ 7,490,154	$ 6,686,732

	Aircraft Lease Contracts
Balance at January 1, 2016	$ 6,187,481
Additional provisions recognized	1,274,785
Usage	(765,172)
Effects of exchange rate changes	(10,362)
Balance at June 30, 2016	$ 6,686,732
Balance at January 1, 2017	$ 7,490,154
Additional provisions recognized	1,586,297
Usage	(690,386)
Effects of exchange rate changes	(300,703)
Balance at June 30, 2017	$ 8,085,362

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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Operating costs	$ 188,420	$ 151,563	$ 376,798	$ 301,195
Operating expenses	71,290	85,927	138,980	149,797
	$ 259,710	$ 237,490	$ 515,778	$ 450,992

27. EQUITY

a. Capital stock

Common stock

	June 30, 2017	December 31, 2016	June 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	$ 54,708,901	$ 54,708,901	$ 54,708,901

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
Issuance of stock in excess of par value and conversion premium	$ 552,470	$ 552,470	$ 552,470
Distribution of cash dividends to treasury stock held by subsidiaries	2,673	2,673	1,156
Employee stock options expired	11,747	11,747	11,747
Long-term investments	1,019	1,019	1,019
Bonds payable equity component	146,684	146,684	232,023
Others	85,339	85,339	-
	$ 799,932	$ 799,932	$ 798,415

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 dividends should be resolved and recognized in the stockholders' meeting in the following 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	(59,142)	-	-	(59,142)
Unrealized loss on available-for-sale financial assets	-	(2,105)	-	(2,105)
Cumulative loss on changes in fair value of hedging instruments	$ -	$ -	$ (286,336)	$ (286,336)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	339,363	339,363
Effects of income tax	9,164	-	(8,397)	767
Balance on June 30, 2016	$ 107,981	$ (350)	$ (181,367)	$ (73,736)

(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	(120,684)	-	-	(120,684)
Cumulative loss on changes in fair value of hedging instruments	-	-	(241,161)	(241,161)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	139,596	139,596
Effects of income tax	19,773	-	17,266	37,039
Balance on June 30, 2017	$ (22,347)	$ 1,714	$ (52,313)	$ (72,946)

(Concluded)

e. Non-controlling interests

	For the Six Months Ended June 30	
	2017	2016
Beginning balance	$ 2,083,381	$ 2,286,647
Net income attributable to non-controlling interests	137,790	117,849
Exchange differences on translating foreign operations	(7,020)	785
Unrealized gain or loss on available-for-sale financial assets	-	(6,192)
Cumulative gain (loss) on changes in fair value of hedging instruments	(105)	4,539
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	50	1,250
Effects of income tax	1,863	(3,677)
Acquisition of non-controlling interests in subsidiaries	(46,118)	(4,548)
Dividends paid by subsidiaries	(39,928)	(201,899)
Ending balance	$ 2,129,913	$ 2,194,754

f. Treasury stock

Treasury stock are the Company's stock held by its subsidiaries as of June 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**
Six months ended June 30, 2017			
Company's stock held by its subsidiaries reclassified from investments in shares of stock to treasury stock	2,889	-	2,889
Six months ended June 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**
June 30, 2017			
Mandarin Airlines	2,075	$ 19,149	$ 19,149
Hwa Hsia	814	7,514	7,514
		$ 26,663	$ 26,663
December 31, 2016			
Mandarin Airlines	2,075	$ 19,294	$ 19,294
Hwa Hsia	814	7,572	7,572
		$ 26,866	$ 26,866
June 30, 2016			
Mandarin Airlines	2,075	$ 20,103	$ 20,103
Hwa Hsia	814	7,889	7,889
		$ 27,992	$ 27,992

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 June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Passenger	$ 25,411,747	$ 22,818,747	$ 49,846,276	$ 47,546,478
Cargo	10,045,283	8,452,843	18,950,487	16,259,772
Others	2,699,584	2,563,376	5,156,316	5,027,739
	$ 38,156,614	$ 33,834,966	$ 73,953,079	$ 68,833,989

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest income	$ 54,571	$ 52,994	$ 97,318	$ 144,223
Subsidy income	20,007	92,935	26,396	100,385
Dividend income	5,988	5,745	5,988	5,745
Others	81,972	93,932	173,634	151,297
	$ 162,538	$ 245,606	$ 303,336	$ 401,650

c. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Gain on disposal of property, plant and equipment	$ 3,864	$ 5,889	$ 2,713	$ 9,284
Gain (loss) on disposal of noncurrent assets held for sale	39,884	(26,429)	65,024	(26,429)
Net gain (loss) arising on financial assets classified as held for trading	8,297	6,331	(28,275)	(19,043)
Loss on disposal of investments	-	-	(61)	-
Gain or loss on foreign exchange, net	22,005	(217,279)	(118,595)	(452,066)
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	(850,027)	-	(3,692,410)	-
Loss on financial assets carried at cost	(56,023)	-	(56,023)	-
Others	(83,678)	(453,675)	(168,899)	(636,149)
	$ (915,678)	$ (685,163)	$ (3,996,526)	$ (1,124,403)

d. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Interest expense				
Bonds payable	$ 75,154	$ 78,411	$ 153,107	$ 144,472
Bank loans	250,238	227,283	482,650	486,215
Interest on obligations under financial leases	15,123	21,044	29,615	40,038
Loss on derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	981	2,633	2,814	3,912
	$ 341,496	$ 329,371	$ 668,186	$ 674,637

Information of interest capitalization was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Capitalization rate	1.32%-1.38%	1.61%-1.66%	1.32%-1.41%	1.61%-1.73%
Capitalization interest	$ 57,358	$ 111,331	$ 128,916	$ 220,074

e. Depreciation and amortization expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property, plant, equipment	$ 4,514,560	$ 4,344,946	$ 9,154,453	$ 8,612,803
Investment properties	70	70	140	140
Intangible assets	66,795	24,696	128,458	48,008
Depreciation and amortization expenses	$ 4,581,425	$ 4,369,712	$ 9,283,051	$ 8,660,951
An analysis of depreciation by function				
Operating costs	$ 4,345,312	$ 4,173,340	$ 8,819,390	$ 8,270,132
Operating expenses	169,318	171,676	335,203	342,811
	$ 4,514,630	$ 4,345,016	$ 9,154,593	$ 8,612,943
An analysis of amortization by function				
Operating costs	$ -	$ -	$ -	$ 32
Operating expenses	66,795	24,696	128,458	47,976
	$ 66,795	$ 24,696	$ 128,458	$ 48,008

f. Employment benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Post-employment benefits				
Defined contribution plans	$ 118,784	$ 105,537	$ 235,568	$ 207,339
Defined benefit plans	259,710	237,490	515,778	450,992
	$ 378,494	$ 343,027	$ 751,346	$ 658,331
Other employee benefits				
Salary expenses	$ 4,788,414	$ 4,422,432	$ 9,669,010	$ 9,421,104
Personnel service expenses	1,315,834	1,096,383	2,701,171	2,499,577
	$ 6,104,248	$ 5,518,815	$ 12,370,181	$ 11,920,681
An analysis of employee benefits expense by function				
Operating costs	$ 5,394,008	$ 4,880,415	$ 10,869,478	$ 10,199,659
Operating expenses	1,088,734	981,427	2,252,049	2,379,353
	$ 6,482,742	$ 5,861,842	$ 13,121,527	$ 12,579,012

To be in compliance with the Company Act as amended, the Articles stipulate the distribution of employees' compensation at rates of no less than 3% of the net profit before income tax and employees' compensation. For the six months ended June 30, 2016, the employees' compensation was $446,853 thousand of the base net profit. For the six months ended June 30, 2017, the Company has deficit, and therefore no employees' compensation to be estimated.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date that the annual consolidated financial statements are authorized for issue are adjusted in the year that the 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 June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Current tax				
Current year	$ 49,792	$ 57,330	$ 83,333	$ 106,492
Prior year adjustments	2,864	(116)	2,864	(116)
Deferred tax				
Current year	(60,026)	25,120	102,910	334,855
Income tax expense recognized in profit or loss	$ (7,370)	$ 82,334	$ 189,107	$ 441,231

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ (3,428)	$ (1)	$ 21,626	$ 6,929
Fair value revaluation of hedging instruments for cash flow hedging	(17,132)	(14,100)	17,276	(9,839)
Total income tax recognized in other comprehensive income	$ (20,560)	$ (14,101)	$ 38,902	$ (2,910)

c. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Imputation credit accounts	$ 118,050	$ 102,527	$ 585,895

The actual creditable tax ratio on December 31, 2015 was 20.22%. The Company accumulated a deficit for which 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 with an additional income tax payable amounting to $129,350 thousand for the excessive distribution into imputation credit accounts ("ICA") of TACT's stockholders, and a fine equivalent to one fold of the excessive distribution was assigned. TACT disagreed with the assessment and appealed for a reinvestigation, an administrative appeal and administrative proceedings, but the Supreme Administrative Court affirmed the additional tax payment of $129,350 thousand on December 8, 2011, and TACT made the additional tax payment. Because the decision of the court on the amount of fine remained the same, TACT filed for an administrative remedy. After several judgments and appeals, 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 (LOSS) PER SHARE

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Basic earnings (losses) per share	$ 0.32	$ (0.03)	$ (0.37)	$ 0.24
Diluted earnings (losses) per share	$ 0.31	$ (0.03)	$ (0.37)	$ 0.23

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	**2016**	**2017**	**2016**
Earnings (losses) used in the computation of basic earnings per share	$ 1,761,462	$ (169,612)	$ (1,999,413)	$ 1,294,339
Effects of potentially dilutive common stock:				
Interest on convertible bonds (after tax)	7,436	-	-	23,145
Earnings (losses) used in the computation of diluted earnings per share	$ 1,768,898	$ (169,612)	$ (1,999,413)	$ 1,317,484

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Weighted average number of common stock in computation of basic earnings (losses) per share	5,468,002	5,468,002	5,468,002	5,468,002
Effects of potentially dilutive common stock:				
Convertible bonds	230,610	-	-	219,306
Employees' compensation or bonuses issued to employees	-	-	-	58,350
Weighted average number of common stock used in the computation of diluted earnings (losses) per share	5,698,612	5,468,002	5,468,002	5,745,658

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 (losses) per share, if the effect is dilutive. Such dilutive effects of the potential stock was included in the computation of diluted earnings (losses) 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.

	June 30, 2017		December 31, 2016		June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Bonds payable	$ 21,902,951	$ 22,117,850	$ 22,238,044	$ 22,580,069	$ 18,167,339	$ 18,495,234
Loans and debts	95,113,470	97,162,005	89,230,727	91,315,640	83,006,257	83,056,839

Some long-term debts and capital lease obligations are floating-rate financial liabilities, so their carrying amounts are their fair values. As of June 30, 2017, December 31, 2016 and June 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 1.4571%, 1.191% and 0.694%, 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).

June 30, 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Domestic money market funds	$ 447,325	$ -	$ -	$ 447,325
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 27,342	$ -	$ 27,342
Derivative financial assets for hedging	$ -	$ 18,809	$ -	$ 18,809
Derivative financial liabilities for hedging	$ -	$ 81,145	$ -	$ 81,145

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

June 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 9,009	$ -	$ 9,009
Domestic money market funds	1,046,604	-	-	1,046,604
	$ 1,046,604	$ 9,009	$ -	$ 1,055,613
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 3,863	$ -	$ 3,863
Available-for-sale financial assets				
Domestic listed securities	$ 14,623	$ -	$ -	$ 14,623
Derivative financial assets for hedging	$ -	$ 24,095	$ 818	$ 24,913
Derivative financial liabilities for hedging	$ -	$ 149,658	$ 94,552	$ 244,210

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 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.

b. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets			
Financial assets at FVTPL	$ 447,325	$ 416,641	$ 1,055,613
Available-for-sale financial assets (Note 3)	83,699	140,357	234,543
Derivative financial assets for hedging	18,809	61,717	24,913
Loans and receivables (Note 1)	42,358,862	36,576,111	36,944,473
Financial liabilities			
Financial liabilities at FVTPL	27,342	-	3,863
Derivative financial liabilities for hedging	81,145	23,629	244,210
Financial liabilities at amortized cost (Note 2)	141,665,478	136,575,661	126,034,457

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.

c. 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.

Sensitivity analysis

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 June 30, 2017 of $57,257 thousand and a decrease in pre-tax profit at the end of June 30, 2016 of $344,567 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.

	June 30, 2017	**December 31, 2016**	**June 30, 2016**
Fair value interest rate risk			
Financial liabilities	$ 24,110,616	$ 26,093,421	$ 18,745,358
Cash flow interest rate risk			
Financial liabilities	97,292,581	91,339,655	88,468,993

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 six months ended June 30, 2017 would have decreased by $121,615 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 six months ended June 30, 2016 would have decreased by $110,586 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 Six Months Ended June 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%	$ -	$ -	$ 1,269	$ 1,730
Fuel price decreases 5%	-	-	(2,345)	(1,617)

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
Asian Compressor Technology Services	Associate

(Continued)

Name	Relationship with the Company
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

(Concluded)

b. Operating income

Account Items	Related Party Type	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
Other income	Major stockholder of the Company	$ 8,799	$ 8,132	$ 15,769	$ 16,979
	Associate	$ 600	$ 529	$ 1,235	$ 1,300
	Joint venture investment	$ 16,780	$ 3,471	$ 25,011	$ 6,813

c. Purchases

Related Party Type	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
Major stockholder of the Company	$ 19,698	$ 17,608	$ 35,290	$ 37,642
Associate	$ 170,005	$ 163,844	$ 325,412	$ 330,214
Joint venture investment	$ 471,654	$ 390,762	$ 928,579	$ 785,098

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

Related Party Type	June 30, 2017	December 31, 2016	June 30, 2016
Major stockholder of the Company	$ 3,089	$ 1,512	$ 2,282
Associate	252	501	186
Joint venture investment	7,988	1,549	1,749
	$ 11,329	$ 3,562	$ 4,217

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	June 30, 2017	December 31, 2016	June 30, 2016
Major stockholder of the Company	$ 7,144	$ 3,503	$ 5,272
Associate	113,445	120,824	90,360
Joint venture investment			
China Pacific Catering Services	494,099	411,698	379,000
Others	20,284	19,804	18,337
	$ 634,972	$ 555,829	$ 492,969

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 June 30, 2017 and 2016, the Company paid rentals of $35,290 thousand and $37,642 thousand, respectively; for the three months ended June 30, 2017 and 2016, the Company's paid rentals amounted to $19,698 thousand and $17,608 thousand.

g. Endorsements and guarantees

	June 30, 2017		December 31, 2016		June 30, 2016	
	Authorized Amount	Amount Used	Authorized Amount	Amount Used	Authorized Amount	Amount Used
The Company						
Cal Park	$ 3,850,000	$ 2,833,000	$ 3,850,000	$ 2,783,000	$ 3,850,000	$ 2,776,000
Taiwan Air Cargo Terminal	1,080,000	378,954	1,080,000	436,418	1,080,000	471,877
Cal Hotel	180,000	-	180,000	-	180,000	3,171
Tigerair Taiwan Co., Ltd.	1,071,126	413,403	919,742	438,740	919,742	438,740

h. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 10,820	$ 9,786	$ 23,992	$ 26,931
Post-employment benefits	979	719	1,951	1,523
	$ 11,799	$ 10,505	$ 25,943	$ 28,454

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:

	June 30, 2017	December 31, 2016	June 30, 2016
Property, plant and equipment	$ 84,198,995	$ 77,847,771	$ 85,581,321
Restricted assets	345,935	323,028	187,338
	$ 84,544,930	$ 78,170,799	$ 85,768,659

35. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2017, 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 June 30, 2017, six of the aircrafts had been handed over to the Company, and the total list price of the remaining eight aircrafts was US$2,276,579 thousand, which has been paid in the amount of US$554,758 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 US $120,000 thousand. The expected delivery date 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.

c. Tigerair Taiwan Co., Ltd. entered into three 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 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 June 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 June 30, 2017, the accumulated consulting services expense and construction equipment amounted to $464,642 thousand and $5,017,478 thousand, respectively. Upon completion of the projects, the amounts of $460,273 thousand and $5,017,478 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 non-operating 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 June 30, 2017, $56,779 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 properly joined the defendants' Joint Defense Group.

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:

June 30, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 336,373	30.3951	$ 10,224,093
EUR	14,575	34.8432	507,827
HKD	230,909	3.8986	900,220
JPY	5,088,088	0.2721	1,384,470
RMB	410,099	4.4964	1,843,967
Financial liabilities			
Monetary items			
USD	306,637	30.3951	9,320,276
EUR	5,279	34.8432	183,926
HKD	92,968	3.8986	362,447
JPY	5,244,286	0.2721	1,426,970
RMB	139,222	4.4964	625,997

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

June 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 571,016	32.2581	$ 18,419,902
EUR	16,848	35.8423	603,875
HKD	286,365	4.1610	1,191,620
JPY	1,373,314	0.3142	430,092
RMB	895,160	4.8591	4,349,670
Financial liabilities			
Monetary items			
USD	213,355	32.2581	6,882,415
EUR	5,814	35.8423	208,396
HKD	75,398	4.1610	313,166
JPY	4,735,673	0.3142	1,480,115
RMB	158,262	4.8591	769,012

For the three months ended June 30, 2017 and 2016, net foreign exchange gains and (losses) were $22,005 thousand and $(217,279) thousand, respectively; and for the six months ended June 30, 2017 and 2016, net foreign exchange losses were $118,595 thousand and $452,066 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: None

   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 3 (attached)

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

9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 5 (attached)

10) Derivative financial transactions (Notes 7 and 9)

b. Investments in mainland China: Table 6 (attached)

c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 7 (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 Six Months Ended June 30, 2017			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 73,177,328	$ 3,855,582	$ (3,079,831)	$ 73,953,079
Operating profit and loss	$ 1,967,269	$ 465,983	$ -	$ 2,433,252
Interest revenue				97,318
Investment income accounted for by the equity method				255,608
Revenue				193,289
Finance costs				(668,186)
Expenses				(3,983,797)
Loss before income tax				$ (1,672,516)
Identifiable assets	$ 133,734,478	$ 8,794,205	$ -	$ 142,528,683
Investments accounted for by the equity method				2,820,766
Assets				81,508,018
Total assets				$ 226,857,467

	For the Six Months Ended June 30, 2016			
	Air Transportation	**Others**	**Adjustments and Write-offs**	**Total**
Operating revenue	$ 68,051,014	$ 3,888,563	$ (3,105,588)	$ 68,833,989
Operating profit and loss	$ 2,424,761	$ 567,361	$ -	$ 2,992,122
Interest revenue				144,223
Investment income accounted for by the equity method				258,687
Revenue				222,952
Finance costs				(674,637)
Expenses				(1,089,928)
Profit before income tax				$ 1,853,419
Identifiable assets	$ 118,464,017	$ 9,599,284	$ -	$ 128,063,301
Investments accounted for by the equity method				2,925,267
Assets				87,823,443
Total assets				$ 218,812,011

TABLE 1

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 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	$ 10,719,385	$ 3,850,000	$ 3,850,000	$ 2,833,000	$ -	7.18	$ 26,798,463	Y	N	N
		Taiwan Air Cargo Terminal	54% owned subsidiary	10,719,385	1,080,000	1,080,000	378,954	-	2.02	26,798,463	Y	N	N
		Cal Hotel	100% owned subsidiary	10,719,385	180,000	180,000	-	-	0.34	26,798,463	Y	N	N
		Tigerair Taiwan Co., Ltd.	100% owned subsidiary by way of direct and indirect holdings	10,719,385	1,079,101	1,071,126	413,403	-	2.00	26,798,463	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.

TABLE 2

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 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	June 30, 2017				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines, Ltd. (the "Company")	Stock							
	Everest Investment Holdings Ltd. - common stock	-	Financial assets carried at cost - noncurrent	1,359,368	$ 52,704	13.59	$ 60,768	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	20,121	-
	Jardine Air Terminal Services	-	Financial assets carried at cost - noncurrent	12,000,000	-	15.00	(1,126)	Note 2
Mandarin Airlines	Stock							
	China Airlines, Ltd.	Parent company	Available-for-sale financial assets - current	2,074,628	19,149	-	19,149	-
	Beneficial certificates							
	Fuh Hwa Money Market Fund	-	Financial assets at fair value through profit or loss - current	10,902,276	124,448	-	124,448	-
	Barclays America Bonds Fund	-	Financial assets at fair value through profit or loss - current	1,000,000	30,739	-	30,739	-
Cal-Asia Investment	Stock							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets carried at cost - noncurrent	-	-	5.83	(48,503)	Note 3
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets carried at cost - noncurrent	-	19,522	5.45	23,853	Note 3
Sabre Travel Network (Taiwan)	Beneficial certificates							
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	265,726	3,325	-	3,325	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,637,003	57,678	-	57,678	-
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,078,638	41,811	-	41,811	-
	FSITC Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,679,785	71,018	-	71,018	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	364,886	64,594	-	64,594	-
	Allianz Global Investors Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,943,472	49,021	-	49,021	
Taiwan Airport Services	Stock							
	TransAsia Airways	-	Available-for-sale financial assets - noncurrent	2,277,786	-	0.4	-	-
Hwa Hsia	Stock							
	China Airlines, Ltd.	Parent company	Available-for-sale financial assets - current	814,152	7,514	-	7,514	-
	Beneficial certificates							
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	349,523	4,691	-	4,691	-

(Continued)

Note 1: The subsidiary's net asset value was $60,768 thousand, which included common stocks and preferred stocks as of and for the year ended December 31, 2016.

Note 2: The net asset value was calculated using the unaudited financial statements for the four months ended April 30, 2017, because the Group was unable to acquire the investee's financial statements for the six months ended June 30, 2017.

Note 3: The net asset value was calculated using the unaudited financial statements for the five months ended May 31, 2017, because the Group was unable to acquire the investee's financial statements for the six months ended June 30, 2017.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 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	$ 221,378	0.37	30 days	$ -	-	$ (19,823)	(1.82)	-
	Hwa Hsia	Subsidiary	Purchase	162,582	0.27	2 months	-	-	(50,666)	(4.65)	
	Taiwan Airport Service	Subsidiary	Purchase	183,321	0.31	40 days	-	-	(62,880)	(5.77)	
	Cal Park	Subsidiary	Purchase	114,471	0.19	2 months	-	-	(38,548)	(3.54)	
	Mandarin Airlines	Subsidiary	Sale	(1,197,208)	1.81	2 months	-	-	433,393	4.64	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(159,976)	0.24	1 month	-	-	31,428	0.37	
	China Pacific Catering Services	Equity-method investee	Purchase	869,862	1.47	90 days	-	-	(494,098)	(45.38)	-
	Kaohsiung Catering Services	Equity-method investee	Purchase	147,866	0.25	60 days	-	-	(64,866)	(5.96)	-
	Taoyuan International Airport service	Subsidiary	Purchase	576,185	0.97	40 days	-	-	(336,466)	(30.90)	-

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

TABLE 4

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
JUNE 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	$ 433,393	Note	$ -	-	$ 233,975	$ -
Mandarin Airlines	China Airlines, Ltd.	Parent company	300,495	Note	-	-	262,289	-
China Pacific Catering Services	China Airlines, Ltd.	Parent company	494,098	3.84	-	-	147,211	-
Taoyuan International Airport Service	China Airlines, Ltd.	Parent company	336,466	3.49	-	-	189,089	-

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 SIX MONTHS ENDED JUNE 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 June 30, 2017			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 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	$ 1,516,516	$ 3,837	$ 3,837	-
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircrafts	2,042,368	2,042,368	188,154,025	93.99	1,170,453	49,160	46,205	Note 1
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,298,100	67,049	36,206	-
	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	1,190,266	18,091	18,091	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	693,715	215,697	110,005	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	695,456	139,852	68,527	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investing	US$ 7,172	US$ 7,172	7,172,346	100.00	449,283	13,081	13,081	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	363,044	90,765	85,255	-
	China Aircraft Service	Hong Kong	Airport services	HK$ 58,000	HK$ 58,000	28,400,000	20.00	500,972	77,275	15,455	-
	Asian Compressor Technology Services	Taoyuan, Taiwan	Research, manufacture and maintenance of engines	77,322	77,322	7,732,200	24.50	212,258	154,953	37,963	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	253,637	56,190	26,606	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	140,240	140,240	14,329,759	35.78	250,950	102,198	36,566	-
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	419,928	32,553	32,553	-
	Science Park Logistics	Tainan, Taiwan	Storage and customs of services	214,745	214,745	18,633,937	26.00	258,907	75,429	19,611	
	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	160,463	18,608	10,235	-
	Hwa Hsia	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	76,669	5,135	5,135	Note 1
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	26,798	1,334	1,334	-
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 20,400	JPY 20,400	408	51.00	27,352	(3,472)	(1,771)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,542	3,298	825	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircrafts	1,648,387	1,600,000	180,000,000	90.00	557,931	173,986	155,827	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	650,000	160,000	65,000,000	100.00	573,766	(26,362)	(26,362)	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	61,992	173,986	17,399	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	5,769	56,190	605	
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	42,707	3,183	1,114	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investing	US$ 5,877	US$ 5,877	-	100.00	350,306	11,999	11,999	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. increased capital in the amount of $490,000 thousand.

TABLE 6

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 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 June 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2017	Accumulated Inward Remittance of Earnings as of June 30, 2017
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,009,353 (RMB 224,480)	Indirect (Note 1)	$ 127,233 (US$ 4,186)	$ -	$ -	$ 127,233 (US$ 4,186)	$ 38,309 (RMB 8,565)	14.00	$ 5,333 (RMB 1,199)	$ 232,192 (RMB 51,639)	$ 85,160 (US$ 2,802) (Note 4)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,950 (RMB 14,000)	Indirect (Note 1)	59,193 (US$ 1,947)	-	-	59,193 (US$ 1,947)	52,351 (RMB 11,705)	14.00	7,341 (RMB 1,639)	119,070 (RMB 26,481)	$ 26,606 (US$ 875) (Note 4)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	1,121,277 (US$ 36,890)	Indirect (Note 1)	65,386 (US$ 2,151)	-	-	65,386 (US$ 2,151)	-	5.83	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	354,498 (US$ 11,663)	Indirect (Note 1)	19,331 (US$ 636)	-	-	19,331 (US$ 636)	-	5.45	-	19,522 (RMB 4,342)	-
Shanghai Eastern Aircraft Maintenance	Aircraft line maintenance	94,225 (US$ 3,100)	Indirect (Note 2)	7,538 (US$ 248)	-	-	7,538 (US$ 248)	-	8.00	-	-	-
Shanghai Eastern United International	Forwarding of air cargo and ocean freight	30,395 (US$ 1,000)	Indirect (Note 3)	5,213 (US$ 172)	-	-	5,213 (US$ 172)	-	-	-	-	-

Accumulated Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$283,034 (US$9,340)	$658,236 (Note 5)	$33,436,103 (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		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2017	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of June 30, 2017	Accumulated Repatriation of Investment Income as of June 30, 2017
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,009,353 (RMB 224,480)	Indirect (Note 7)	$ 124,863 (US$ 4,108)	$ -	$ -	$ 124,863 (US$ 4,108)	$ 38,309 (RMB 8,565)	14.00	$ 5,043 (RMB 1,199)	$ 230,631 (RMB 51,292)	$ 115,684 (US$ 3,806)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,950 (RMB 14,000)	Indirect (Note 7)	58,571 (US$ 1,927)	-	-	58,571 (US$ 1,927)	52,351 (RMB 11,705)	14.00	6,942 (RMB 1,639)	118,901 (RMB 26,444)	42,766 (US$ 1,407)

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$183,435 (US$6,035)	$183,435 (US$6,035)	$321,398 (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 June 30, 2017 amounted to US$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 SIX MONTHS ENDED JUNE 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	$ 1,030,562	The same as ordinary transactions	1.39
		Mandarin Airlines	a	Other operating revenue	166,646	The same as ordinary transactions	0.23
		Tigerair Taiwan Co., Ltd.	a	Other operating revenue	159,976	The same as ordinary transactions	0.22
		Taoyuan International Airport Services	a	Terminal and landing costs	576,185	The same as ordinary transactions	0.78
		Taiwan Airport Service	a	Terminal and landing costs	183,321	The same as ordinary transactions	0.25
		Hwa Hsia	a	Terminal and landing costs	162,582	The same as ordinary transactions	0.22
		Taiwan Air Cargo Terminal	a	Other operating costs	221,378	The same as ordinary transactions	0.30
		Cal Park	a	Other operating costs	114,471	The same as ordinary transactions	0.15
		Mandarin Airlines	a	Accounts receivable - related parties	433,393	The same as ordinary transactions	0.19
		Mandarin Airlines	a	Accounts payable - related parties	300,495	The same as ordinary transactions	0.13
		Taoyuan International Airport Services	a	Accounts payable - related parties	336,466	The same as ordinary transactions	0.15
		Mandarin Airlines	a	Bonds payable - noncurrent	250,000	The same as ordinary transactions	0.11
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	221,378	The same as ordinary transactions	0.30
2	Mandarin Airlines	China Airlines, Ltd.	b	Flight operating costs	1,030,562	The same as ordinary transactions	1.39
		China Airlines, Ltd.	b	Operating expenses	166,646	The same as ordinary transactions	0.23
		China Airlines, Ltd.	b	Accounts receivable - related parties	300,495	The same as ordinary transactions	0.13
		China Airlines, Ltd.	b	Held-to-maturity financial assets	250,000	The same as ordinary transactions	0.11
		China Airlines, Ltd.	b	Notes payable - related parties	433,393	The same as ordinary transactions	0.19
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	576,185	The same as ordinary transactions	0.78
		China Airlines, Ltd.	b	Accounts receivable - related parties	336,466	The same as ordinary transactions	0.15
4	Taiwan Airport Service	China Airlines, Ltd.	b	Operating revenue	183,321	The same as ordinary transactions	0.25
5	Hwa Hsia	China Airlines, Ltd.	b	Operating revenue	162,582	The same as ordinary transactions	0.22
6	Cal Park	China Airlines, Ltd.	b	Operating revenue	114,471	The same as ordinary transactions	0.15
7	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expenses	159,976	The same as ordinary transactions	0.22

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.

(Continued)

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.

(Concluded)