

China Airlines, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2023 and 2022 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2023 and 2022, the related consolidated statements of comprehensive income for the three months ended September 30, 2023 and 2022 and for the nine months ended September 30, 2023 and 2022, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Standards on Review Engagements of the Republic of China 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method were not reviewed. As of September 30, 2023 and 2022, the combined total assets of these non-significant subsidiaries were NT\$21,188,696 thousand and NT\$21,404,409 thousand, respectively, representing 7.29% and 7.55%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$12,534,686 thousand and NT\$12,216,657 thousand, respectively, representing 5.87% and 5.78%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2023 and 2022, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$297,051 thousand and NT\$64,439 thousand, respectively, representing 15.48% and (3.03%), respectively, of the consolidated total comprehensive income (loss), and for the nine months ended September 30, 2023 and 2022, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$608,348 thousand and NT\$97,660 thousand, respectively, representing 9.35% and (8.28%), respectively, of the consolidated total comprehensive income. As

of September 30, 2023 and 2022, the aforementioned investments accounted for using the equity method were NT\$1,740,531 thousand and NT\$1,470,236 thousand, respectively; for the three months ended September 30, 2023 and 2022, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$112,275 thousand and NT\$(23,593) thousand, respectively, and for the nine months ended September 30, 2023 and 2022, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$286,726 thousand and NT\$(107,647) thousand, respectively.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2023 and 2022, its consolidated financial performance for the three months ended September 30, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2023 and 2022 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matters - Use of Other Accountants' Review Reports

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the report of other auditors. The total assets of these subsidiaries were NT\$16,647,080 thousand and NT\$14,412,306 thousand, representing 5.72% and 5.08% of the consolidated total assets as of September 30, 2023 and 2022, respectively; and for the three months ended September 30, 2023 and 2022, the total revenue of these subsidiaries was NT\$3,515,705 thousand and NT\$15,012 thousand, representing 7.37% and 0.04%, of the consolidated total revenue, respectively, and for the nine months ended September 30, 2023 and 2022, the total revenue of these subsidiaries was NT\$8,837,572 thousand and NT\$51,840 thousand, representing 6.42% and 0.05% of the consolidated total revenue, respectively. For the three months ended September 30, 2023 and 2022, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$577,206 thousand and NT\$(1,015,596) thousand, respectively, representing 30.09% and 47.76%, of the consolidated total comprehensive income (loss), and for the nine months ended September 30, 2023 and 2022, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$1,343,236 thousand and NT\$(2,450,184) thousand, respectively, representing 20.65% and 207.78%, respectively, of the consolidated total comprehensive income (loss).

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 8, 2023

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2023		December 31, 2022		September 30, 2022	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 35,648,237	12	\$ 34,980,469	12	\$ 37,623,078	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	161,333	-	119,462	-	131,292	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	7,844,237	3	6,218,617	2	1,349,341	1
Financial assets for hedging - current (Notes 4, 6 and 31)	250,599	-	4,031,662	1	1,572,219	1
Notes and accounts receivable, net (Notes 4, 5, 10 and 31)	9,998,128	3	11,126,642	4	11,864,041	4
Notes and accounts receivable - related parties (Notes 31 and 32)	16,750	-	4,849	-	4,356	-
Net finance lease receivables (Notes 4, 21 and 31)	248,726	-	-	-	-	-
Other receivables (Note 31)	1,092,932	-	963,004	-	1,074,266	-
Current tax assets (Notes 4 and 28)	179,608	-	5,259	-	22,900	-
Inventories, net (Notes 4 and 11)	11,273,212	4	10,775,467	4	10,228,901	4
Non-current assets held for sale (Notes 4, 5 and 12)	1,915,725	1	-	-	116,213	-
Other current assets (Notes 18 and 33)	2,064,493	1	1,596,912	1	1,214,787	-
Total current assets	<u>70,693,980</u>	<u>24</u>	<u>69,822,343</u>	<u>24</u>	<u>65,201,394</u>	<u>23</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	135,728	-	123,033	-	70,897	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	230,423	-	205,765	-	244,997	-
Financial assets for hedging - non-current (Notes 4 and 31)	4,473	-	-	-	-	-
Investments accounted for using the equity method (Notes 4 and 14)	1,740,531	1	1,453,244	-	1,470,236	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	128,531,750	44	128,207,404	44	126,107,320	44
Right-of-use assets (Notes 4 and 21)	51,594,164	18	59,015,407	20	58,168,590	21
Investment properties (Notes 4 and 16)	2,071,842	1	2,072,012	1	2,074,332	1
Other intangible assets (Notes 4 and 17)	833,391	-	883,420	-	909,743	-
Deferred tax assets (Notes 4, 5 and 28)	8,268,149	3	8,446,347	3	8,509,314	3
Long-term finance lease receivables (Notes 4, 21 and 31)	293,808	-	-	-	-	-
Other non-current assets (Notes 18, 21, 31 and 33)	26,423,440	9	24,183,218	8	20,726,543	7
Total non-current assets	<u>220,127,699</u>	<u>76</u>	<u>224,589,850</u>	<u>76</u>	<u>218,281,972</u>	<u>77</u>
TOTAL	<u>\$ 290,821,679</u>	<u>100</u>	<u>\$ 294,412,193</u>	<u>100</u>	<u>\$ 283,483,366</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 285,000	-	\$ 835,000	-	\$ 1,782,000	1
Short-term bills payable (Notes 19 and 31)	30,000	-	-	-	-	-
Financial liabilities for hedging - current (Notes 4, 21 and 31)	9,528,042	3	9,983,959	3	10,172,917	4
Contract liabilities - current (Notes 4, 5 and 23)	25,481,877	9	17,409,654	6	8,507,579	3
Notes and accounts payable (Note 31)	1,223,118	-	1,357,805	1	1,397,567	-
Accounts payable - related parties (Notes 31 and 32)	666,536	-	317,810	-	219,840	-
Other payables (Notes 22 and 31)	17,105,513	6	15,207,259	5	12,999,112	5
Current tax liabilities (Notes 4 and 28)	86,853	-	492,415	-	552,325	-
Lease liabilities - current (Notes 4 and 21)	3,327,439	1	3,027,890	1	2,978,850	1
Provisions - current (Notes 4, 24 and 31)	3,623,645	1	3,691,812	1	3,597,866	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20 and 31)	4,924,414	2	2,350,000	1	3,650,000	1
Current portion of long-term borrowings (Notes 19, 31 and 33)	19,332,783	7	13,225,516	5	12,849,453	5
Other current liabilities (Note 31)	6,211,832	2	3,355,958	1	2,628,886	1
Total current liabilities	<u>91,827,052</u>	<u>31</u>	<u>71,255,078</u>	<u>24</u>	<u>61,336,395</u>	<u>22</u>
NON-CURRENT LIABILITIES						
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	26,778,003	9	32,190,102	11	32,846,991	12
Bonds payable - non-current (Notes 4, 20 and 31)	5,950,000	2	7,649,674	3	8,869,852	3
Long-term borrowings - non-current (Notes 19, 31 and 33)	43,317,672	15	65,109,050	22	62,481,708	22
Contract liabilities - non-current (Notes 4, 5 and 23)	2,205,188	1	1,280,906	-	1,103,333	-
Provisions - non-current (Notes 4, 24 and 31)	16,972,906	6	17,271,121	6	17,773,633	6
Deferred tax liabilities (Notes 4 and 28)	367,580	-	166,864	-	167,603	-
Lease liabilities - non-current (Notes 4 and 21)	15,995,856	6	15,439,535	5	15,574,735	6
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,076,150	3	9,229,640	3	9,564,946	3
Other non-current liabilities (Note 31)	872,285	-	2,366,781	1	1,568,724	1
Total non-current liabilities	<u>121,535,640</u>	<u>42</u>	<u>150,703,673</u>	<u>51</u>	<u>149,951,525</u>	<u>53</u>
Total liabilities	<u>213,362,692</u>	<u>73</u>	<u>221,958,751</u>	<u>75</u>	<u>211,287,920</u>	<u>75</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)						
Share capital	60,511,130	21	60,135,374	20	60,135,374	21
Capital surplus	3,885,306	1	3,120,311	1	3,120,311	1
Retained earnings						
Legal reserve	1,230,977	1	925,385	1	925,385	-
Special reserve	534,375	-	-	-	-	-
Unappropriated retained earnings	9,669,775	3	6,384,381	2	6,946,913	3
Total retained earnings	<u>11,435,127</u>	<u>4</u>	<u>7,309,766</u>	<u>3</u>	<u>7,872,298</u>	<u>3</u>
Other equity	(1,215,548)	-	(534,375)	-	(1,389,828)	(1)
Treasury shares	(30,875)	-	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	<u>74,585,140</u>	<u>26</u>	<u>70,000,201</u>	<u>24</u>	<u>69,707,280</u>	<u>24</u>
NON-CONTROLLING INTERESTS (Note 26)	<u>2,873,847</u>	<u>1</u>	<u>2,453,241</u>	<u>1</u>	<u>2,488,166</u>	<u>1</u>
Total equity	<u>77,458,987</u>	<u>27</u>	<u>72,453,442</u>	<u>25</u>	<u>72,195,446</u>	<u>25</u>
TOTAL	<u>\$ 290,821,679</u>	<u>100</u>	<u>\$ 294,412,193</u>	<u>100</u>	<u>\$ 283,483,366</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated November 8, 2023)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 47,681,526	100	\$ 37,697,760	100	\$ 137,566,531	100	\$ 111,783,277	100
OPERATING COSTS (Notes 4, 11, 15, 17, 21, 24, 25, 27 and 32)	<u>41,687,108</u>	<u>88</u>	<u>36,017,635</u>	<u>96</u>	<u>118,367,517</u>	<u>86</u>	<u>101,906,124</u>	<u>91</u>
GROSS PROFIT	5,994,418	12	1,680,125	4	19,199,014	14	9,877,153	9
OPERATING EXPENSES (Notes 4, 15, 25, 27 and 32)	<u>3,513,199</u>	<u>7</u>	<u>2,017,350</u>	<u>5</u>	<u>10,125,231</u>	<u>7</u>	<u>5,628,194</u>	<u>5</u>
PROFIT (LOSS) FROM OPERATIONS	<u>2,481,219</u>	<u>5</u>	<u>(337,225)</u>	<u>(1)</u>	<u>9,073,783</u>	<u>7</u>	<u>4,248,959</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 27)	580,901	1	640,070	2	1,618,495	1	1,173,156	1
Other gains and losses (Notes 15, 21 and 27)	600,367	1	217,705	1	107,521	-	374,044	-
Finance costs (Notes 27 and 31)	(635,460)	(1)	(635,110)	(2)	(2,008,510)	(1)	(1,846,599)	(1)
Share of the profit (loss) of associates and joint ventures (Note 14)	<u>112,275</u>	<u>-</u>	<u>(23,593)</u>	<u>-</u>	<u>286,726</u>	<u>-</u>	<u>(107,647)</u>	<u>-</u>
Total non-operating income and expenses	<u>658,083</u>	<u>1</u>	<u>199,072</u>	<u>1</u>	<u>4,232</u>	<u>-</u>	<u>(407,046)</u>	<u>-</u>
PROFIT (LOSS) BEFORE INCOME TAX	3,139,302	6	(138,153)	-	9,078,015	7	3,841,913	4
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 28)	<u>598,024</u>	<u>1</u>	<u>(126,668)</u>	<u>-</u>	<u>1,675,752</u>	<u>1</u>	<u>700,293</u>	<u>1</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>2,541,278</u>	<u>5</u>	<u>(11,485)</u>	<u>-</u>	<u>7,402,263</u>	<u>6</u>	<u>3,141,620</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Gain on hedging instruments subject to basis adjustment	140,719	-	109,670	-	256,216	-	245,064	-
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	6,561	-	6,182	-	12,573	-	2,698	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>(120)</u>	<u>-</u>	<u>(358)</u>	<u>-</u>	<u>(3,687)</u>	<u>-</u>	<u>(52,131)</u>	<u>-</u>
	<u>147,160</u>	<u>-</u>	<u>115,494</u>	<u>-</u>	<u>265,102</u>	<u>-</u>	<u>195,631</u>	<u>-</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	\$ 78,579	-	\$ 89,986	-	\$ 72,682	-	\$ 196,377	-
Loss on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 31)	(1,043,654)	(2)	(2,878,392)	(8)	(1,525,059)	(1)	(5,844,088)	(5)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>195,016</u>	<u>1</u>	<u>557,964</u>	<u>2</u>	<u>290,522</u>	<u>-</u>	<u>1,131,253</u>	<u>1</u>
	<u>(770,059)</u>	<u>(1)</u>	<u>(2,230,442)</u>	<u>(6)</u>	<u>(1,161,855)</u>	<u>(1)</u>	<u>(4,516,458)</u>	<u>(4)</u>
Other comprehensive loss for the period, net of income tax	<u>(622,899)</u>	<u>(1)</u>	<u>(2,114,948)</u>	<u>(6)</u>	<u>(896,753)</u>	<u>(1)</u>	<u>(4,320,827)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 1,918,379</u>	<u>4</u>	<u>\$ (2,126,433)</u>	<u>(6)</u>	<u>\$ 6,505,510</u>	<u>5</u>	<u>\$ (1,179,207)</u>	<u>(1)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 2,297,287	5	\$ 125,956	-	\$ 6,897,568	5	\$ 3,618,450	3
Non-controlling interests	<u>243,991</u>	<u>-</u>	<u>(137,441)</u>	<u>-</u>	<u>504,695</u>	<u>-</u>	<u>(476,830)</u>	<u>-</u>
	<u>\$ 2,541,278</u>	<u>5</u>	<u>\$ (11,485)</u>	<u>-</u>	<u>\$ 7,402,263</u>	<u>5</u>	<u>\$ 3,141,620</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 1,669,459	3	\$ (1,989,661)	(5)	\$ 6,000,686	4	\$ (708,576)	(1)
Non-controlling interests	<u>248,920</u>	<u>1</u>	<u>(136,772)</u>	<u>(1)</u>	<u>504,824</u>	<u>1</u>	<u>(470,631)</u>	<u>-</u>
	<u>\$ 1,918,379</u>	<u>4</u>	<u>\$ (2,126,433)</u>	<u>(6)</u>	<u>\$ 6,505,510</u>	<u>5</u>	<u>\$ (1,179,207)</u>	<u>(1)</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)								
Basic	<u>\$ 0.38</u>		<u>\$ 0.02</u>		<u>\$ 1.15</u>		<u>\$ 0.60</u>	
Diluted	<u>\$ 0.37</u>		<u>\$ 0.02</u>		<u>\$ 1.12</u>		<u>\$ 0.59</u>	

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

(With Deloitte & Touche auditors' review report dated November 8, 2023)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											Total Equity	
	Share Capital	Capital Surplus	Retained Earnings			Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Treasury Shares Held by Subsidiaries	Total		Non-controlling Interests
			Legal Reserve	Special Reserve	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income			Gain (Loss) on Hedging Instruments					
BALANCE AT JANUARY 1, 2022	\$ 59,412,243	\$ 2,694,529	\$ -	\$ -	\$ 9,253,848	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ (30,875)	\$ 74,043,573	\$ 3,161,445	\$ 77,205,018	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	223,370	-	223,370	-	223,370	
Appropriation of 2021 earnings													
Legal reserve	-	-	925,385	-	(925,385)	-	-	-	-	-	-	-	
Cash dividends - \$0.83145736 per share	-	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)	
Changes in capital surplus from dividends distributed to subsidiaries	-	1,725	-	-	-	-	-	-	-	1,725	-	1,725	
Net income (loss) for the nine months ended September 30, 2022	-	-	-	-	3,618,450	-	-	-	-	3,618,450	(476,830)	3,141,620	
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	-	154,403	4,013	(4,485,442)	-	(4,327,026)	6,199	(4,320,827)	
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	3,618,450	154,403	4,013	(4,485,442)	-	(708,576)	(470,631)	(1,179,207)	
Convertible bonds converted to ordinary shares	723,131	424,050	-	-	-	-	-	-	-	1,147,181	-	1,147,181	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(202,650)	(202,650)	
Others	-	7	-	-	-	-	-	-	-	7	2	9	
BALANCE AT SEPTEMBER 30, 2022	<u>\$ 60,135,374</u>	<u>\$ 3,120,311</u>	<u>\$ 925,385</u>	<u>\$ -</u>	<u>\$ 6,946,913</u>	<u>\$ 34,324</u>	<u>\$ (1,499)</u>	<u>\$ (1,422,653)</u>	<u>\$ (30,875)</u>	<u>\$ 69,707,280</u>	<u>\$ 2,488,166</u>	<u>\$ 72,195,446</u>	
BALANCE AT JANUARY 1, 2023	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ -	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201	\$ 2,453,241	\$ 72,453,442	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	215,709	-	215,709	-	215,709	
Appropriation of 2022 earnings													
Legal reserve	-	-	305,592	-	(305,592)	-	-	-	-	-	-	-	
Special reserve	-	-	-	534,375	(534,375)	-	-	-	-	-	-	-	
Cash dividends - \$0.4602191 per share	-	-	-	-	(2,772,207)	-	-	-	-	(2,772,207)	-	(2,772,207)	
Changes in capital surplus from dividends distributed to subsidiaries	-	955	-	-	-	-	-	-	-	955	-	955	
Changes in percentage of ownership interests in subsidiaries	-	452,110	-	-	-	-	-	-	-	452,110	164,355	616,465	
Issuance of employee share options by the subsidiaries	-	24,055	-	-	-	-	-	-	-	24,055	5,227	29,282	
Net income for the nine months ended September 30, 2023	-	-	-	-	6,897,568	-	-	-	-	6,897,568	504,695	7,402,263	
Other comprehensive income (loss) for the nine months ended September 30, 2023, net of income tax	-	-	-	-	-	58,070	8,886	(963,838)	-	(896,882)	129	(896,753)	
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	6,897,568	58,070	8,886	(963,838)	-	6,000,686	504,824	6,505,510	
Convertible bonds converted to ordinary shares	375,756	287,875	-	-	-	-	-	-	-	663,631	-	663,631	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(253,800)	(253,800)	
BALANCE AT SEPTEMBER 30, 2023	<u>\$ 60,511,130</u>	<u>\$ 3,885,306</u>	<u>\$ 1,230,977</u>	<u>\$ 534,375</u>	<u>\$ 9,669,775</u>	<u>\$ 53,772</u>	<u>\$ 49,804</u>	<u>\$ (1,319,124)</u>	<u>\$ (30,875)</u>	<u>\$ 74,585,140</u>	<u>\$ 2,873,847</u>	<u>\$ 77,458,987</u>	

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

(With Deloitte & Touche auditors' review report dated November 8, 2023)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 9,078,015	\$ 3,841,913
Adjustments for:		
Depreciation expense	23,195,842	22,384,863
Amortization expense	166,293	167,959
Expected credit loss recognized on trade receivables	-	28,855
Net gain on fair value changes of financial assets at fair value through profit or loss	(1,190)	(384)
Interest income	(1,323,296)	(307,186)
Dividend income	(14,840)	(850)
Compensation costs of employee share options	29,282	-
Share of (profit) loss of associates and joint ventures	(286,726)	107,647
Gain on disposal of property, plant and equipment	(99,708)	(16,747)
Gain on disposal of non-current assets held for sale	-	(116,676)
Gain on disposal of investments	(2,523)	-
Loss on inventory and property, plant and equipment	1,250,801	611,103
Impairment loss recognized on aircraft equipment	498,352	1,641
Finance costs	2,008,510	1,846,599
Net loss on foreign currency exchange	87,554	1,381,550
Recognition of provisions	4,448,248	3,994,333
Others	48,190	(9,569)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(40,681)	24,872
Notes and accounts receivable	1,193,554	1,865,559
Accounts receivable - related parties	(259,946)	124,367
Other receivables	(39,239)	(235,940)
Inventories	(722,600)	(1,997,163)
Other current assets	(342,782)	(547,155)
Notes and accounts payable	47,080	67,963
Accounts payable - related parties	538,019	(45,818)
Other payables	1,241,173	(1,902,600)
Contract liabilities	8,921,758	5,106,567
Provisions	(5,514,127)	(3,157,305)
Other current liabilities	2,919,908	280,455
Defined benefit liabilities	(153,490)	(249,828)
Other liabilities	311,749	27,847
Cash generated from operations	47,183,180	33,276,872
Interest received	1,227,299	232,858
Dividends received	14,840	850
Interest paid	(1,930,538)	(1,835,719)
Income tax paid	(1,680,452)	(4,629,711)
Net cash generated from operating activities	<u>44,814,329</u>	<u>27,045,150</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	\$ (15,511,765)	\$ (8,985,310)
Proceeds from sale of financial assets at amortized cost	14,197,510	20,545,777
Purchase of financial assets for hedging	(5,501,876)	(5,342,055)
Proceeds from sale of financial assets for hedging	9,479,715	7,603,306
Proceeds from disposal of non-current assets held for sale	-	130,144
Net cash generated from disposal of investments accounted for using equity method	2,523	-
Payments for property, plant and equipment	(1,467,388)	(1,965,232)
Proceeds from disposal of property, plant and equipment	1,519,720	23,755
Increase in refundable deposits	(167,199)	(102,395)
Decrease in refundable deposits	225,725	212,490
Increase in finance lease receivable	(786,163)	-
Decrease in finance lease receivable	260,802	-
Increase in prepayments for equipment	(19,822,627)	(15,093,029)
Increase in other intangible assets	(113,432)	(123,469)
Increase in restricted assets	(43,088)	(69,100)
Net cash used in investing activities	<u>(17,727,543)</u>	<u>(3,165,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(550,000)	(150,000)
Increase in short-term bills payable	30,000	-
Proceeds from issuance of bonds payable	2,650,000	-
Repayments of bonds payable	(1,125,000)	(200)
Proceeds from long-term borrowings	9,013,068	2,559,673
Repayments of long-term borrowings	(24,697,179)	(21,622,115)
Repayments of the principal portion of lease liabilities	(10,285,898)	(8,687,337)
Proceeds from guarantee deposits received	146,459	75,421
Refund of guarantee deposits received	(229,714)	(8,703)
Proceeds from issuance of ordinary shares of subsidiaries to non-controlling interests	821,464	-
Payment of cash dividends	(2,771,252)	(4,998,275)
Dividends paid to non-controlling interests	(253,800)	(202,650)
Capital returned to non-controlling interests by subsidiaries on capital reduction	(205,000)	-
Others	-	9
Net cash used in financing activities	<u>(27,456,852)</u>	<u>(33,034,177)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>1,037,834</u>	<u>1,507,357</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Nine Months Ended September 30	
	2023	2022
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 667,768	\$ (7,646,788)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>34,980,469</u>	<u>45,269,866</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 35,648,237</u>	<u>\$ 37,623,078</u>

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

(With Deloitte & Touche auditors' review report dated November 8, 2023)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of September 30, 2023, December 31, 2022 and September 30, 2022, CADF and NDF held a combined 39.43%, 39.69% and 39.69%, respectively of the Company’s shares.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s board of directors on November 8, 2023.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2024

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

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

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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

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

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those of for the consolidated financial statements for the year ended December 31, 2022.

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 and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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

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

Basis of Consolidation

The consolidated financial statements reporting principles are the same as those in the consolidated financial statements for the year ended December 31, 2022.

Employee Benefits

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

Income Tax

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material accounting judgments and key sources of estimation uncertainty for these interim consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended December 31, 2022.

6. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022	September 30, 2022
Cash on hand and revolving funds	\$ 751,025	\$ 599,368	\$ 696,713
Checking accounts and demand deposits	8,563,246	8,001,937	8,640,786
Cash equivalent			
Time deposits with original maturities of less than three months	22,739,232	20,620,078	26,535,852
Repurchase agreements collateralized by bonds	<u>3,594,734</u>	<u>5,759,086</u>	<u>1,749,727</u>
	<u>\$ 35,648,237</u>	<u>\$ 34,980,469</u>	<u>\$ 37,623,078</u>

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

	September 30, 2023	December 31, 2022	September 30, 2022
Bank balance	0%-5.10%	0%-1.00%	0%-3.00%
Time deposits with original maturities of less than three months	0.61%-5.85%	0.33%-4.95%	0.10%-4.05%
Repurchase agreements collateralized by bonds	0.90%-5.70%	0.58%-4.70%	0.23%-3.05%

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

	Maturity Date	Subject	Carrying Value
December 31, 2022	2023.1.3-2023.1.18	Financial assets for hedging - current	\$ 3,987,730
September 30, 2022	2022.10.4-2022.10.6	Financial assets for hedging - current	1,523,810

Impact on other comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the nine months ended September 30, 2023	\$ 46,135
For the three months ended September 30, 2023	14,694
For the nine months ended September 30, 2022	229,535
For the three months ended September 30, 2022	95,238

For the nine months ended September 30, 2023 and 2022, the amount of hedging instrument settlements recognized as prepayments for equipment were \$159,683 thousand and \$224,456 thousand, respectively.

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

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Beneficiary certificates	<u>\$ 161,333</u>	<u>\$ 119,462</u>	<u>\$ 131,292</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Investments in Equity Instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 100,465	\$ 81,905	\$ 32,819
Domestic investments			
Unlisted shares	<u>35,263</u>	<u>41,128</u>	<u>38,078</u>
	<u>\$ 135,728</u>	<u>\$ 123,033</u>	<u>\$ 70,897</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Time deposits with original maturities of more than 3 months	\$ 7,844,237	\$ 6,218,617	\$ 1,348,790
Government bonds	<u>-</u>	<u>-</u>	<u>551</u>
	<u>\$ 7,844,237</u>	<u>\$ 6,218,617</u>	<u>\$ 1,349,341</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ 230,423</u>	<u>\$ 205,765</u>	<u>\$ 244,997</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.92%-5.65%, 0.45%-5.05% and 0.21%-1.35% per annum as of September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Notes receivable</u>	<u>\$ 153,599</u>	<u>\$ 72,435</u>	<u>\$ 15,132</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	10,101,891	11,315,652	12,113,320
Less: Allowance for impairment loss	<u>(257,362)</u>	<u>(261,445)</u>	<u>(264,411)</u>
	<u>9,844,529</u>	<u>11,054,207</u>	<u>11,848,909</u>
	<u>\$ 9,998,128</u>	<u>\$ 11,126,642</u>	<u>\$ 11,864,041</u>

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

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

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

The following table details the loss allowance of accounts receivable based on the Group's provision matrix:

September 30, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	1.12%	5.56%	5.76%	5.89%	99.06%	
Gross carrying amount	\$ 9,790,868	\$ 128,928	\$ 27,346	\$ 15,361	\$ 139,388	\$ 10,101,891
Loss allowance (lifetime ECLs)	<u>(109,637)</u>	<u>(7,164)</u>	<u>(1,575)</u>	<u>(904)</u>	<u>(138,082)</u>	<u>(257,362)</u>
Amortized cost	<u>\$ 9,681,231</u>	<u>\$ 121,764</u>	<u>\$ 25,771</u>	<u>\$ 14,457</u>	<u>\$ 1,306</u>	<u>\$ 9,844,529</u>

December 31, 2022

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	1.04%	7.66%	11.02%	46.42%	99.29%	
Gross carrying amount	\$ 11,076,632	\$ 82,406	\$ 16,704	\$ 517	\$ 139,393	\$ 11,315,652
Loss allowance (lifetime ECLs)	<u>(114,644)</u>	<u>(6,315)</u>	<u>(1,841)</u>	<u>(240)</u>	<u>(138,405)</u>	<u>(261,445)</u>
Amortized cost	<u>\$ 10,961,988</u>	<u>\$ 76,091</u>	<u>\$ 14,863</u>	<u>\$ 277</u>	<u>\$ 988</u>	<u>\$ 11,054,207</u>

September 30, 2022

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.88%	5.04%	46.45%	-	99.14%	
Gross carrying amount	\$ 11,783,308	\$ 176,864	\$ 816	\$ -	\$ 152,332	\$ 12,113,320
Loss allowance (lifetime ECLs)	<u>(104,092)</u>	<u>(8,915)</u>	<u>(379)</u>	<u>-</u>	<u>(151,025)</u>	<u>(264,411)</u>
Amortized cost	<u>\$ 11,679,216</u>	<u>\$ 167,949</u>	<u>\$ 437</u>	<u>\$ -</u>	<u>\$ 1,307</u>	<u>\$ 11,848,909</u>

The movements of the loss allowance of accounts receivable were as follows:

	For the Nine Months Ended September 30	
	2023	2022
Balance at January 1	\$ 261,445	\$ 235,560
Add: Net remeasurement of loss allowance	-	28,855
Add: Amounts recovered	13	190
Less: Amounts written off	(4,104)	(215)
Foreign exchange gains and losses	<u>8</u>	<u>21</u>
Balance at September 30	<u>\$ 257,362</u>	<u>\$ 264,411</u>

11. INVENTORIES

	September 30, 2023	December 31, 2022	September 30, 2022
Aircraft spare parts	\$ 10,010,603	\$ 9,756,141	\$ 9,091,971
Items for in-flight sale	646,676	625,959	631,756
Work in process - maintenance services	517,870	301,368	412,943
Others	<u>98,063</u>	<u>91,999</u>	<u>92,231</u>
	<u>\$ 11,273,212</u>	<u>\$ 10,775,467</u>	<u>\$ 10,228,901</u>

The operating costs for the nine months ended September 30, 2023 and 2022 included losses from inventory write-downs of \$628,888 thousand and \$246,648 thousand, respectively. And the operating costs recognized for the three months ended September 30, 2023 and 2022 included losses from inventory write-downs of \$246,876 thousand and \$84,598 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2023	December 31, 2022	September 30, 2022
Aircraft held for sale	<u>\$ 1,915,725</u>	<u>\$ -</u>	<u>\$ 116,213</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price.

The fair value measurement is classified as Level 3, and the fair value was determined according to similar transactions of the related market and the proposed sale price which was based on the current status of the aircraft.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			September 30, 2023	December 31, 2022	September 30, 2022
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	79	82	82
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investing	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Cal Park	Real estate lease and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	97	97
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Kaohsiung Catering Service, Ltd.	In-flight catering	54	54	54
	Taoyuan International Airport Services	Airport services	49	49	49

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			September 30, 2023	December 31, 2022	September 30, 2022
	Taiwan Airport Services (Note)	Airport services	48	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100

(Concluded)

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

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50% and for the other subsidiaries, the Company had control and more than 50% of their voting shares. The above financial information of the subsidiaries for the nine months ended September 30, 2023 and 2022 was reported according to financial statements that were not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

On February 13, 2023, the board of directors of Tigerair Taiwan Co., Ltd. resolved to issue 36,000 thousand ordinary shares for cash to strengthen its capital structure. On March 9, 2023, the board of directors of the Company approved the subscription plan at \$25 per share. In April 2023, the Company subscribed for 23,993 thousand shares. The proportion of ownership of the Group decreased to 81%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's capital surplus increased by \$85,930 thousand. In addition, Tigerair Taiwan Co., Ltd. reserves 15% of the total of issuances for employees to subscribe to in accordance with article 267, item 1 of the Company Act, so the Company's capital surplus increased by \$24,055 thousand and non-controlling interests increased by \$5,227 thousand.

In addition, Tigerair Taiwan Co., Ltd. applied for a listing on the Taiwan Innovation Board of the Taiwan Stock Exchange on December 21, 2022. The board of directors of the Taiwan Stock Exchange approved the listing application on February 21, 2023, and it was reported to the competent authority. To cooperate with the public underwriting before the initial listing on the Taiwan Innovation Board, the board of directors of Tigerair Taiwan Co., Ltd. approved the issuance of 13,000 thousand ordinary shares for cash on May 5, 2023, and the issuance was approved by the competent authority in July 2023. In addition, due to relevant regulations, the Group did not participate in ordinary shares for cash, so the Group's comprehensive subscribing percentage dropped to 79%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's capital surplus increased by \$366,180 thousand.

Taiwan Air Cargo Terminal carried out a capital reduction to return investment to shareholders by \$500,000 thousand. The reduction date was in August 2023. After capital deduction, the proportion of ownership in the Company remained unchanged.

In June 2023, Cal Park made up a gain of \$28,896 thousand by capital increase out of retained earnings; the proportion of ownership of the Company remained unchanged.

In November 2022, Taiwan Aircraft Maintenance and Engineering Co., Ltd. made up a loss of \$140,000 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

In December 2022, Cal Hotel Co., Ltd. made up a loss of \$130,200 thousand by capital reduction; the proportion of ownership of the Company remained unchanged.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2023	December 31, 2022	September 30, 2022
Investments in associates	\$ 923,182	\$ 885,608	\$ 939,668
Investments in joint ventures	<u>817,349</u>	<u>567,636</u>	<u>530,568</u>
	<u>\$ 1,740,531</u>	<u>\$ 1,453,244</u>	<u>\$ 1,470,236</u>

a. Investments in associates

The investments in associates were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Unlisted companies</u>			
Dynasty Holidays	\$ -	\$ -	\$ -
Airport Air Cargo Terminal (Xiamen)	539,118	518,715	543,010
Airport Air Cargo Service (Xiamen)	326,546	309,705	332,439
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>57,518</u>	<u>57,188</u>	<u>64,219</u>
	<u>\$ 923,182</u>	<u>\$ 885,608</u>	<u>\$ 939,668</u>

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

Name of Associate	<u>Proportion of Ownership and Voting Rights</u>		
	September 30, 2023	December 31, 2022	September 30, 2022
Dynasty Holidays	-	20%	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%	35%

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

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2023	2022	2023	2022
Dynasty Holidays	\$ -	\$ -	\$ -	\$ -
Airport Air Cargo Terminal (Xiamen)	6,943	4,245	20,082	16,519
Airport Air Cargo Service (Xiamen)	6,360	5,611	16,627	25,485
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>(5,370)</u>	<u>3,704</u>	<u>305</u>	<u>10,619</u>
	<u>\$ 7,933</u>	<u>\$ 13,560</u>	<u>\$ 37,014</u>	<u>\$ 52,623</u>

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

China Aircraft Services issued ordinary shares to meet the need for funds in March 2022. The Group did not participate in the subscription, so its proportion of ownership decreased from 20% to 4%, and the Group lost significant influence over China Aircraft Services. Therefore, the investment in China Aircraft Services, which was initially classified as investments accounted for using the equity method, has been reclassified as financial assets at fair value through other comprehensive income since March 2022.

Dynasty Holidays was classified as associate accounted for using the equity method. On May 31, 2022, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve Dynasty Holidays, and the liquidation process has completed in June 2023. The Company has gained the liquidation income by \$2,523 thousand.

b. Investments in joint ventures

The investments in joint ventures were as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
China Pacific Catering Services	\$ 706,521	\$ 448,222	\$ 416,852
China Pacific Laundry Services	100,823	92,684	91,977
NORDAM Asia Ltd.	2,471	19,196	13,864
Delica International Co., Ltd.	<u>7,534</u>	<u>7,534</u>	<u>7,875</u>
	<u>\$ 817,349</u>	<u>\$ 567,636</u>	<u>\$ 530,568</u>

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

	Proportion of Ownership and Voting Rights		
	September 30, 2023	December 31, 2022	September 30, 2022
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%
NORDAM Asia Ltd.	49%	49%	49%
Delica International Co., Ltd.	51%	51%	51%

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

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
China Pacific Catering Services	\$ 103,922	\$ (24,127)	\$ 258,299	\$ (116,399)
China Pacific Laundry Services	5,542	(6,248)	8,139	(28,900)
NORDAM Asia Ltd.	(5,122)	(6,778)	(16,726)	(14,971)
Delica International Co., Ltd.	-	-	-	-
	<u>\$ 104,342</u>	<u>\$ (37,153)</u>	<u>\$ 249,712</u>	<u>\$ (160,270)</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which were not independently reviewed. However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently 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 7 and 8 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2022	\$ 943,305	\$ 15,921,862	\$ 247,842,073	\$ 17,625,366	\$ 282,332,606
Additions	-	62,621	1,193,232	709,379	1,965,232
Disposals	-	(1,563)	(2,043,319)	(220,132)	(2,265,014)
Reclassification	-	6,191	3,958,072	64,258	4,028,521
Net exchange differences	71,496	132,390	-	14,259	218,145
Balance at September 30, 2022	<u>\$ 1,014,801</u>	<u>\$ 16,121,501</u>	<u>\$ 250,950,058</u>	<u>\$ 18,193,130</u>	<u>\$ 286,279,490</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ -	\$ (7,582,813)	\$ (132,691,333)	\$ (12,426,414)	\$ (152,700,560)
Depreciation expenses	-	(376,154)	(11,563,463)	(707,676)	(12,647,293)
Disposals	-	1,560	1,777,142	215,416	1,994,118
Reclassification	-	-	3,268,802	(110)	3,268,692
Net exchange differences	-	(74,844)	-	(12,283)	(87,127)
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ (8,032,251)</u>	<u>\$ (139,208,852)</u>	<u>\$ (12,931,067)</u>	<u>\$ (160,172,170)</u>
Balance at September 30, 2022, net value	<u>\$ 1,014,801</u>	<u>\$ 8,089,250</u>	<u>\$ 111,741,206</u>	<u>\$ 5,262,063</u>	<u>\$ 126,107,320</u>
<u>Cost</u>					
Balance at January 1, 2023	\$ 995,869	\$ 16,078,284	\$ 256,431,520	\$ 18,281,257	\$ 291,786,930
Additions	-	85,288	1,041,027	341,073	1,467,388
Disposals	-	(1,263)	(18,378,934)	(387,894)	(18,768,091)
Reclassification	-	731	(397,919)	77,752	(319,436)
Net exchange differences	27,984	52,612	-	5,956	86,552
Balance at September 30, 2023	<u>\$ 1,023,853</u>	<u>\$ 16,215,652</u>	<u>\$ 238,695,694</u>	<u>\$ 18,318,144</u>	<u>\$ 274,253,343</u>

(Continued)

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2023	\$ -	\$ (8,113,161)	\$ (142,420,987)	\$ (13,045,378)	\$ (163,579,526)
Depreciation expenses	-	(376,758)	(11,769,246)	(719,409)	(12,865,413)
Disposals	-	1,254	16,449,207	385,603	16,836,064
Reclassification	-	-	14,421,739	133	14,421,872
Net exchange differences	-	(31,220)	-	(5,018)	(36,238)
Impairment loss	-	-	(498,352)	-	(498,352)
Balance at September 30, 2023	<u>\$ -</u>	<u>\$ (8,519,885)</u>	<u>\$ (123,817,639)</u>	<u>\$ (13,384,069)</u>	<u>\$ (145,721,593)</u>
Balance at September 30, 2023, net value	<u>\$ 1,023,853</u>	<u>\$ 7,695,767</u>	<u>\$ 114,878,055</u>	<u>\$ 4,934,075</u>	<u>\$ 128,531,750</u>

(Concluded)

Reclassification is mainly resulted from the transfer of prepayments for equipment.

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

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	7-13 years
Engines	10-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-7 years
Landing gear overhauls	7-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years

To replace aging aircraft and revitalize the fleet, the Company's board of directors resolved the sale of five and two 747-400F aircraft on May 10 and August 9, 2023, respectively.

Considering the changes in model mix and phase-out plans, the Group used the fair value (Level 3) deducting transaction costs as the recoverable amount of some flight equipment and the recognized impairment losses of \$498,352 thousand for the nine months ended September 30, 2023. The fair value was determined with reference to factors such as the condition of the flight equipment and possible market estimates.

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

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

16. INVESTMENT PROPERTIES

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount			
Investment properties	\$ <u>2,071,842</u>	\$ <u>2,072,012</u>	\$ <u>2,074,332</u>

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

The fair values of the investment properties held by the Group were \$3,137,644 thousand, \$2,488,931 thousand and \$2,488,931 thousand as of September 30, 2023, December 31, 2022 and September 30, 2022. The fair value valuations were performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

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

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2022	\$ 1,880,049	\$ 168,280	\$ (1,039,337)	\$ 1,008,992
Additions	57,069	-	-	57,069
Reclassification	(43,630)	-	55,258	11,628
Amortization expense	-	-	(167,959)	(167,959)
Disposals	(4,029)	-	4,029	-
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>13</u>	<u>13</u>
Balance at September 30, 2022	<u>\$ 1,889,459</u>	<u>\$ 168,280</u>	<u>\$ (1,147,996)</u>	<u>\$ 909,743</u>
Balance at January 1, 2023	\$ 1,913,404	\$ 168,280	\$ (1,198,264)	\$ 883,420
Additions	113,432	-	-	113,432
Reclassification	(44,094)	-	46,923	2,829
Amortization expense	-	-	(166,293)	(166,293)
Disposals	(3,517)	-	3,517	-
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
Balance at September 30, 2023	<u>\$ 1,979,225</u>	<u>\$ 168,280</u>	<u>\$ (1,314,114)</u>	<u>\$ 833,391</u>

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

18. OTHER ASSETS

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Current</u>			
Temporary payments	\$ 611,116	\$ 243,064	\$ 156,490
Prepayments	903,658	991,200	623,866
Restricted assets	13,905	13,336	11,139
Others	<u>535,814</u>	<u>349,312</u>	<u>423,292</u>
	<u>\$ 2,064,493</u>	<u>\$ 1,596,912</u>	<u>\$ 1,214,787</u>
<u>Non-current</u>			
Prepayments for aircraft	\$ 23,466,176	\$ 18,445,099	\$ 16,302,107
Prepayments - long-term	1,321,508	4,127,308	1,910,022
Refundable deposits	830,849	888,831	967,251
Restricted assets	768,299	689,124	680,634
Other financial assets	14,633	14,797	18,033
Others	<u>21,975</u>	<u>18,059</u>	<u>848,496</u>
	<u>\$ 26,423,440</u>	<u>\$ 24,183,218</u>	<u>\$ 20,726,543</u>

The prepayments for aircraft are comprised of prepaid deposits and capitalized interest from the purchase of A321neo, A320neo, ATR72-600, B777F, B787-9 and B787-10 aircraft. For details of the contract for the purchase of the aircraft, refer to Note 34.

19. BORROWINGS

a. Short-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Bank loans - unsecured	<u>\$ 285,000</u>	<u>\$ 835,000</u>	<u>\$ 1,782,000</u>
Interest rates	1.81%-1.93%	1.39%-1.90%	1.25%-1.55%

b. Short-term bills payable

	September 30, 2023	December 31, 2022	September 30, 2022
Commercial paper	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ -</u>
Annual discount rate	1.92%	-	-

c. Long-term borrowings

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured bank loans	\$ 6,913,802	\$ 21,730,551	\$ 19,943,552
Secured bank loans	39,298,922	35,978,893	34,698,235
Commercial papers			
Proceeds from issue	16,480,000	20,670,000	20,720,000
Less: Unamortized discount	<u>42,269</u>	<u>44,878</u>	<u>30,626</u>
	62,650,455	78,334,566	75,331,161
Less: Current portion	<u>19,332,783</u>	<u>13,225,516</u>	<u>12,849,453</u>
	<u>\$ 43,317,672</u>	<u>\$ 65,109,050</u>	<u>\$ 62,481,708</u>
Interest rates	1.14%-2.16%	0.90%-2.02%	0.90%-1.73%

Secured bank loans are secured by flight equipment, buildings, and other equipment, refer to Note 33.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Periods	2009.2.4- 2035.8.25	2009.2.4- 2034.10.12	2009.2.4- 2032.6.30

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until August 2030, were used by the Group to guarantee the commercial paper issued. As of September 30, 2023, December 31, 2022 and September 30, 2022, such commercial papers were issued at discount rates of 1.9730%-2.1730%, 1.683%-1.9013% and 1.4398%-1.5335%, respectively.

In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Group applied for a special loan project to maintain its operation, and the fund along with subsidized interest rates were provided by the government. The total amount of the loan is \$35,480 million, which shall be repaid within 2 years to 4 years from the date of initial drawdown. As of September 30, 2023, the Group had made a drawdown in the amount of \$34,800 million and repaid \$28,170 million of the drawdown.

20. BONDS PAYABLE

	September 30, 2023	December 31, 2022	September 30, 2022
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds second-time issued in 2017	-	-	1,300,000
Unsecured corporate bonds first-time issued in 2018	3,275,000	3,275,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	2,375,000	3,500,000	3,500,000
Unsecured corporate bonds first-time issued in 2023	2,650,000	-	-
Convertible bonds seventh-time issued	<u>1,574,414</u>	<u>2,224,674</u>	<u>2,219,852</u>
	10,874,414	9,999,674	12,519,852
Less: Current portion and put option of convertible bonds	<u>4,924,414</u>	<u>2,350,000</u>	<u>3,650,000</u>
	<u>\$ 5,950,000</u>	<u>\$ 7,649,674</u>	<u>\$ 8,869,852</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.05.19-2024.05.19	Principal repayable on due date; indicator rate; payable annually	1.75
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year private unsecured bonds - issued at par in May 2023; repayable in May 2027 and 2028; 1.90% interest p.a., payable annually	2023.05.22-2028.05.22	Principal repayable in May of 2027 and 2028; indicator rate; payable annually	1.90
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.04.28-2026.04.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April 2026; 0.8612 discount rate p.a.	-

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

- 1) The holders may demand a lump-sum payment for the bonds upon maturity.
- 2) The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.

- 3) The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- 4) Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$19, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 16, 2023, the conversion price was adjusted to NT\$18. As of September 30, 2023, a total face value of NT\$2,890,600 thousand of convertible bonds was converted into 153,954 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 0.8612% per annum on initial recognition.

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	45,648
Convertible bonds converted into ordinary shares	<u>(2,132,112)</u>
Liability component at December 31, 2022	2,224,674
Interest charged at an effective interest rate	13,371
Convertible bonds converted into ordinary shares	<u>(663,631)</u>
Liability component at September 30, 2023	<u>\$ 1,574,414</u>

- b. On March 9, 2023, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued by installments in 2023 with a limited total face value of \$8,000 million. The face value of a bond is \$1,000 thousand. As of September 30, 2023, \$2,650 million had been issued.

21. LEASE AGREEMENTS

- a. Right-of-use assets

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount			
Land	\$ 5,585,991	\$ 5,747,477	\$ 5,778,327
Buildings	3,479,115	2,801,527	2,744,285
Flight equipment	42,512,611	50,452,470	49,640,657
Other equipment	<u>16,447</u>	<u>13,933</u>	<u>5,321</u>
	<u>\$ 51,594,164</u>	<u>\$ 59,015,407</u>	<u>\$ 58,168,590</u>

	For the Nine Months Ended September 30	
	2023	2022
Additions to right-of-use assets	<u>\$ 3,201,747</u>	<u>\$ 12,259,750</u>
Depreciation for right-of-use assets		
Land	\$ 307,220	\$ 144,477
Buildings	565,621	320,865
Flight equipment	9,454,465	9,271,132
Other equipment	<u>2,953</u>	<u>897</u>
	<u>\$ 10,330,259</u>	<u>\$ 9,737,371</u>

b. Lease liabilities

	September 30, 2023	December 31, 2022	September 30, 2022
Carrying amount			
Current	<u>\$ 3,327,439</u>	<u>\$ 3,027,890</u>	<u>\$ 2,978,850</u>
Non-current	<u>\$ 15,995,856</u>	<u>\$ 15,439,535</u>	<u>\$ 15,574,735</u>

Ranges of discount rates for lease liabilities (including leases denominated in USD designated as hedging instruments):

	September 30, 2023	December 31, 2022	September 30, 2022
Land	0%-1.80%	0%-1.80%	0%-2.00%
Buildings	0%-4.65%	0%-4.65%	0%-3.35%
Flight equipment	0.68%-5.19%	0.68%-3.34%	0.68%-3.34%
Other equipment	0%-1.65%	0%-1.43%	0%-1.43%

c. Financial liabilities under hedge accounting

The Group specifies a part of aircraft leases denominated in USD as hedging instruments to avoid exchange rate fluctuations in passenger revenue and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
September 30, 2023	2024.3.14-2034.12.13	Financial liabilities for hedging - current	\$ 9,523,934
		Financial liabilities for hedging - non-current	26,778,003
December 31, 2022	2023.2.7-2034.12.13	Financial liabilities for hedging - current	9,817,440
		Financial liabilities for hedging - non-current	32,183,170
September 30, 2022	2022.11.18-2034.6.29	Financial liabilities for hedging - current	10,006,169
		Financial liabilities for hedging - non-current	32,840,372

Influence of comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)	Reclassified to Income
For the nine months ended September 30, 2023	\$ (1,639,436)	\$ (190,886)
For the three months ended September 30, 2023	(1,159,829)	(111,420)
For the nine months ended September 30, 2022	(5,699,011)	244,231
For the three months ended September 30, 2022	(2,697,053)	(3,003)

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, sixteen A330-300 planes, twelve 737-800 planes, ten A321neo planes, nine A320-200 planes, five A320neo planes, and three ART72-600 planes for operation, lease period are 4 to 16 years from February 2007 to December 2034. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents; floating rents are according to benchmark ratio, and the rent is revised every half year. When the lease expires, the lessee does not have purchase rights.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Refundable deposits	\$ 396,134	\$ 553,321	\$ 388,836
Credit guarantees	2,239,462	2,085,941	1,915,152

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, refer to Note 34. The lease includes an option to extend the lease, as there is no reasonable certainty to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by \$918,508 thousand, \$909,342 thousand and \$906,307 thousand on September 30, 2023, December 31, 2022 and September 30, 2022, respectively.

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

e. Lease agreement signed but not yet delivered

In October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be introduced between 2022 and 2024. As of September 30, 2023, four A321neo have been delivered.

In addition, to expand the aviation network and enhance the competitiveness of medium and long-haul network, the Company's board of directors resolved to introduced two A350-900 aircraft on June 15, 2023.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental contract for eight A320neo with ICBC Lease Corporation, which is expected to be introduced between 2021 and 2024. As of September 30, 2023, five A320neo have been delivered.

The Group also signed related aircraft purchase agreement, refer to Note 34 for details.

f. Aircraft leases

In order to revitalize assets, the Group signed a lease agreement for two 747-400F aircraft with US Cargo Company in August 2021 and September 2021, respectively. The lease commencement dates were on July 15, 2022 and October 10, 2022, respectively. Due to early termination of the leases agreement, these two cargo aircraft were sold to Icelandic owner Air Atlanta Icelandic in August 2023. One of the cargo aircraft was sold on a finance lease basis, and ownership can only be obtained after the payment is paid in accordance with the 24-installment payment schedule.

Finance lease receivables

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Undiscounted lease payments</u>			
Year 1	\$ 278,023	\$ -	\$ -
Year 2	<u>303,298</u>	<u>-</u>	<u>-</u>
	581,321	-	-
Less: Unearned finance income	<u>(38,787)</u>	<u>-</u>	<u>-</u>
Net investment in leases presented as finance lease receivables	<u>\$ 542,534</u>	<u>\$ -</u>	<u>\$ -</u>
Current	<u>\$ 248,726</u>	<u>\$ -</u>	<u>\$ -</u>
Non-current	<u>\$ 293,808</u>	<u>\$ -</u>	<u>\$ -</u>

The Group measures the loss allowance for finance lease receivables at an amount equals to lifetime ECLs. As of the date of balance sheet, no finance lease receivable was past due. The Group has not recognized a loss allowance for finance lease receivables after considering the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables.

g. Other lease information

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Short-term leases and low-value asset leases	<u>\$ 29,467</u>	<u>\$ 22,999</u>	<u>\$ 69,851</u>	<u>\$ 73,354</u>
Total cash outflow for leases	<u>\$ (4,035,737)</u>	<u>\$ (3,610,175)</u>	<u>\$ (11,471,181)</u>	<u>\$ (9,846,621)</u>

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

22. OTHER PAYABLES

	September 30, 2023	December 31, 2022	September 30, 2022
Fuel costs	\$ 5,144,397	\$ 4,715,624	\$ 3,837,408
Short-term employee benefits	4,515,852	4,194,176	3,313,778
Repair expenses	2,148,165	1,518,603	1,456,019
Ground service expenses	967,396	899,401	698,692
Terminal surcharges	745,834	901,498	859,153
Commission expenses	220,262	85,140	61,571
Finance costs	194,637	102,550	132,191
Others	<u>3,168,970</u>	<u>2,790,267</u>	<u>2,640,300</u>
	<u>\$ 17,105,513</u>	<u>\$ 15,207,259</u>	<u>\$ 12,999,112</u>

23. CONTRACT LIABILITIES

	September 30, 2023	December 31, 2022	September 30, 2022
Frequent flyer program	\$ 2,690,092	\$ 3,185,357	\$ 3,108,360
Advance ticket sales	24,992,447	15,505,203	6,460,394
Others	<u>4,526</u>	<u>-</u>	<u>42,158</u>
	<u>\$ 27,687,065</u>	<u>\$ 18,690,560</u>	<u>\$ 9,610,912</u>
Current	\$ 25,481,877	\$ 17,409,654	\$ 8,507,579
Non-current	<u>2,205,188</u>	<u>1,280,906</u>	<u>1,103,333</u>
	<u>\$ 27,687,065</u>	<u>\$ 18,690,560</u>	<u>\$ 9,610,912</u>

24. PROVISIONS

	September 30, 2023	December 31, 2022	September 30, 2022
Leases - aircraft	<u>\$ 20,596,551</u>	<u>\$ 20,962,933</u>	<u>\$ 21,371,499</u>
Current	\$ 3,623,645	\$ 3,691,812	\$ 3,597,866
Non-current	<u>16,972,906</u>	<u>17,271,121</u>	<u>17,773,633</u>
	<u>\$ 20,596,551</u>	<u>\$ 20,962,933</u>	<u>\$ 21,371,499</u>

	Aircraft Lease Contracts		
Balance at January 1, 2022			\$ 18,654,223
Additional provisions recognized			3,994,333
Usage			(3,157,305)
Effects of foreign currency exchange differences			<u>1,880,248</u>
Balance at September 30, 2022			<u>\$ 21,371,499</u>

(Continued)

	Aircraft Lease Contracts
Balance at January 1, 2023	\$ 20,962,933
Additional provisions recognized	4,448,248
Usage	(5,514,127)
Effects of foreign currency exchange differences	<u>699,497</u>
Balance at September 30, 2023	<u>\$ 20,596,551</u> (Concluded)

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

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined retirement benefit plan was calculated using the actuarially determined pension cost discount rates as of December 31, 2022 and 2021.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Operating costs	\$ 220,537	\$ 234,370	\$ 661,369	\$ 691,530
Operating expenses	<u>92,152</u>	<u>86,515</u>	<u>264,426</u>	<u>261,487</u>
	<u>\$ 312,689</u>	<u>\$ 320,885</u>	<u>\$ 925,795</u>	<u>\$ 953,017</u>

26. EQUITY

a. Share capital

Ordinary shares

	September 30, 2023	December 31, 2022	September 30, 2022
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,511,130</u>	<u>\$ 60,135,374</u>	<u>\$ 60,135,374</u>

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$679,400 thousand and \$1,178,600 thousand, respectively, for the nine months ended September 30, 2023 and 2022. The number of ordinary shares exchanged were 37,576 thousand and 72,313 thousand, respectively, and completed the registration of the change in equity after the issuance of new shares.

b. Capital surplus

	September 30, 2023	December 31, 2022	September 30, 2022
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,380,307	\$ 2,092,431	\$ 2,092,431
Dividend distributed to subsidiaries	2,680	1,725	1,725
Expired equity component of convertible bonds	958,063	929,535	929,548
<u>May only be used to offset a deficit (2)</u>			
Long-term investments	476,711	547	547
<u>May not be used for any purpose</u>			
Equity component of convertible bonds	<u>67,545</u>	<u>96,073</u>	<u>96,060</u>
	<u>\$ 3,885,306</u>	<u>\$ 3,120,311</u>	<u>\$ 3,120,311</u>

- 1) Such capital surplus may be used to offset deficit; when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

Under the Company Act, where the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which is to distribute dividends and bonus no less than 50% of the remaining profit and undistributed retained earnings. The dividends and bonuses mentioned above can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends. If surplus earnings are distributed in the form of new shares, the distribution of shares shall be resolved in the shareholders' meeting; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Company has no losses, according to laws and regulations, the Company can distribute its capital reserve, in whole or in part, by issuing new shares or cash based on financial, business and management considerations. If such capital reserve is distributed in the form of new shares, it shall be resolved by a meeting of the shareholders; if such capital reserve is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto, a report of such distribution shall be submitted to the shareholders' meeting.

The distribution of dividends should be resolved and recognized in the shareholders' meeting in the current year.

1) Appropriation of earnings in 2021

The appropriation of earnings in 2021 which was resolved and recognized in the shareholders' meeting on May 26, 2022 is as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 925,385	\$ -
Cash dividends	5,000,000	0.83145736

2) Appropriation of earnings in 2022

The appropriation of earnings in 2022 which was resolved and recognized in the shareholders' meeting on May 31, 2023 is as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 305,592	\$ -
Special reserve	534,375	-
Cash dividends	2,772,207	0.4602191

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on translation of the financial statements of foreign operations	191,970	-	-	191,970
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(5,260,899)	(5,260,899)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(340,365)	(340,365)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	2,698	-	2,698
Effects of income tax	<u>(37,567)</u>	<u>1,315</u>	<u>1,115,822</u>	<u>1,079,570</u>
Other comprehensive income (loss) recognized in the period	<u>154,403</u>	<u>4,013</u>	<u>(4,485,442)</u>	<u>(4,327,026)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>223,370</u>	<u>223,370</u>
Balance on September 30, 2022	<u>\$ 34,324</u>	<u>\$ (1,499)</u>	<u>\$ (1,422,653)</u>	<u>\$ (1,389,828)</u>
Balance on January 1, 2023	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (534,375)
Exchange differences on translation of the financial statements of foreign operations	72,559	-	-	72,559
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(1,480,357)	(1,480,357)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	211,506	211,506
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	12,573	-	12,573
Effects of income tax	<u>(14,489)</u>	<u>(3,687)</u>	<u>305,013</u>	<u>286,837</u>
Other comprehensive income (loss) recognized in the period	<u>58,070</u>	<u>8,886</u>	<u>(963,838)</u>	<u>(896,882)</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>215,709</u>	<u>215,709</u>
Balance on September 30, 2023	<u>\$ 53,772</u>	<u>\$ 49,804</u>	<u>\$ (1,319,124)</u>	<u>\$ (1,215,548)</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2023	2022
Beginning balance	\$ 2,453,241	\$ 3,161,445
Net income (loss) attributable to non-controlling interests	504,695	(476,830)
Exchange differences on translation of the financial statements of foreign entities	123	4,407
Cumulative (loss) gain on changes in fair value of hedging instruments	(1,111)	(1,533)
Cumulative gain (loss) arising on changes in fair value of hedging instruments reclassified to profit or loss	1,119	3,773
Effects of income tax	<u>(2)</u>	<u>(448)</u>
	<u>129</u>	<u>6,199</u>
Outstanding share options held by employees of subsidiaries	5,227	-
Change in equity in subsidiaries	164,355	-
Dividends paid by subsidiaries	(253,800)	(202,650)
Others	<u>-</u>	<u>2</u>
Ending balance	<u>\$ 2,873,847</u>	<u>\$ 2,488,166</u>

f. Treasury shares

Treasury shares are the Company's shares held by its subsidiaries as of the reporting date and are as follows:

(In Thousands of Shares)

Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the nine months ended September 30, 2023	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the nine months ended September 30, 2022	<u>2,075</u>	<u>-</u>	<u>2,075</u>
Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
<u>September 30, 2023</u>			
Mandarin Airlines	2,075	<u>\$ 43,982</u>	<u>\$ 43,982</u>
<u>December 31, 2022</u>			
Mandarin Airlines	2,075	<u>\$ 39,418</u>	<u>\$ 39,418</u>
<u>September 30, 2022</u>			
Mandarin Airlines	2,075	<u>\$ 40,766</u>	<u>\$ 40,766</u>

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

27. NET INCOME

a. Revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Passenger	\$ 31,352,095	\$ 7,104,062	\$ 86,623,870	\$ 12,280,795
Cargo	13,100,959	28,387,825	42,429,298	92,808,065
Others	<u>3,228,472</u>	<u>2,205,873</u>	<u>8,513,363</u>	<u>6,694,417</u>
	<u>\$ 47,681,526</u>	<u>\$ 37,697,760</u>	<u>\$ 137,566,531</u>	<u>\$ 111,783,277</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Interest income	\$ 490,723	\$ 168,447	\$ 1,323,296	\$ 307,186
Dividend income	7,867	-	14,840	850
Others	<u>82,311</u>	<u>471,623</u>	<u>280,359</u>	<u>865,120</u>
	<u>\$ 580,901</u>	<u>\$ 640,070</u>	<u>\$ 1,618,495</u>	<u>\$ 1,173,156</u>

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Gain on disposal of property, plant and equipment	\$ 225,215	\$ 12,869	\$ 99,708	\$ 16,747
Gain on sale of non-current assets held for sale	-	116,676	-	116,676
Gain on financial assets mandatorily classified as at FVTPL	444	178	1,190	384
Impairment reversed (loss) recognized on aircraft equipment	90,169	(1,641)	(498,352)	(1,641)
Gain on disposal of investments	-	-	2,523	-
Net foreign exchange gain (loss)	362,716	259,989	698,909	464,940
Others	<u>(78,177)</u>	<u>(170,366)</u>	<u>(196,457)</u>	<u>(223,062)</u>
	<u>\$ 600,367</u>	<u>\$ 217,705</u>	<u>\$ 107,521</u>	<u>\$ 374,044</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Interest expense				
Bonds payable	\$ 39,801	\$ 40,015	\$ 106,286	\$ 121,669
Bank loans	236,696	199,225	786,291	636,257
Interest on lease liabilities	358,946	394,302	1,115,432	1,085,930
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	<u>17</u>	<u>1,568</u>	<u>501</u>	<u>2,743</u>
	<u>\$ 635,460</u>	<u>\$ 635,110</u>	<u>\$ 2,008,510</u>	<u>\$ 1,846,599</u>
Capitalization interest	<u>\$ 109,531</u>	<u>\$ 63,548</u>	<u>\$ 279,156</u>	<u>\$ 105,911</u>
Capitalization rate	1.97%-2.06%	1.39%-1.45%	1.64%-2.06%	0.85%-1.45%

e. Depreciation and amortization expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Property, plant, equipment	\$ 4,211,265	\$ 4,281,599	\$ 12,865,413	\$ 12,647,293
Right-of-use assets	3,396,587	3,327,109	10,330,259	9,737,371
Investment properties	56	66	170	199
Intangible assets	<u>55,891</u>	<u>55,847</u>	<u>166,293</u>	<u>167,959</u>
Depreciation and amortization expenses	<u>\$ 7,663,799</u>	<u>\$ 7,664,621</u>	<u>\$ 23,362,135</u>	<u>\$ 22,552,822</u>
An analysis of depreciation by function				
Operating costs	\$ 7,201,028	\$ 7,316,903	\$ 21,988,639	\$ 21,540,482
Operating expenses	<u>406,880</u>	<u>291,871</u>	<u>1,207,203</u>	<u>844,381</u>
	<u>\$ 7,607,908</u>	<u>\$ 7,608,774</u>	<u>\$ 23,195,842</u>	<u>\$ 22,384,863</u>
An analysis of amortization by function				
Operating costs	\$ 1,445	\$ 1,274	\$ 4,228	\$ 3,860
Operating expenses	<u>54,446</u>	<u>54,573</u>	<u>162,065</u>	<u>164,099</u>
	<u>\$ 55,891</u>	<u>\$ 55,847</u>	<u>\$ 166,293</u>	<u>\$ 167,959</u>

f. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Post-employment benefits				
Defined contribution plan	\$ 143,768	\$ 124,656	\$ 417,362	\$ 382,600
Defined benefit plan	<u>312,689</u>	<u>320,885</u>	<u>925,795</u>	<u>953,017</u>
	<u>\$ 456,457</u>	<u>\$ 445,541</u>	<u>\$ 1,343,157</u>	<u>\$ 1,335,617</u>
Other employee benefits				
Salary expenses	\$ 5,762,176	\$ 4,260,709	\$ 17,027,364	\$ 14,750,859
Personnel service expenses	<u>1,732,951</u>	<u>1,190,492</u>	<u>5,076,182</u>	<u>3,823,181</u>
	<u>\$ 7,495,127</u>	<u>\$ 5,451,201</u>	<u>\$ 22,103,546</u>	<u>\$ 18,574,040</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 6,618,603	\$ 4,837,842	\$ 19,290,673	\$ 16,450,483
Operating expenses	<u>1,332,981</u>	<u>1,058,900</u>	<u>4,156,030</u>	<u>3,459,174</u>
	<u>\$ 7,951,584</u>	<u>\$ 5,896,742</u>	<u>\$ 23,446,703</u>	<u>\$ 19,909,657</u>

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the nine months ended September 30, 2023 and 2022, the compensation of employees were estimated at \$251,569 thousand and \$149,767 thousand, respectively.

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.

There was no difference between the actual appropriated amounts of compensation of employees and remuneration of directors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2022 and 2021.

Information on the compensation of employees resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Current tax				
Current year	\$ 66,392	\$ 284,285	\$ 1,017,565	\$ 2,043,465
Adjustments for prior periods	247	-	-	24,171
Deferred tax				
Current year	<u>531,385</u>	<u>(410,953)</u>	<u>658,187</u>	<u>(1,367,343)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 598,024</u>	<u>\$ (126,668)</u>	<u>\$ 1,675,752</u>	<u>\$ 700,293</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
<u>Deferred tax</u>				
Recognized in other comprehensive income				
Translation of foreign operations	\$ (13,714)	\$ (17,716)	\$ (14,489)	\$ (37,567)
Fair value changes of financial assets at FVTOCI	(120)	(358)	(3,687)	1,315
Fair value change of hedging instruments for cash flow hedging	<u>208,730</u>	<u>575,680</u>	<u>305,011</u>	<u>1,115,374</u>
Total income tax recognized in other comprehensive income	<u>\$ 194,896</u>	<u>\$ 557,606</u>	<u>\$ 286,835</u>	<u>\$ 1,079,122</u>

c. Income tax assessment

The income tax returns of the Company and its subsidiaries through 2021 have been examined by the tax authorities.

29. EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Basic earnings per share	\$ 0.38	\$ 0.02	\$ 1.15	\$ 0.60
Diluted earnings per share	\$ 0.37	\$ 0.02	\$ 1.12	\$ 0.59
<u>Net income for the period</u>				
Earnings used in the computation of basic earnings per share	\$ 2,298,287	\$ 125,956	\$ 6,897,568	\$ 3,618,450
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds (after tax)	<u>3,361</u>	<u>-</u>	<u>13,074</u>	<u>16,628</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,301,648</u>	<u>\$ 125,956</u>	<u>\$ 6,910,642</u>	<u>\$ 3,635,078</u>
<u>In thousands of shares</u>				
Weighted average number of ordinary shares in computation of basic earnings per share	6,042,559	6,011,463	6,022,536	5,991,331
Effect of potentially dilutive ordinary shares:				
Compensation of employees or bonuses issued to employees	11,866	7,622	13,299	11,399
Convertible bonds	<u>95,529</u>	<u>-</u>	<u>114,522</u>	<u>141,966</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,149,954</u>	<u>6,019,085</u>	<u>6,150,357</u>	<u>6,144,696</u>

The Group may settle compensation or bonuses paid to employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. 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 30 to the Group's consolidated financial statements for the year ended December 31, 2022.

31. FINANCIAL INSTRUMENTS

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

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

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>						
Bonds payable	\$ 10,874,414	\$ 11,200,683	\$ 9,999,674	\$ 10,313,545	\$ 12,519,852	\$ 12,895,470

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

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

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

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

September 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 161,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 161,333</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 35,263	\$ 35,263
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>100,465</u>	<u>100,465</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,728</u>	<u>\$ 135,728</u>
Financial assets for hedging	<u>\$ -</u>	<u>\$ 164,953</u>	<u>\$ 90,119</u>	<u>\$ 255,072</u>
Financial liabilities for hedging	<u>\$ 36,301,937</u>	<u>\$ -</u>	<u>\$ 4,108</u>	<u>\$ 36,306,045</u>

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ <u>119,462</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>119,462</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 41,128	\$ 41,128
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>81,905</u>	<u>81,905</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,033</u>	<u>\$ 123,033</u>
Financial assets for hedging	<u>\$ 3,987,730</u>	<u>\$ 4,935</u>	<u>\$ 38,997</u>	<u>\$ 4,031,662</u>
Financial liabilities for hedging	<u>\$ 42,000,610</u>	<u>\$ 117,693</u>	<u>\$ 55,758</u>	<u>\$ 42,174,061</u>

September 30, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ <u>131,292</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>131,292</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 38,078	\$ 38,078
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>32,819</u>	<u>32,819</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,897</u>	<u>\$ 70,897</u>
Financial assets for hedging	<u>\$ 1,523,810</u>	<u>\$ 28,689</u>	<u>\$ 19,720</u>	<u>\$ 1,572,219</u>
Financial liabilities for hedging	<u>\$ 42,846,541</u>	<u>\$ 8,767</u>	<u>\$ 164,600</u>	<u>\$ 43,019,908</u>

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

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

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

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

The fair values of currency options and fuel options and swap 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 value of currency options and fuel options and swap.

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

The multiplier and liquidity discount of financial instruments based on Level 3 fair value measurement were as follows:

	Multiplier	Liquidity Discount
September 30, 2023	0.33-12.39	80%
December 31, 2022	0.39-12.39	80%
September 30, 2022	0.74-14.31	80%
	Derivative Instruments	Equity Instruments
Balance at January 1, 2023	\$ (16,761)	\$ 123,033
Recognized in other comprehensive income	<u>102,772</u>	<u>12,695</u>
Balance at September 30, 2023	<u>\$ 86,011</u>	<u>\$ 135,728</u>
Balance at January 1, 2022	\$ 6,124	\$ 67,884
Recognized in other comprehensive income	<u>(151,004)</u>	<u>3,013</u>
Balance at September 30, 2022	<u>\$ (144,880)</u>	<u>\$ 70,897</u>

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

c. Categories of financial instruments

	September 30, 2023	December 31, 2022	September 30, 2022
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 161,333	\$ 119,462	\$ 131,292
Financial assets for hedging	255,072	4,031,662	1,572,219
Financial assets at amortized cost (Note 1)	57,000,927	55,105,434	53,837,136
Financial assets at FVTOCI - investments in equity instruments	135,728	123,033	70,897
<u>Financial liabilities</u>			
Financial liabilities for hedging	36,306,045	42,174,061	43,019,908
Financial liabilities at amortized cost (Note 2)	133,600,200	147,815,221	144,758,086

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, time deposits with original maturities of more than 3 months, notes and accounts receivable, accounts receivable - related parties, finance lease receivables, other receivables, refundable deposits, restricted financial assets and other financial assets.

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

d. Financial risk management objectives and policies

The Group has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest, exchange rates and 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 shareholders to reduce the impact of market price changes on earnings. These risks include market risk, which include foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

The Group is primarily exposed to the 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 foreign exchange forward contracts, foreign currency option contracts, and interest rate swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

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

Sensitivity analysis

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

An increase/decrease in U.S. dollars one dollar against New Taiwan dollars when reporting foreign currency risk internally to key management personnel represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign currency option contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for U.S. dollars increase/decrease by one dollar against New Taiwan dollars in foreign currency rates.

When New Taiwan dollars increased one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the nine months ended September 30, 2023 of \$183,855 thousand and \$1,036,360 thousand, respectively, and an decrease in pre-tax profit and increase in pre-tax other comprehensive income for the nine months ended September 30, 2022 of \$105,082 thousand and \$1,236,941 thousand, respectively.

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

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

The following table summarizes the information relating to the hedging of foreign currency risk.

Refer to Note 21 for rental contract for hedging.

September 30, 2023

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft prepayment - forward exchange contracts	NTD/USD	NTD2,870,968/ USD89,000	2023.10.30 2024.7.31	29.292-31.489	Financial assets for hedging - current/ liabilities for hedging - current	\$ 160,480	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft prepayments in U.S. dollars) was \$160,480 thousand.

December 31, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft rentals - forward exchange contracts	NTD/USD	NTD138,344/ USD4,510	2023.1.18- 2023.8.25	29.979-30.702	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 198
Aircraft prepayment - forward exchange contracts	NTD/USD	NTD3,312,883/ USD108,000	2023.1.19- 2023.6.30	29.5-31.9	Financial assets for hedging - current/ liabilities for hedging - current	4,935	110,563

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aircraft prepayments in U.S. dollars) was \$(105,826) thousand.

September 30, 2022

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge Aircraft rentals - forward exchange contracts	NTD/USD	NTD204,407/ USD6,725	2022.10.27- 2023.8.25	27.6-30.7	Financial assets for hedging - current/ liabilities for hedging - current	\$ 12,097	\$ -
Aircraft prepayment - forward exchange contracts	NTD/USD	NTD1,841,270/ USD58,000	2022.10.7- 2023.6.15	29.5-31.8	Financial assets for hedging - current/ liabilities for hedging - current	16,592	2,148

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$26,541 thousand.

For the nine months ended September 30, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ 198	\$ (5,797)	(Note)
Aircraft prepayments	<u>210,081</u>	<u>-</u>	
	<u>\$ 210,279</u>	<u>\$ (5,797)</u>	

Note: Increase in operating costs or foreign exchange loss.

For the nine months ended September 30, 2023, the amount of hedging instrument settlements recognized as aircraft prepayments were \$(56,026) thousand.

For the three months ended September 30, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ (1,467)	\$ (3,200)	(Note)
Aircraft prepayments	<u>126,025</u>	<u>-</u>	
	<u>\$ 124,558</u>	<u>\$ (3,200)</u>	

Note: Increase in operating costs or foreign exchange loss.

For the nine months ended September 30, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ 12,546	\$ (16,904)	(Note)
Aircraft prepayments	<u>15,529</u>	<u>-</u>	
	<u>\$ 28,075</u>	<u>\$ (16,904)</u>	

Note: Increase in operating costs or foreign exchange loss.

For the nine months ended September 30, 2022, the amount of hedging instrument settlements recognized as aircraft prepayments were \$(1,086) thousand.

For the three months ended September 30, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ (397)	\$ (13,281)	(Note)
Aircraft prepayments	<u>14,432</u>	<u>-</u>	
	<u>\$ 14,035</u>	<u>\$ (13,281)</u>	

Note: Increase in operating costs or foreign exchange loss.

b) Interest rate risk

The Group enters into interest rate swap contracts to hedge against the risks of changes in interest rates on long-term borrowings. The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts.

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

	September 30, 2023	December 31, 2022	September 30, 2022
Fair value interest rate risk	\$ 55,417,575	\$ 59,825,679	\$ 63,974,480
Cash flow interest rate risk	74,047,527	89,811,596	87,058,658

Sensitivity analysis

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

If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2023 would have decreased by \$138,839 thousand. If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2022 would have decreased by \$163,235 thousand.

The following tables summarize the information relating to the hedges for interest rate risk.

September 30, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Interest expenses on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39%-1.58%	Financial assets for hedging - current/liabilities for hedging - non-current	\$ 4,473	\$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$4,473 thousand.

December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Interest expenses on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39%-1.58%	Financial assets for hedging - current/liabilities for hedging - non-current	\$ -	\$ 6,932

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(6,932) thousand.

September 30, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Interest expenses on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39%-1.58%	Financial assets for hedging - current/liabilities for hedging - non-current	\$ -	\$ 6,619

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(6,619) thousand.

For the nine months ended September 30, 2023

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Comprehensive Income			
Cash flow hedge			
Interest expenses on long-term borrowings	\$ 11,406	\$ (500)	(Note)

Note: Increase in financial costs or other losses.

For the three months ended September 30, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Interest expenses on long-term borrowings	<u>\$ 7,067</u>	<u>\$ (16)</u>	(Note)

Note: Increase in financial costs or other losses.

For the nine months ended September 30, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Interest expenses on long-term borrowings	<u>\$ (6,619)</u>	<u>\$ (2,743)</u>	(Note)

Note: Increase in financial costs or other losses.

For the three months ended September 30, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedge			
Interest expenses on long-term borrowings	<u>\$ (2,268)</u>	<u>\$ (1,568)</u>	(Note)

Note: Increase in financial costs or other loss.

c) Other price risk

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

September 30, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - aviation fuel - fuel options	USD	NTD44,600	2023.12.31-2024.6.30	USD60-USD103	Financial assets for hedging - current/ liabilities for hedging - current	\$ 48,631	\$ 4,031
Cash flow hedges - aviation fuel - swap	USD	NTD41,411	2023.12.31-2024.6.30	USD78-USD81	Financial assets for hedging - current/ liabilities for hedging - current	41,488	77

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$86,011 thousand.

December 31, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - aviation fuel - fuel options	USD	NTD7,094	2023.3.31-2023.12.31	USD60-USD148	Financial assets for hedging - current/ liabilities for hedging - current	\$ 38,997	\$ 46,091
Cash flow hedges - aviation fuel - swap	USD	NTD9,667	2023.3.31	USD96	Financial assets for hedging - current/ liabilities for hedging - current	-	9,667

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(16,761) thousand.

September 30, 2022

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD144,880	2022.12.31-2023.9.30	USD60-USD177	Financial assets for hedging - current/ liabilities for hedging - current	\$ 19,720	\$ 164,600

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(144,880) thousand.

For the nine months ended September 30, 2023

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Comprehensive Income			
Cash flow hedges - fuel options	\$ 102,773	\$ (15,442)	(Note)

Note: Increasing in operating costs.

For the three months ended September 30, 2023

	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Comprehensive Income			
Cash flow hedges - fuel options	\$ 110,575	\$ (1,796)	(Note)

Note: Decreasing in operating costs.

For the nine months ended September 30, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedges - fuel options	\$ (151,004)	\$ 112,008	(Note)

Note: Increasing in operating costs.

For the three months ended September 30, 2022

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to (Loss) Profit and the Adjusted Line Item	
Cash flow hedges - fuel options	\$ (178,674)	\$ (2,993)	(Note)

Note: Decreasing in operating costs.

Sensitivity analysis

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

	For the Nine Months Ended September 30			
	2023		2022	
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase of 5%	\$ 2,928	\$ (4,301)	\$ 1,375	\$ 7,244
Fuel price decrease of 5%	-	4,301	(3,854)	(7,244)

2) Credit risk

The objective, policies and procedure of credit risk management are the same as the consolidated financial statements for the year ended December 31, 2022. Refer to Note 31.

3) Liquidity risk

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

	Undrawn Bank Loan Commitments (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 35,164,389

Liquidity and interest rate risk table

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

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

September 30, 2023

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.7946	\$ 4,701,551	\$ 10,002,213	\$ 8,852,948
Floating interest rate liabilities	2.0185	21,108,932	31,020,287	13,284,530
Hedging instruments	2.8489	14,071,998	31,290,679	11,101,767
Bonds payable	1.3115	<u>5,067,034</u>	<u>6,028,035</u>	<u>-</u>
		<u>\$ 44,949,515</u>	<u>\$ 78,341,214</u>	<u>\$ 33,239,245</u>

December 31, 2022

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.5047	\$ 4,001,479	\$ 9,815,619	\$ 7,695,130
Floating interest rate liabilities	1.5794	15,275,398	53,591,807	12,743,750
Hedging instruments	2.8390	11,026,182	27,455,159	7,480,222
Bonds payable	1.0465	<u>2,454,645</u>	<u>7,729,726</u>	<u>-</u>
		<u>\$ 32,757,704</u>	<u>\$ 98,592,311</u>	<u>\$ 27,919,102</u>

September 30, 2022

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.5457	\$ 3,260,971	\$ 8,649,596	\$ 8,845,938
Floating interest rate liabilities	1.3625	15,673,125	53,355,406	10,154,623
Hedging instruments	2.4194	10,934,404	29,245,145	6,229,188
Bonds payable	1.1155	<u>3,789,665</u>	<u>8,968,799</u>	<u>-</u>
		<u>\$ 33,658,165</u>	<u>\$ 100,218,946</u>	<u>\$ 25,229,749</u>

32. TRANSACTIONS WITH RELATED PARTIES

The transactions between subsidiaries (obtain business) relationship with China Airlines, Ltd., remaining account balance, revenue and expense are eliminated when combined, which is not disclosed in the note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are as follows:

a. Related party name and relationships

<u>Related Party Name</u>	<u>Relationship with the Company</u>
China Aircraft Service	Associate (became not related party in March 2022)
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays	Associate (completed the dissolution and liquidation procedures in June 2023)

(Continued)

<u>Related Party Name</u>	<u>Relationship with the Company</u>
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture
Delica International Co., Ltd.	Joint venture
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relatives

(Concluded)

b. Operating income

<u>Account Items</u>	<u>Related Party Type</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Other income	Major shareholders of the Company	<u>\$ 5,147</u>	<u>\$ 1,646</u>	<u>\$ 13,235</u>	<u>\$ 5,614</u>
	Joint venture	<u>\$ 14,211</u>	<u>\$ 11,303</u>	<u>\$ 45,125</u>	<u>\$ 35,310</u>

c. Purchases

<u>Related Party Type</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Major shareholders of the Company	<u>\$ 11,362</u>	<u>\$ 3,418</u>	<u>\$ 28,912</u>	<u>\$ 11,701</u>
Associate	<u>\$ 58,379</u>	<u>\$ 93,251</u>	<u>\$ 200,455</u>	<u>\$ 308,816</u>
Joint venture	<u>\$ 688,320</u>	<u>\$ 187,518</u>	<u>\$ 1,838,417</u>	<u>\$ 348,713</u>

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

<u>Related Party Type</u>	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Major shareholders of the Company	\$ 1,901	\$ 1,045	\$ 625
Joint venture	<u>14,849</u>	<u>3,804</u>	<u>3,731</u>
	<u>\$ 16,750</u>	<u>\$ 4,849</u>	<u>\$ 4,356</u>

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

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

Related Party Type	September 30, 2023	December 31, 2022	September 30, 2022
Major shareholders of the Company	\$ 3,965	\$ 2,421	\$ 1,039
Associates	20,318	39,491	34,754
Joint venture	<u>642,253</u>	<u>275,898</u>	<u>184,047</u>
	<u>\$ 666,536</u>	<u>\$ 317,810</u>	<u>\$ 219,840</u>

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

f. Lease arrangements

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. For the nine months ended September 30, 2023 and 2022, the Company paid rentals of \$28,912 thousand and \$11,701 thousand, respectively; for the three months ended September 30, 2023 and 2022, the Company paid rentals of \$11,362 thousand and \$3,418 thousand, respectively.

g. Endorsements and guarantees

	<u>September 30, 2023</u>		<u>December 31, 2022</u>		<u>September 30, 2022</u>	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
<u>The Company</u>						
Cal Park	\$ 3,850,000	\$ 1,225,080	\$ 3,850,000	\$ 1,444,200	\$ 3,850,000	\$ 1,444,200
Tigerair Taiwan Co., Ltd.	3,016,516	300,974	2,868,466	286,202	2,968,635	296,197
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,697,750	2,000,000	1,517,000	2,000,000	1,517,000

h. Remuneration of key management personnel

The compensation to directors and other key management personnel were as follows:

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 15,189	\$ 11,811	\$ 51,062	\$ 47,211
Post-employment benefits	<u>14,770</u>	<u>198</u>	<u>16,246</u>	<u>13,368</u>
	<u>\$ 29,959</u>	<u>\$ 12,009</u>	<u>\$ 67,308</u>	<u>\$ 60,579</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment	\$ 42,297,747	\$ 36,711,923	\$ 30,047,303
Restricted assets	<u>782,204</u>	<u>765,059</u>	<u>691,773</u>
	<u>\$ 43,079,951</u>	<u>\$ 37,476,982</u>	<u>\$ 30,739,076</u>

The above restricted assets included pledged time deposits and demand deposits which were made according to loan agreements.

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at September 30, 2023 were as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administration (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of the transfer of the chartered operation rights from CAA to TACT. TACT filed an application for a 10-year extension of the COP for the cargo terminals at Taiwan Taoyuan International Airport and Kaohsiung International Airport and received approval from Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

However, TACT filed an arbitration in 2012 to revise the total amount of expenditure to \$6,840,000 thousand. As of September 30, 2023, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
INBRIDGE CONSTRUCTION CO., LTD.	Project A of the renovation and expansion project of Taoyuan Air Cargo Terminal for the plan to continue to operate - steel structure rust removal and painting of a three-dimensional parking lot, mechanical and electrical pipeline renewal, and exterior wall painting project	\$ 77,770

As of September 30, 2023, TACT had no outstanding payments of construction in process for construction equipment.

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

TACT should pay royalties to Taoyuan Airport Corporation and 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 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% for less than \$2 billion and 8% for \$2 billion to \$4 billion.

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

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

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

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

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

- c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery period of the eleven aircraft ranges from 2024 to 2026. As of September 30, 2023, the list price has been paid in the amount of US\$75,867 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four backup engines is US\$60,289 thousand. As of September 30, 2023, two out of the four backup engines have been delivered. The Group also signed related aircraft lease agreement, please refer to Note 21.
- d. In July and August 2019, the Company signed a contract with Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,914,818 thousand. As of September 30, 2023, seven out of the ten aircraft have been delivered. The total list price of the remaining three aircraft is US\$1,224,675 thousand, and the list price has been paid in the amount of US\$244,935 thousand (recognized as prepayments for aircraft).

- e. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircraft and the option to purchase eight 787-9 aircraft. On May 23 and June 20, 2023, the Company exercised the option to purchase eight aircraft, six 787-9 aircraft transfer to 787-10, twenty-four aircraft (include eighteen 787-9 aircraft and six 787-10 aircraft) of the total list price are approximately US\$9,246,181 thousand. The expected delivery periods are from 2025 to 2028. As of September 30, 2023, the list price has been paid in the amount of US\$388,337 thousand (recognized as prepayments for aircraft).
- f. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2027. As of September 30, 2023, the list price has been paid in the amount of US\$21,138 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of September 30, 2023, one out of the two backup engines has been delivered, and the other engine was expected to be delivered in 2025. The Group also signed related aircraft lease agreement, please refer to Note 21.
- g. On March 27, 2023, the board of directors of Mandarin Airlines approved to sign a contract with AVIONS DE TRANSPORT REGIONAL G.I.E to purchase three ATR-600 aircraft. The total list price of the contract is approximately US\$69,000 thousand. The expected delivery periods are from 2023 to 2024. On May 30, 2023, the board of directors of Mandarin Airlines approved the activation of the original contract option to AVIONS DE TRANSPORT REGIONAL G.I.E. to order three more ATR72-600 aircraft. The total contract price is approximately US\$69,000 thousand. The expected delivery date is 2025. As of September 30, 2023, the list price has been paid in the amount of US\$11,830 thousand (recognized as prepayments for aircraft).

35. IMPACT OF COVID-19

For the nine months ended September 30, 2022, because of the COVID-19 pandemic, the Group received subsidies of \$936,141 thousand, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expenses were \$692,160 thousand. These subsidies were recognized as other income or deduction from other expenses. The Group has not received such subsidies since 2023.

The Group has obtained relief loan from the government. Refer to Note 19 for details on the amount of loan and its allocation.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

September 30, 2023

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,111,171	32.2581	\$ 35,844,241
EUR	22,264	33.8983	754,723
HKD	293,403	4.1237	1,209,910
JPY	3,661,381	0.2160	790,880
RMB	537,550	4.4150	2,373,288

Financial liabilities

Monetary items			
USD	2,052,676	32.2581	66,215,369
EUR	10,762	33.8983	364,802
HKD	85,670	4.1237	353,279
JPY	5,361,680	0.2160	1,158,134
RMB	119,961	4.4150	529,627

December 31, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,130,182	30.6748	\$ 34,668,125
EUR	35,074	32.7869	1,149,979
HKD	310,589	3.9386	1,223,286
JPY	6,179,784	0.2317	1,431,856
RMB	572,690	4.4131	2,527,337

Financial liabilities

Monetary items			
USD	2,255,888	30.6748	69,198,932
EUR	6,849	32.7869	224,557
HKD	48,341	3.9386	190,397
JPY	3,309,634	0.2317	766,842
RMB	112,939	4.4131	498,411

September 30, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,073,683	31.7460	\$ 34,085,183
EUR	34,955	31.1526	1,088,930
HKD	279,602	4.0453	1,131,078
JPY	5,159,772	0.2195	1,132,348
RMB	421,825	4.4583	1,880,631
<u>Financial liabilities</u>			
Monetary items			
USD	2,270,267	31.7460	72,071,972
EUR	6,091	31.1526	189,757
HKD	47,062	4.0453	190,381
JPY	2,584,753	0.2195	567,242
RMB	101,177	4.4583	451,078

For the three months ended September 30, 2023 and 2022, the Group's net foreign exchange gains were \$362,716 thousand and \$259,989 thousand, respectively, and for the nine months ended September 30, 2023 and 2022, the Group's net foreign exchange gains were \$698,909 thousand and \$464,940 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
- 1) Financing provided to others: Table 1 (attached)
 - 2) Endorsements/guarantees provided: Table 2 (attached)
 - 3) Marketable securities held: Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
 - 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 7 (attached)
- 10) Trading in derivative instruments (Note 31)
- b. Information on investments in mainland China: Table 8 (attached)
- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 9 (attached)
- d. Information of major shareholders: Table 10 (attached)

38. SEGMENT INFORMATION

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

For the nine months ended September 30, 2023 and 2022, financial information of reportable segments is listed below:

	For the Nine Months Ended September 30, 2023			
	Air Transportation	Others	Adjustments and Eliminations	Total
Operating revenue	<u>\$ 134,410,042</u>	<u>\$ 7,599,801</u>	<u>\$ (4,443,312)</u>	<u>\$ 137,566,531</u>
Operating profit and loss	<u>\$ 8,422,327</u>	<u>\$ 702,073</u>	<u>\$ (50,617)</u>	\$ 9,073,783
Interest income				1,323,296
Investment income (loss) accounted for using the equity method				286,726
Revenue				1,097,529
Finance costs				(2,008,510)
Expenses				<u>(694,809)</u>
Profit before income tax				<u>\$ 9,078,015</u>
Identifiable assets	<u>\$ 174,025,154</u>	<u>\$ 13,849,467</u>	<u>\$ (5,676,865)</u>	\$ 182,197,756
Investments accounted for using the equity method				1,740,531
Assets				<u>106,883,392</u>
Total assets				<u>\$ 290,821,679</u>

For the Nine Months Ended September 30, 2022

	Air Transportation	Others	Adjustments and Eliminations	Total
Operating revenue	<u>\$ 108,769,786</u>	<u>\$ 6,492,770</u>	<u>\$ (3,479,279)</u>	<u>\$ 111,783,277</u>
Operating profit and loss	<u>\$ 4,264,129</u>	<u>\$ 36,841</u>	<u>\$ (52,011)</u>	\$ 4,248,959
Interest income				307,186
Investment income (loss) accounted for using the equity method				(107,647)
Revenue				1,463,075
Finance costs				(1,846,599)
Expenses				<u>(223,061)</u>
Profit before income tax				<u>\$ 3,841,913</u>
Identifiable assets	<u>\$ 177,722,422</u>	<u>\$ 14,611,892</u>	<u>\$ (5,984,072)</u>	\$ 186,350,242
Investments accounted for using the equity method				1,470,236
Assets				<u>95,662,888</u>
Total assets				<u>\$ 283,483,366</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Yes	\$ 112,903	\$ 112,903	\$ 112,903	2.25	Short-term financing facility is necessary	\$ -	Operating turnover capital expenditure	\$ -		\$ -	\$ 165,132	\$ 330,265	

Cal-Dynasty International's operational procedures for financing provided to others or legal requirements:

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guaranteed During Each Party (Note 1)	Maximum Amount Endorsed/ Guarantee at the End of the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (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	Relationship										
0	China Airlines (the "Company")	Cal Park Tigerair Taiwan Ltd.	100% owned subsidiary 78.89% owned subsidiary by direct and indirect shareholdings	\$ 14,917,028 14,917,028	\$ 3,850,000 3,016,516	\$ 3,850,000 3,016,516	\$ 1,225,080 300,974	\$ - -	5.16 4.04	\$ 37,292,570 37,292,570	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	14,917,028	2,000,000	2,000,000	1,697,750	-	2.68	37,292,570	Yes	No	No

Note 1: Based on the Company's operational procedures for endorsements/guarantees, the maximum amount of guarantee to an individual counterparty is up to 20% of the Company's shareholders' equity.

Note 2: Based on the Company's operational procedures for endorsements/guarantees, the maximum amount of collateral guarantee is up to 50% of the Company's shareholders' equity.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2023

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

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2023				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Shares</u>							
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	16,724	\$ 19,397	13.59	\$ 21,337	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	1,672	1,940	-	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	35,263	11.00	35,263	-
	China Aircraft Services Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	1,072	-	-	-	-
Mandarin Airlines	<u>Shares</u>							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	43,982	-	43,982	-
Cal-Asia Investment	<u>Shares</u>							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	79,128	5.45	79,128	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u>							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	144,216	26,333	-	26,333	-
	FTSA Money Market Fund	-	Financial assets at FVTPL - current	1,228,652	13,014	-	13,014	-
	CAPITAL Money Market Fund	-	Financial assets at FVTPL - current	1,143,589	18,908	-	18,908	-
Taiwan Airport Services	<u>Shares</u>							
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	-	-	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u>							
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,163,289	51,270	-	51,270	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,728,020	51,808	-	51,808	-

Note 1: The subsidiary's net asset value was \$21,337 thousand, which included ordinary shares and preference shares as of September 30, 2023.

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

Note 3: The table only lists financial assets that are in accordance with IFRS 9.

CHINA AIRLINES, LTD. AND ITS REINVESTMENT COMPANIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2023

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

Company Name	Type and Name of Marketable Securities (Note 1)	Financial Statement Account	Counterparty (Note 2)	Relationship (Note 2)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain on Disposal	Shares/Units (In Thousands)	Amount
China Airlines (the "Company")	Tigerair Taiwan Ltd.	Investments accounted for using the equity method	Tigerair Taiwan Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -

Note 1: Marketable securities in this table include shares, bonds, beneficiary certificates and securities derived from these items.

Note 2: Fill in the two columns if marketable securities are accounted for using the equity method.

Note 3: The accumulated buying and selling amount should be calculated separately at the market price, whether it reaches \$300 million or 20% of the paid-in capital.

Note 4: Paid-in capital is the paid-in capital of the Company shares of issuers without par value, or NT\$10 per share, calculated according to 10% of the total equity attributable to the owners of the Company based on the regulation on transaction amounts of 20% of paid-in capital.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(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")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	\$ 271,844	0.26	2 months	\$ -	-	\$ (49,859)	(2.38)	-
	Cal Park	Subsidiary	Purchase	173,692	0.16	2 months	-	-	-	-	-
	Mandarin Airlines	Subsidiary	Sales	(846,297)	(0.70)	2 months	-	-	91,889	0.91	-
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	366,688	0.34	30 days	-	-	(37,189)	(1.77)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	799,719	0.75	40 days	-	-	(259,030)	(12.36)	-
	Taiwan Airport Services	Subsidiary	Purchase	141,800	0.13	40 days	-	-	(37,109)	(1.77)	-
	Eastern United International Logistics (Holdings) Ltd.	Equity-method investee	Purchase	196,641	0.18	2 months	-	-	(19,779)	(0.94)	-
	China Pacific Catering Services	Equity-method investee	Purchase	1,610,941	1.51	90 days	-	-	(606,126)	(28.92)	-
	China Pacific Laundry Services	Equity-method investee	Purchase	123,042	0.12	90 days	-	-	(30,129)	(1.44)	-
	NORDAM Asia Ltd.	Equity-method investee	Purchase	104,433	0.10	90 days	-	-	(5,998)	(0.29)	-
	Kaohsiung Catering Service, Ltd.	Subsidiary	Purchase	203,649	0.19	90 days	-	-	(51,504)	(2.46)	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sales	(263,898)	(0.22)	1 month	-	-	30,192	0.30	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	249,068	0.23	1 month	-	-	(35,831)	(1.71)	-
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	137,410	0.13	2 months	-	-	(26,615)	(1.27)	-
	Tigerair Taiwan Ltd.	Taoyuan International Airport Services	Same parent company	Purchase	153,737	2.38	40 days	-	-	(83,079)	(9.46)
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Same parent company	Purchase	211,676	5.48	1 month	-	-	-	-	-
	Taiwan Airport Services	Same parent company	Purchase	198,199	5.13	1 month	-	-	(2,382)	(0.39)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

SEPTEMBER 30, 2023

(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 Impairment Loss
					Amount	Action Taken		
Taoyuan International Airport Service	China Airlines	Parent company	\$ 259,030	4.56	\$ -	-	\$ 110,398	\$ -
China Pacific Catering Services	China Airlines	Parent company	606,126	4.99	-	-	201,122	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2023	December 31, 2022	Number of Shares	Percentage of Ownership	Carrying Amount			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	151,546,405	100.00	\$ 1,771,636	\$ 14,622	\$ 43,182	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,785,086	584,465	565,705	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,080,000	1,350,000	108,000,000	54.00	1,346,644	277,427	149,723	Note 4
	Cal-Dynasty International	Los Angeles, U.S.A.	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,472,000	40,858	40,314	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,100	439,110	43,911,000	51.00	706,521	506,468	258,299	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	483,702	120,766	59,175	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	47,016,200	100.00	662,088	24,500	24,500	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	227,411	44,157	41,476	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	109,950	14,976	7,091	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	402,932	103,954	53,444	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	33,480,000	100.00	309,058	4,451	4,110	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	100,823	14,798	8,139	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	123,998	16,682	16,655	Note 4
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,289	2,531	633	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	6,240,018	5,640,197	337,624,477	75.19	2,818,978	1,343,077	1,038,785	Note 4
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	70,000,000	100.00	394,507	(56,815)	(56,815)	-	
NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	2,471	(34,134)	(16,726)	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	183,846	154,330	16,613,624	3.70	138,714	1,343,077	51,117	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,501	14,976	161	-
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	57,518	872	305	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	458,620	4,073	17,877	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,534	-	-	-

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

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

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

Note 4: The difference is due to lease arrangement between consolidated entities.

Note 5: The difference is due to acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars in Thousands, Unless Stated Otherwise)

China Airlines

Investee Company Name	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,123,532 (RMB 254,480)	Indirect (Note 1)	\$ 135,031 (US\$ 4,186)	\$ -	\$ -	\$ 135,031 (US\$ 4,186)	\$ 73,063 (RMB 16,629)	14.00	\$ 10,041 (RMB 2,328)	\$ 257,157 (RMB 58,246)	\$ 114,083 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,810 (RMB 14,000)	Indirect (Note 1)	62,821 (US\$ 1,947)	-	-	62,821 (US\$ 1,947)	60,885 (RMB 13,857)	14.00	8,313 (RMB 1,940)	150,757 (RMB 34,146)	50,340 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,680,323 (US\$ 83,090)	Indirect (Note 1)	69,394 (US\$ 2,151)	-	-	69,394 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	376,226 (US\$ 11,663)	Indirect (Note 1)	20,516 (US\$ 636)	-	-	20,516 (US\$ 636)	-	5.45	-	79,128 (RMB 17,923)	11,500 (US\$ 357)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 287,762 (US\$ 8,920)	\$ 694,833 (Note 3)	\$ 46,475,392 (Note 4)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2023	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of September 30, 2023	Accumulated Repatriation of Investment Income as of September 30, 2023
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,123,532 (RMB 254,480)	Indirect (Note 5)	\$ 129,624 (US\$ 4,018)	\$ -	\$ -	\$ 129,624 (US\$ 4,018)	\$ 73,063 (RMB 16,629)	14	\$ 10,041 (RMB 2,328)	\$ 281,963 (RMB 63,865)	\$ 146,489 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,810 (RMB 14,000)	Indirect (Note 5)	62,153 (US\$ 1,927)	-	-	62,153 (US\$ 1,927)	60,885 (RMB 13,857)	14	8,313 (RMB 1,940)	175,790 (RMB 39,817)	67,478 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2023	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 191,778 (US\$ 5,945)	\$ 191,778 (US\$ 5,945)	\$ 139,324 (Note 4)

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

Note 2: As of September 30, 2023, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

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

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

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

Note 6: The RMB and U.S. dollar amounts of assets are converted at period-end rates and the gains (losses) are converted at the average of the period-end rates, referring to Reuters for the reporting period.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023

(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Cal Hotel Co., Ltd.	a	Other operating cost	\$ 137,410	The same as ordinary transactions	0.10
		Taiwan Airport Services	a	Airport service cost	141,800	The same as ordinary transactions	0.10
		Kaohsiung Catering Services	a	Passenger service costs	203,649	The same as ordinary transactions	0.15
		Mandarin Airlines	a	Air freight revenue	797,631	The same as ordinary transactions	0.58
		Tigerair Taiwan Co., Ltd.	a	Other operating revenue	263,898	The same as ordinary transactions	0.19
		Taoyuan International Airport Services	a	Airport service cost	799,719	The same as ordinary transactions	0.58
		Dynasty Aerotech International Corp.	a	Airport service cost	271,844	The same as ordinary transactions	0.20
		Taiwan Air Cargo Terminal	a	Other operating cost	366,688	The same as ordinary transactions	0.27
		Cal Park	a	Other operating cost	173,692	The same as ordinary transactions	0.13
		Taoyuan International Airport Service	a	Accounts payable - related parties	259,030	The same as ordinary transactions	0.09
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	a	Operating cost	249,068	The same as ordinary transactions	0.18
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	366,688	The same as ordinary transactions	0.27
2	Mandarin Airlines	China Airlines, Ltd.	b	Air freight costs	797,631	The same as ordinary transactions	0.58
		Taiwan Airport Services	c	Airport service cost	198,199	The same as ordinary transactions	0.14
		Tigerair Taiwan Co., Ltd.	c	Operating expense	211,676	The same as ordinary transactions	0.15
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	799,719	The same as ordinary transactions	0.58
		China Airlines, Ltd.	b	Accounts receivable - related parties	259,030	The same as ordinary transactions	0.09
		Tigerair Taiwan Co., Ltd.	c	Airport service revenue	153,737	The same as ordinary transactions	0.11
4	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	271,844	The same as ordinary transactions	0.20
5	Cal Park	China Airlines, Ltd.	b	Operating revenue	173,692	The same as ordinary transactions	0.13
6	Kaohsiung Catering Services	China Airlines, Ltd.	b	Operating revenue	203,649	The same as ordinary transactions	0.15
7	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expense	263,898	The same as ordinary transactions	0.19
		Mandarin Airlines	c	Operating revenue	211,676	The same as ordinary transactions	0.15
		Taoyuan International Airport Service	c	Airport service cost	153,737	The same as ordinary transactions	0.11
8	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	141,800	The same as ordinary transactions	0.10
		Mandarin Airlines	c	Operating revenue	198,199	The same as ordinary transactions	0.14

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
9	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	\$ 137,410	The same as ordinary transactions	0.10
10	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	249,068	The same as ordinary transactions	0.18

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

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

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES**INFORMATION OF MAJOR STOCKHOLDERS
SEPTEMBER 30, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	30.85
National Development Fund (NDF)	519,750,519	8.58

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the consolidated financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, refer to Market Observation Post System.