China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2013 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 “Consolidated and Separate Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA AIRLINES, LTD.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of China Airlines, Ltd. and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Airlines, Ltd. and subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, Interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with effective date.

We have also audited financial statements of the parent company, China Airlines, Ltd., as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 27, 2014

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

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

For the convenience of readers, the independent auditors' 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' report and consolidated financial statements shall prevail.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	$ 19,007,649	9	$ 10,831,131	5	$ 11,113,772	5
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 31)	215,673	-	1,491,348	1	3,936,655	2
Available-for-sale financial assets - current (Notes 4, 5, 8 and 31)	75,504	-	65,392	-	100,197	-
Derivative financial assets for hedging - current (Notes 4, 5, 9 and 31)	135,003	-	52,767	-	108,667	-
Receivables:						
Notes and accounts, net (Notes 4, 5 and 11)	7,774,730	4	7,511,353	3	10,179,247	4
Notes and accounts - related parties (Note 32)	14,517	-	20,708	-	34,081	-
Other receivables	587,665	-	447,873	-	634,027	-
Current tax assets (Notes 4 and 27)	16,959	-	13,572	-	7,482	-
Inventories, net (Notes 4 and 12)	6,791,453	3	6,832,594	3	6,665,055	3
Other assets - current (Notes 6 and 17)	2,465,919	1	3,710,992	2	3,264,590	2
Total current assets	37,085,072	17	30,977,730	14	36,043,773	16
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent, net of current portion (Notes 4, 7 and 31)	-	-	-	-	374,085	-
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 31)	28,768	-	34,771	-	41,340	-
Derivative financial assets for hedging - noncurrent, net of current portion (Notes 4, 5, 9 and 31)	5,617	-	759	-	-	-
Financial assets carried at cost - noncurrent, net of current portion (Note 10)	468,476	-	463,339	-	434,103	-
Investments accounted for by the equity method (Notes 4 and 13)	2,687,755	1	2,545,444	1	2,448,254	1
Property, plant and equipment (Notes 4, 5, 14 and 33)	149,662,068	68	161,024,343	73	172,929,004	74
Investment properties (Notes 4 and 15)	2,076,740	1	1,498,004	1	1,498,283	1
Other intangible assets (Notes 4 and 16)	489,412	-	425,000	-	400,560	-
Deferred income tax asset (Notes 4 and 27)	9,127,014	4	10,252,297	5	9,020,711	4
Other assets - noncurrent (Notes 17, 33 and 34)	19,344,977	9	12,078,008	6	8,798,248	4
Total noncurrent assets	183,890,827	83	188,321,965	86	195,944,588	84
TOTAL	$ 220,975,899	100	$ 219,299,695	100	$ 231,988,361	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Note 18)	$ 204,036	-	$ 1,600,000	1	$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 31)	2,799	-	-	-	-	-
Derivative financial liabilities for hedging - current (Notes 4, 5, 9 and 31)	22,853	-	23,702	-	47,076	-
Notes and accounts payable	779,176	-	444,902	-	911,210	1
Notes and accounts payable - related parties (Note 32)	432,535	-	378,882	-	371,711	-
Other payable (Note 21)	14,339,082	7	11,286,295	5	13,612,868	6
Current tax liabilities (Notes 4 and 27)	88,927	-	41,094	-	29,976	-
Deferred revenue - current (Notes 4, 5 and 22)	8,850,384	4	8,291,996	4	9,662,017	4
Bonds payable - current portion (Notes 19, 31 and 33)	4,780,000	2	5,460,000	3	12,200,000	5
Loans and debts - current portion (Notes 18, 31 and 33)	25,265,961	12	16,932,026	8	18,230,972	8
Capital lease obligations - current portion (Note 4, 20 and 31)	4,399,039	2	5,313,935	2	3,784,053	2
Other current liabilities	2,741,236	1	2,278,212	1	2,063,573	1
Total current liabilities	61,906,028	28	52,051,044	24	60,913,456	27
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Notes 4, 5, 9 and 31)	2,026	-	11,430	-	25,325	-
Bonds payable - noncurrent (Notes 19, 31 and 32)	27,368,023	12	15,765,000	7	15,880,000	7
Loans and debts - noncurrent (Notes 18, 31 and 33)	53,239,582	24	66,967,720	30	72,803,448	31
Provisions - noncurrent (Notes 4, 5 and 23)	3,302,484	2	3,409,129	2	2,836,868	1
Deferred tax liabilities (Notes 4 and 27)	628,820	-	1,319,914	1	312,509	-
Capital lease obligations - noncurrent (Notes 4, 20 and 31)	8,641,834	4	13,012,557	6	18,399,015	8
Deferred revenue - noncurrent (Notes 4 and 22)	1,909,749	1	1,967,650	1	1,711,677	1
Accrued pension costs (Notes 4, 5 and 24)	10,410,907	5	10,576,657	5	10,255,396	4
Other noncurrent liabilities	676,086	-	927,685	-	1,320,235	1
Total noncurrent liabilities	106,179,511	48	113,957,742	52	123,544,473	53
Total liabilities	168,085,539	76	166,008,786	76	184,457,929	80
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19 and 25)						
Capital stock	52,000,000	23	52,000,000	24	46,316,224	20
Capital surplus	1,924,015	1	1,405,394	-	422,101	-
Accumulated deficit						
Legal reserve	321,891	-	316,010	-	799,630	-
Special reserve	3,926,293	2	3,873,369	2	5,162,071	2
Accumulated deficit	(7,409,299)	(3)	(6,031,067)	(3)	(6,941,643)	(3)
Total retained earnings	(3,161,115)	(1)	(1,841,688)	(1)	(979,942)	(1)
Other equity	86,936	-	(60,562)	-	50,010	-
Treasury shares	(43,372)	-	(43,372)	-	(43,372)	-
Total equity attributable to owners of the Company	50,806,464	23	51,459,772	23	45,765,021	19
NONCONTROLLING INTERESTS (Note 25)	2,083,896	1	1,831,137	1	1,765,411	1
Total equity	52,890,360	24	53,290,909	24	47,530,432	20
TOTAL	$ 220,975,899	100	$ 219,299,695	100	$ 231,988,361	100

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
REVENUES (Notes 4 and 32)				
Passenger	$ 92,183,033	65	$ 91,171,709	65
Cargo	39,393,152	28	40,985,098	29
Others	10,126,360	7	8,815,332	6
Total revenues	141,702,545	100	140,972,139	100
COSTS (Notes 9, 12, 26, 32 and 34)				
Flight operations	90,691,255	64	88,042,867	63
Terminal and landing fees	18,720,774	13	18,779,166	13
Passenger services	8,936,698	6	8,632,456	6
Aircraft maintenance	6,941,681	5	8,547,977	6
Others	6,872,847	5	7,090,902	5
Total costs	132,163,255	93	131,093,368	93
GROSS PROFIT	9,539,290	7	9,878,771	7
OPERATING EXPENSES (Note 26)				
Marketing and selling	6,554,496	4	7,010,111	5
General and administrative	3,746,621	3	3,148,611	2
Total operating expenses	10,301,117	7	10,158,722	7
OPERATING LOSS	(761,827)	-	(279,951)	-
NONOPERATING INCOME				
Other income (Notes 15 and 26)	1,603,573	1	1,209,103	1
Other gains and losses (Notes 9 and 26)	469,039	-	990,873	1
Finance cost (Notes 9, 26 and 32)	(2,122,326)	(1)	(2,508,751)	(2)
Share of the profit of associates and joint ventures (Note 13)	450,361	-	416,721	-
Total nonoperating income	400,647	-	107,946	-
PRETAX LOSS	(361,180)	-	(172,005)	-
INCOME TAX EXPENSE (Notes 4, 5 and 27)	587,700	1	48,153	-
NET LOSS	(948,880)	(1)	(220,158)	-

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME(LOSS)				
Exchange differences on translating foreign operations (Notes 4 and 25)	$ 81,030	-	$ (81,645)	-
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 25)	4,108	-	(41,374)	-
Cash flow hedges (Notes 4 and 25)	96,500	-	(22,133)	-
Share of other comprehensive loss of associates and joint ventures (Notes 4 and 25)	(6,082)	-	(6,144)	-
Actuarial loss on defined benefit plans (Note 24)	(23,940)	-	(582,244)	(1)
Income tax relating to components of other comprehensive income (Note 27)	(29,893)	-	121,972	-
Other comprehensive income for the year, net of income tax	121,723	-	(611,568)	(1)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (827,157)	(1)	$ (831,726)	(1)
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	$ (1,274,046)	(1)	$ (418,356)	-
Non-controlling interests	325,166	-	198,198	-
	$ (948,880)	(1)	$ (220,158)	-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	$ (1,171,929)	(1)	$ (972,318)	(1)
Non-controlling interests	344,772	-	140,592	-
	$ (827,157)	(1)	$ (831,726)	(1)
LOSS PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
Basic and diluted	$ (0.25)		$ (0.08)	

The accompanying notes are an integral part of the consolidated financial statements. (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											
			Retained Earning (Notes 24 and 25)			Other Equity (Note 25)						
	Share Capital (Note 25)	Capital Surplus (Notes 19 and 25)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares Held by Subsidiaries	Total	Non-Controlling Interests (Note 25)	Total Equity
BALANCE AT JANUARY 1, 2012	$ 46,316,224	$ 422,101	$ 799,630	$ 5,162,071	$ (6,941,643)	$ -	$ 15,155	$ 34,855	$ (43,372)	$ 45,765,021	$ 1,765,411	$ 47,530,432
Offset of 2011 deficit												
Legal reserve	-	-	(483,620)	-	483,620	-	-	-	-	-	-	-
Special reserve	-	-	-	(1,288,702)	1,288,702	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2012	-	-	-	-	(418,356)	-	-	-	-	(418,356)	198,198	(220,158)
Other comprehensive loss for the year ended December 31, 2012, net of income tax	-	-	-	-	(443,390)	(60,381)	(31,821)	(18,370)	-	(553,962)	(57,606)	(611,568)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	-	(861,746)	(60,381)	(31,821)	(18,370)	-	(972,318)	140,592	(831,726)
Issue of common shares for cash	5,683,776	983,293	-	-	-	-	-	-	-	6,667,069	-	6,667,069
Cash dividend from subsidiaries paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(74,866)	(74,866)
BALANCE AT DECEMBER 31, 2012	52,000,000	1,405,394	316,010	3,873,369	(6,031,067)	(60,381)	(16,666)	16,485	(43,372)	51,459,772	1,831,137	53,290,909
Appropriation from the 2012 earnings												
Legal reserve	-	-	5,881	-	(5,881)	-	-	-	-	-	-	-
Special reserve	-	-	-	52,924	(52,924)	-	-	-	-	-	-	-
Other changes in capital surplus												
Issue of convertible bonds arising on equity component	-	518,621	-	-	-	-	-	-	-	518,621	-	518,621
Net loss for the year ended December 31, 2013	-	-	-	-	(1,274,046)	-	-	-	-	(1,274,046)	325,166	(948,880)
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	(45,381)	62,224	5,180	80,094	-	102,117	19,606	121,723
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(1,319,427)	62,224	5,180	80,094	-	(1,171,929)	344,772	(827,157)
Cash dividend from subsidiaries paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(92,013)	(92,013)
BALANCE AT DECEMBER 31, 2013	$ 52,000,000	$ 1,924,015	$ 321,891	$ 3,926,293	$ (7,409,299)	$ 1,843	$ (11,486)	$ 96,579	$ (43,372)	$ 50,806,464	$ 2,083,896	$ 52,890,360

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (361,180)	$ (172,005)
Adjustments to reconcile net loss to net cash generated from (used in) operating activities:		
Depreciation expenses	17,244,851	16,928,269
Amortization expenses	50,723	44,660
Bad-debt expense	79	5,854
Net gain on fair value change of financial assets held for trading	(135,500)	(475,129)
Net loss on fair value change of financial liabilities held for trading	2,799	-
Interest income	(361,433)	(243,325)
Dividend income	(65,631)	(187,354)
Share of profit of associates and joint ventures	(450,361)	(416,721)
Gain on disposal of property, plant and equipment	(6,008)	(20,111)
Gain on disposal of subsidiaries	-	(128)
Gain on disposal of associate	(742,286)	-
Loss on inventories and property, plant and equipment	318,255	294,188
Net loss (gain) on foreign currency exchange	209,433	(1,203,159)
Finance costs	2,122,326	2,508,751
Recognition of provisions	301,008	862,048
Amortization of unrealized gain on sale-leaseback	(14,512)	(14,512)
Amortization of deferred credits	(48,986)	(66,414)
Reversal of impairment on investment properties	(579,015)	-
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	1,411,176	3,294,521
Decrease (increase) in notes and accounts receivable	(214,653)	2,621,530
Increase in accounts receivable - related parties	(171,326)	(317,818)
Decrease (increase) in other receivables	(133,314)	363,826
Decrease (increase) in inventories	4,080	(127,011)
Decrease (increase) in other current assets	1,262,215	(66,231)
Decrease (increase) in notes and accounts payable	382,372	(48,505)
Increase in accounts payable - related parties	177,602	339,980
Increase (decrease) in other payables	2,592,128	(2,476,585)
Increase (decrease) in deferred revenue	555,208	(1,148,626)
Decrease in provisions	(426,740)	(268,915)
Increase in other current liabilities	20,784	258,279
Decrease in accrued pension liabilities	(164,684)	(191,842)
Increase (decrease) in other liabilities	85,907	(9,687)
Cash generated from operations	22,865,317	20,067,828
Interest received	339,814	250,835
Dividend received	402,805	286,099
Interest paid	(1,976,580)	(2,454,552)
Income tax paid	(145,454)	(148,643)
Net cash generated from operating activities	21,485,902	18,001,567

(Continued)

	For the Years Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for by the cost method	$ -	$ (30,409)
Disposal of affiliates	742,286	-
Acquisition of property, plant and equipment	(5,966,226)	(4,834,425)
Disposal of property, plant and equipment	37,458	460,839
Increase in refundable deposits	(134,518)	(399,110)
Decrease in refundable deposits	394,101	670,135
Increase in prepayment to equipment	(7,396,503)	(5,207,110)
Increase in computer software cost	(115,135)	(69,100)
Decrease in restricted assets	56,306	81,809
Net cash used in investing activities	(12,382,231)	(9,327,371)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) short-term loans	(1,466,964)	1,600,000
Issue of bonds payable	16,900,000	5,345,000
Repayments of bonds payable	(5,460,000)	(12,200,000)
Proceeds of long-term debts	15,211,898	12,700,000
Repayments of long-term debts and capital lease obligations	(26,182,916)	(22,819,950)
Proceeds of guarantee deposits received	204,648	108,147
Refund of guarantee deposits received	(179,459)	(191,406)
Proceeds of issue of common shares	-	6,667,069
Cash dividend paid to non-controlling interest	(92,013)	(74,866)
Net cash used in financing activities	(1,064,806)	(8,866,006)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	137,653	(90,831)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,176,518	(282,641)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10,831,131	11,113,772
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 19,007,649	$ 10,831,131

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

1. GENERAL INFORMATION

China Airlines, Ltd. (the "Company") was founded in 1959 and its stocks have been listed on the Taiwan Stock Exchange since February 26, 1993. The Company primarily provides air transport services for passengers and cargo. Its other operations include (a) mail services; (b) ground services and routine aircraft maintenance; (c) major maintenance of flight equipment; (d) communications and data processing services to other airlines; (e) sale of aircraft parts, equipment and entire aircraft; and (f) lease of aircraft.

The major stockholders of the Company are the China Aviation Development Foundation (CADF) and the National Development Fund (NDF), Executive Yuan. As of December 31, 2013 and 2012, CADF and NDF hold total both 45.9% of the Company's shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statement were approved by the board of directors and authorized for issue on March 27, 2014.

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

a. New, amended and revised standards and interpretations (the "New IFRSs") in issue but not yet effective

The Company and entities controlled by the Company (the "Group") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. As of the date that the consolidated financial statement were authorized for issue, the Financial Supervisory Commission (the "FSC") has not announced the effective dates for the following new, amended and revised standards and interpretations (the "New IFRSs"). On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statement were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	**Effective Date Announced by IASB (Note 1)**
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred Tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

The New IFRSs Not Included in the 2013 IFRSs Version	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Note 3
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Note 3
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: IASB tentatively decided that an entity should apply IFRS 9 for annual periods beginning on or after January 1, 2018.

b. Significant impending changes in accounting policy resulted from New IFRSs in issue but not yet effective

Except for the following, the initial application of the above New IFRSs is not expected to have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments"

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Group presents all gains or losses on that liability in profit or loss.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

a) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

b) IFRS 11 "Joint Arrangements"

IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures". Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures are accounted for using the equity method. Under IAS 31, Joint arrangements are classified as jointly controlled entities, jointly controlled assets, and jointly controlled operations, and the Group accounts for its jointly controlled entities using the proportionate consolidation method.

c) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

d) Revision to IAS 28 "Investments in Associates and Joint Ventures"

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Revision to IAS 19 "Employee Benefits"

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

6) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

7) New issued IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

c. Significant impending changes in accounting policy resulting from the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective

As of the date the consolidated financial statement were authorized for issue, the Group was continuing to assess the possible impact that the application of other standards and interpretations will have on the Group’s financial position and operating result, and will disclose the possible impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

On May 14, 2009, the FSC announced the “Framework for the Adoption of IFRSs by the Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statement in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the “IFRSs”) endorsed by the FSC.

The Group’s consolidated financial statement for the year ended December 31, 2011 is its first IFRS consolidated financial statement. The date of transition to IFRSs was January 1, 2012. The effect of transition upon the Group’s consolidated financial statement, please refer to Note 37.

Statement of Compliance

The consolidated financial statement have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. (For the exemptions that the Group elected, refer to Note 37.) The summary of the group’s significant accounting policies go as follows.

Current and Non-current Assets and Liabilities

Current assets include assets held primarily for the purpose of trading, assets expected to be realized within twelve months after the reporting period and cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets such as property, plant and equipment, investment properties, intangible assets and other assets are not classified as current are classified as non-current.

Current liabilities include liabilities held primarily for the purpose of trading, liabilities due to be settled within twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

   When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

   All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

   Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

b. Subsidiary included in consolidated financial statements

			Percent of Shareholding		
Investor Company	**Investee Company**	**Main Businesses and Products**	**December 31, 2013**	**December 31, 2012**	**January 1, 2012**
China Airlines, Ltd.	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investment	100	100	100
	Hwa Hsia	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Yestrip	Travel business	100	100	100
	Cal Park	Real estate lease and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Abacus Distribution System (Taiwan)	Sale and maintenance of hardware and software	94	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	94	94	94
	Taiwan Air Cargo Terminal Limited	Air cargo and storage	59	59	59
	Dynasty Holidays	Travel business	51	51	51
	Taoyuan International Airport Services	Airport services	49	49	49
	Taiwan Airport Services	Airport services	47	47	47
	Global Sky Express	Forwarding and storage of air cargo	25	25	25

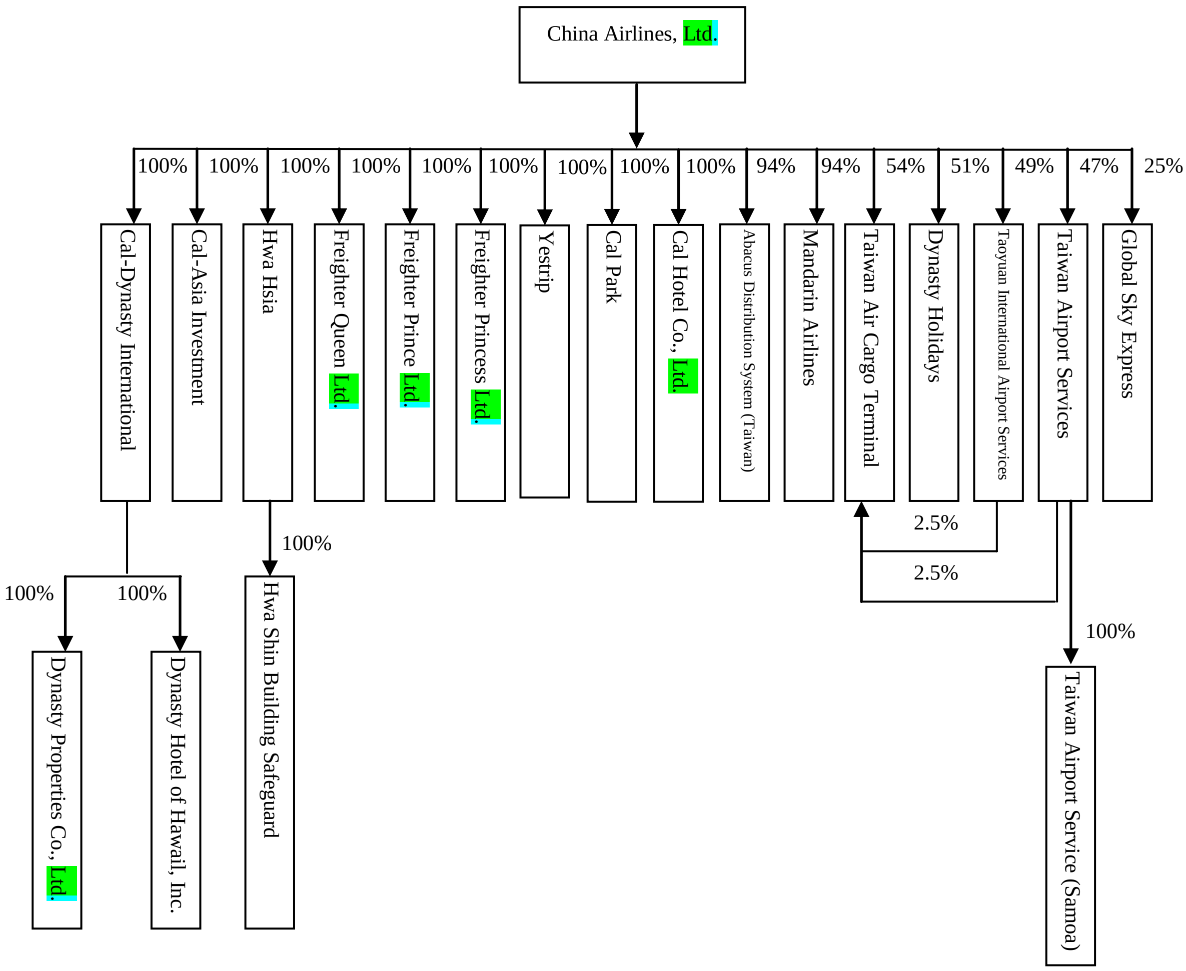
(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percent of Shareholding December 31, 2013	December 31, 2012	January 1, 2012
	Freight Princess Ltd.	Aircraft lease	100	100	100
	Freight Prince Ltd.	Aircraft lease	100	100	100
	Freight Queen Ltd.	Aircraft lease	100	100	100
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taoyuan International Airport Services	Tao Yao	Worker dispatch service	-	-	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100
Hwa Hsia	Hwa Shin Building Safeguard	Building security and maintenance services	100	100	100

(Concluded)

Note: Taoyuan International Airport Services Co., Ltd. decided to dissolute Tao Yao Company, and liquidation had been completed in March 2012, amounted to $128 thousand, which was recognised as other gains (or losses) - gain on disposal of subsidiaries.

Except that Taoyuan International Airport Services Co., Ltd., Taiwan Airport Services Co., Ltd. and Global Sky Express (Taiwan) Co., Ltd. were controlled by the Company, others were investee companies owned over 50% voting power by the Company. The financial reporting of the above companies were audited by CPA.



Foreign Currencies

In preparing the consolidated financial statement of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for:

a. Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

b. Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting consolidated financial statement, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Cash Equivalents

Cash equivalents, consisting of commercial paper, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Inventories

Inventories are primarily expendable and nonexpendable parts and materials, supplies used in operations and items for in-flight sale and are stated at the lower of cost or net realizable value. The costs of inventories sold or consumed are determined using the weighted-average method.

Investment in Associates and Jointly Controlled Entities

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statement using the equity method of accounting. Under the equity method, an investment in an associate and jointly controlled entity is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate and jointly controlled entity. The Company also recognizes the changes in the Company's share of equity of associates and jointly controlled entity attributable to the Company.

When the Company subscribes for additional new shares of the associate and jointly controlled entity at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the associate and jointly controlled entity. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company's ownership interest is reduced due to the additional subscription of the new shares of associate and jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and jointly controlled entity is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Company's share of losses of an associate and jointly controlled entity equals or exceeds its interest in that associate and jointly controlled entity which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the associate and jointly controlled entity, the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate and jointly controlled entity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate and jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The group decides whether to recognize additional impairment loss to the Associate based on IAS 39 "Financial instruments: Recognition and Measurement." The entire carrying amount of the investment including goodwill is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which it ceases to have significant influence and joint control. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the jointly controlled entity. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate and jointly controlled entity, profits and losses resulting from the transactions with the associate are recognized in the Company' consolidated financial statement only to the extent of interests in the associate and the jointly controlled entity that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used more than one period. The cost of an item of property, plant and equipment shall be recognized as assets if, and only if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably. Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Assets are depreciated over the shorter of the lease term and their useful lives using the straight-line method.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Investment Properties

Investment properties are properties held to earn rentals or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method. Investment properties are depreciated over their expected useful lives.

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. The effect of a change in an accounting estimate is recognized prospectively based on IAS-8 “Accounting policies, Changes in Accounting Estimates and Errors.”

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis; otherwise Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent allocation basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company use the estimated cash flows to be discounted by future pre-tax discount rate, the discount rate reflects current market time value of money and the specific risks to the asset that the estimated future cash flows have not yet adjusted to the market.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. All regular way purchases or sales of financial assets means buy or sell financial assets in the period made by regulation or market convention.

1) Measurement category

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification of financial assets is depending on their nature and purpose of the original recognition. Financial assets are classified into the following categories: Financial assets at fair value through profit or loss and available-for-sale financial assets.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in manner described in Note 31.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company’s right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

c) Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, debt investments with no active market, and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include the followings:

a) Significant financial difficulty of the issuer or counterparty;

b) Breach of contract, such as a default or delinquency in interest or principal payments;

c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

d) The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables and other receivables that are written off against the allowance account.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is residual interest in any contract after the Group's assets minus all liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except for derivative financial instruments, all the financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligation is discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or the instrument's maturity date. Any embedded derivative liability is measured at fair value.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at maturity, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component.

e. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, currency options and fuel swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Hedge Accounting

The Group enters into some derivative transactions that aim to manage interest rates, exchange rates, fuel prices, and other factors affecting gains or losses on assets and liabilities. The hedging transactions are defined as cash flow hedge. When entering into hedging transactions, the Group has prepared official documents that describe the hedging relationship between hedging instruments and items been hedged, objective of risk management, hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Provisions

The Group recognizes provisions when the Group has a present obligation (legal or constructive) arising from past events (legal or constructive obligation), payment for the obligation is probable, and the expenditure for settling the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation, taking into account the risks and uncertainties surrounding the obligation as of the balance sheet date. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

a. Onerous contracts

   Where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract, the present obligations arising under onerous contracts are recognized and measured as provisions.

b. Aircraft lease contract

The existence of current obligations should be evaluated to recognize as provision by the time aircraft contract expire and return to the loss or when signing of the lease contract.

Revenue Recognition

a. Rendering of services

Passenger fares and cargo revenue are recognized when transport service is provided. The value of unused passenger tickets is recognized as "advance ticket - sales".

b. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. Financial lease

<u>The Group as lessee</u>

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessee is included in the consolidated balance sheets as a finance lease obligation.

Minimum lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are recognized as expenses in the periods in which they are incurred.

b. Operating lease

<u>The Group as lessor</u>

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

<u>The Group as lessee</u>

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

c. Sale and leaseback

Sale and leaseback transaction if met the condition that all the risks and rewards of ownership of the leased asset is essentially transfer to the lessee, the sale and leaseback type is finance lease; If part of the significant risks and rewards of the leased asset ownership remain with the lessor (the buyer), the sale and leaseback type is operating lease.

Financial lease

This transaction does not actually dispose of the assets, the accounting treatment deemed transaction did not occur, and use the book value of the asset before sale continuing recognition of the asset.

Operating lease

If the selling price is equal to the fair value, the transaction gain or loss should be recognized immediately. If selling price is above fair value, the difference between the fair value and the book value of the gain or loss should be recognized immediately; only the part of selling price above fair value shall be deferred and amortized over the period of the lease.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method. All actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Frequent Flyer Program

The Company has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member reward.

A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The entity should recognize this deferred revenue as revenue only when the entity has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

a. Current tax

   The current tax liabilities is based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the income statement.

   The Group's current tax liabilities is calculated by the tax rate has been legislative or substantial legislative at the balance sheet date.

   According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve the retention of these earnings.

   Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statement and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Maintenance and Overhaul Costs

Routine maintenance costs are recognized in profit or loss in the period in which they are incurred.

The overhaul costs of the owned or leased aircraft that meet the criteria for fixed asset capitalization and engines as replacement parts for aircraft and engines are capitalized, and amortized over the expected annual overhaul cycle using straight-line depreciation method.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies which states in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Where the final tax payable differs from the amounts that were initially recognized, these differences will affect the income tax and deferred tax provisions in the period in which the differences are determined. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be used. When evaluating the realizability of the deferred tax asset, management uses significant accounting judgments and estimates, including expected future sales revenue growth and profit margins, income tax exemption periods, the use of tax credits, tax planning and certain assumptions. Changes in the industry environment and regulations will result in a material adjustment of the deferred tax asset.

Estimated Impairment of Trade Receivables

The Group assesses the receivables portfolios monthly for impairment. Impairment evidences may include observable changes in debtors' solvency and national or local economic conditions that correlate with default on receivable settlement. Management's analysis of expected cash flows is based on past experience of loss on assets with similar credit risk characteristics. The Group periodically reviews the methods of determining, and assumptions on, the expected amount and timing of cash flows to reduce the difference between the estimated and the actual losses.

Fair Value of Derivatives and Other Financial Instruments

The Group's management uses its judgment in selecting an appropriate valuation technique for financial instruments with no quoted market prices in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instruments. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The chosen valuation techniques and assumptions used are possible effecting in determining the fair value of financial instruments.

Depreciation of Property, Plant and Equipment - Flight Equipment

Flight equipment are depreciated on a straight-line basis at rates that can be used to write down their cost to their estimated residual values at the end of their useful lives. The estimates of the useful lives and residual values of the flight equipment are made by the Group on the basis of past experience and fleet operation performance in the industry.

Accrued Pension Costs

The present value of defined benefit obligations at the end of the reporting period are calculated using actuarial assumptions. Those assumptions, which are based on management's judgment and estimates, comprise the discount rate and expected return on plan assets. Changes in actuarial assumptions may have a material impact on the amount of defined benefit obligations.

Maintenance Reserve for Operating Lease Aircraft

Maintenance reserve is based on the requirement under lease contracts to reflect maintenance costs that may arise on lease expiry. Estimation of this reserve is based on the past maintenance experience on the same or similar type of aircraft; incurred overhaul costs; and historical operating performance data. Changes in judgment or estimations may have a material impact on the amount of maintenance reserve.

Frequent Flyer Program

As stated in Note 4 (frequent flyer program), a portion of passenger revenue attributable to the awarding of frequent flyer benefits is deferred until the awards are given out. The deferment of the revenue is estimated on the basis of historical trends of breakage and redemption, which is then used to project the expected claiming of these benefits. Changes in fair value per mileage or redemption rate may have a material impact on deferred revenue.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand and revolving fund	$ 1,131,370	$ 123,926	$ 132,240
Checking accounts and demand deposits	5,396,373	5,892,800	5,463,349
Cash equivalent			
Time deposits with original maturities less than three months	11,091,301	4,174,972	4,279,060
Repurchase agreements collateralized by bonds	1,388,605	639,433	1,239,123
	$ 19,007,649	$ 10,831,131	$ 11,113,772

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

	December 31, 2013	December 31, 2012	January 1, 2012
Bank balance	0%-2%	0%-2.5%	0%-1.17%
Time deposits with original maturities less than three months	0.8%-6.5%	0.27%-4.45%	0.15%-4.23%
Repurchase agreements collateralized by bonds	0.58-0.6%	0.70%-0.83%	0.73%-0.87%

The amount of time deposits with original maturities more than three months for the years ended December 31, 2013, December 31, 2012 and January 1, 2012 were $793,050 thousand, $1,713,212 thousand and 1,667,954 thousand, respectively, and the market rate intervals were 0.94%-3.18% and 0.35%-4% and 0.3%-4.123%, which were recognized as other assets current. (Refer to Note 17)

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

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading - current			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$ 23,254	$ -	$ -
Non-derivative financial assets			
Beneficial certificates	192,419	838,137	3,662,138
Domestic quoted shares	-	653,211	274,517
	192,419	1,491,348	3,936,655
	$ 215,673	$ 1,491,348	$ 3,936,655

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities held for trading - current			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	$ 2,799	$ -	$ -
Financial assets at FVTPL - noncurrent			
Convertible bonds			
China Life Insurance Co., Ltd.	$ -	$ -	$ 374,085

(Concluded)

Of the above convertible bonds, a portion with an aggregate face value of $250,000 thousand was converted into 29,137,529 common shares of China Life Insurance Co., Ltd. on April 19, 2012 at the conversion price of NT$8.58 per share and reclassified to financial assets at fair value through profit or loss - current and the Company has disposed all the securities before March 2013.

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2013			
Buy	NTD/USD	2014.01.03-2014.07.08	NTD2,078,418/USD70,500

The Company entered into foreign exchange forward contracts during 2013 and 2012 to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. Part of foreign exchange forward contracts did not meet the criteria of hedge effectiveness and therefore were not account for using hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Current						
Foreign marketable equity securities						
France Telecom	$ 75,504	-	$ 65,392	-	$ 100,197	-
Non-current						
Domestic marketable						
Trans Asia Airways	28,768	-	34,771	-	41,340	-
	$ 104,272		$ 100,163		$ 141,537	

	December 31, 2013	December 31, 2012	January 1, 2012
Current	$ 75,504	$ 65,392	$ 100,197
Non-current	28,768	34,771	41,340
	$ 104,272	$ 100,163	$ 141,537

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial assets under hedge accounting			
Interest rate swaps	$ 5,617	$ 759	$ -
Foreign exchange forward contracts	-	47	9,674
Currency option	27,033	38,956	5,396
Fuel swaps	107,970	13,764	93,597
	$ 140,620	$ 53,526	$ 108,667
Current	$ 135,003	$ 52,767	$ 108,667
Non-current	5,617	759	-
	$ 140,620	$ 53,526	$ 108,667
Derivative financial liabilities under hedge accounting			
Interest rate swaps	$ 2,026	$ 15,167	$ 26,578
Foreign exchange forward contracts	-	15,771	766
Currency option	1,255	730	3,540
Fuel swaps	21,598	3,464	41,517
	$ 24,879	$ 35,132	$ 72,401
Current	$ 22,853	$ 23,702	$ 47,076
Non-current	2,026	11,430	25,325
	$ 24,879	$ 35,132	$ 72,401

The fair value of each derivative contract is determined using quotes from financial institutions.

a. Interest rate swaps

The Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding floating rate debt. All swapped fixed interest rate swap out the floating rate interest rate swap contracts are designated as cash flow hedges. The outstanding interest rate swap contracts at the end of the reporting period were as follows:

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2013			
NT$5,240,000	2014.08.24-2017.06.22	0.90%-1.14%	6165 page 3M CP rate
December 31, 2012			
NT$6,080,000	2013.04.11-2017.06.22	0.70%-2.42%	6165 page 3M CP rate
January 1, 2012			
NT$3,335,000	2012.04.26-2016.11.28	0.99%-2.60%	6165 page 3M CP rate

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is Reuters 6165 page 3M CP rate. The Company will settle the difference between the fixed and floating interest rates on a net basis.

b. Foreign exchange forward

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2013	None.		
December 31, 2012			
Buy	NTD/USD	2013.01.10-2013.04.11	NTD1,085,297/USD37,000
January 1, 2012			
Buy	NTD/USD	2012.01.20-2012.06.15	NTD1,079,105/USD36,000

c. Currency options

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2013			
Buy USD call option	JPY/USD	2014.01.10-2014.04.30	JPY2,440,000/USD24,000
Sell USD put option	JPY/USD	2014.01.10-2014.04.30	JPY2,340,450/USD24,000
December 31, 2012			
Buy USD call option	JPY/USD	2013.01.08-2013.06.07	JPY1,918,450/USD23,500
Sell USD put option	JPY/USD	2013.01.08-2013.06.07	JPY1,840,745/USD23,500
January 1, 2012			
Buy USD call option	JPY/USD	2012.01.06-2012.05.25	JPY1,832,900/USD23,000
Sell USD put option	JPY/USD	2012.01.06-2012.05.25	JPY1,716,570/USD23,000

d. Fuel swaps

The Company used fuel swaps to minimize the risk of changes in fuel price related to operating cost.

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2013			
Buy fuel call option	USD	2014.01.31-2014.11.30	NTD107,970
Sell fuel put option	USD	2014.01.31-2014.11.30	NTD21,598
December 31, 2012			
Buy fuel call option	USD	2012.07.01-2013.03.31	NTD13,764
Sell fuel put option	USD	2012.07.01-2013.03.31	NTD3,464
January 1, 2012			
Buy fuel call option	USD	2012.03.31-2012.06.30	NTD93,597
Sell fuel put option	USD	2012.03.31-2012.06.30	NTD41,517

Based on the Taiwan Stock Exchanges regulation for the public companies monthly declaration on the trading of derivative financial instruments, the contractual amounts are shown at the absolute values of fair value because fuel swap contracts only have notional amounts.

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

	For the Year Ended December 31	
	2013	2012
Decrease in operating cost	$ 136,089	$ 84,786
Increase in finance cost	(9,954)	(19,002)
Other foreign exchange gain	93,206	14,110
	$ 219,341	$ 79,894

10. FINANCIAL ASSETS CARRIED AT COST

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	% of Ownership	Amount	% of Ownership	Amount	% of Ownership
Unlisted common stocks						
Abacus International Holdings Ltd.	$ 297,946	14	$ 297,946	14	$ 297,946	14
Jardine Aviation Service	56,023	15	56,023	15	56,023	15
Taikoo (Xiamen) Landing Gear Service Co., Ltd.	73,665	8	69,683	8	40,005	8
Titan V.C. Corp.	2,066	5	2,066	5	2,066	5
Taikoo Spirt Aerospace Systems (Jin Jiang) Composite Co., Ltd.	21,378	5	20,223	5	20,665	5
Chung Hwa Express Co.	11,000	11	11,000	11	11,000	11
Regal International Advertising	5,925	7	5,925	7	5,925	7
Far Eastern Air Transport	-	6	-	6	-	6
	468,003		462,866		433,630	
Unlisted preferred stocks						
Abacus International Holdings Ltd.	473	-	473	-	473	-
	$ 468,476		$ 463,339		$ 434,103	
Classified according to financial asset measurement categories						
Available-for-sale financial assets	$ 468,476		$ 463,339		$ 434,103	

The Group invested US$1,040 thousand in the cash capital of Taikoo (Xiamen) Landing Gear Service Co., Ltd. by CAL-Asia Investment, Inc. to develop aviation industry business.

Above unlisted stock investments held by the Group were evaluated by cost after deducting impairment losses because the range of reasonable fair value estimates were significant and unable to be reasonably evaluated, the management considered its fair value unable to evaluate.

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 294,511	$ 283,411	$ 313,636
Accounts receivable			
Accounts receivable	7,538,081	7,292,035	10,002,413
Less: Allowance for impairment loss	(57,862)	(64,093)	(136,802)
	7,480,219	7,227,942	9,865,611
	$ 7,774,730	$ 7,511,353	$ 10,179,247

The average credit period was 7 to 55 days. In determining the recoverability of a accounts receivable, the Company considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period, allowance for impairment loss were based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

Movement in the allowance for impairment loss recognized on notes receivable and trade receivables were as follow:

	For the Year Ended December 31	
	2013	**2012**
Balance at January 1	$ 64,093	$ 136,802
Impairment loss recognized on receivables	85	5,854
Amounts written off during the period as uncollectible	(6,712)	(78,538)
Amounts recovered from prior gear write-off	(6)	-
Effect of exchange rate changes	402	(25)
Balance at December 31	$ 57,862	$ 64,093

12. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Aircraft spare parts	$ 6,359,575	$ 6,336,195	$ 6,153,586
Items for in-flight sale	403,380	360,616	352,997
Work in process - maintenance services	27,043	134,493	157,356
Others	1,455	1,290	1,116
	$ 6,791,453	$ 6,832,594	$ 6,665,055

The cost of inventories recognized as operating costs due to write-downs of inventories was $149,430 thousand and $112,174 thousand.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in associates	$ 1,838,330	$ 1,730,142	$ 1,682,108
Investments in jointly controlled entities	849,425	815,302	766,146
	$ 2,687,755	$ 2,545,444	$ 2,448,254

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

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted companies			
China Aircraft Services	$ 407,725	$ 381,819	$ 381,187
Kaohsiung Catering Services	225,221	228,777	239,741
Asian Compressor Technology Services	244,486	233,647	230,666
Science Park Logistics	192,175	189,301	177,404
Xiamen International Air Cargo Terminal	518,904	454,826	431,545
Xiamen International Airport Air Cargo Storage	215,606	210,780	194,724
Eastern United International Logistics (Holdings) Ltd.	34,213	30,992	26,841
Yangtze River Express Airlines	-	-	-
	$ 1,838,330	$ 1,730,142	$ 1,682,108

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

Name of Associate	December 31, 2013	December 31, 2012	January 1, 2012
China Aircraft Services	20%	20%	20%
Kaohsiung Catering Services	36%	36%	36%
Asian Compressor Technology Services	25%	25%	25%
Science Park Logistics	28%	28%	28%
Xiamen International Air Cargo Terminal	28%	28%	28%
Xiamen International Airport Air Cargo Storage	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd.	35%	35%	35%
Yangtze River Express Airlines	-	25%	25%

The financial statements used as basis of the amounts of and related information on the investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2013 and 2012 had all been independently audited, except those of Eastern United International Logistics (Holding) Ltd. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

The board in August 2010 resolved to sale the ownership of Yangtze River Express Airlines. According to the schedule, the disposal should be completed by the end of 2012. The expected amount of disposal was higher than the book value of investment. Hence, the Group reclassified the book value of investment as non-current assets held for sale. However, the transaction was not completed within one year. Therefore, the Group reclassified the investment to investments accounted for by the equity method on September 30, 2012. However, in July 2013, the Group entered into the contract again. The Group reclassified it as non-current assets held-for-sale. This transaction was settled on December 23, 2013, and total disposal amount of RMB153,061 thousand was received. The Group recognized $742,286 thousand as gain on disposal of investments.

The amounts of investment in associated include goodwill arising from the acquisition of associated in previous in December 31, 2013, December 31, 2012 and January 1, 2012, the balance of goodwill were $182,223 thousand, $175,286 thousand and $177,945 thousand, respectively, shown below are the movements in 2013 and 2012 of goodwill.

	Goodwill
Balance at January 1, 2012	$ 177,945
Effect of exchange rate changes	(2,659)
Balance at December 31, 2012	$ 175,286
Balance at January 1, 2013	$ 175,286
Effect of exchange rate changes	6,937
Balance at December 31, 2013	$ 182,223

The share of profit or loss of associated recognized under equity method were as follows:

	2013	2012
China Aircraft Services	$ 28,183	$ 21,069
Asian Compressor Technology Services	95,711	99,849
Kaohsiung Catering Services	47,306	40,921
Science Park Logistics	27,562	25,190
Xiamen International Air Cargo Terminal	37,293	32,733
Xiamen International Airport Air Cargo Storage	19,923	20,243
Eastern United International Logistics (Holdings) Ltd.	7,093	7,332
Yangtze River Express Airlines	-	-
	$ 263,071	$ 247,337

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
China Pacific Catering Services	$ 685,797	$ 658,232	$ 619,404
China Pacific Laundry Services	163,628	157,070	146,742
	$ 849,425	$ 815,302	$ 766,146

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

	December 31, 2013	December 31, 2012	January 1, 2012
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%

The Company signed a joint venture agreement with the Taikoo Group to invest in China Pacific Catering Services and China Pacific Laundry Services. According to the agreement, both sides on the board have major motion veto, therefore the Company does not have its control.

The summarized financial information on the Group's interests in the jointly controlled entities accounted for using the equity method is set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets	$ 594,412	$ 505,338	$ 445,465
Noncurrent assets	$ 612,753	$ 642,430	$ 629,009
Current liabilities	$ 216,257	$ 215,248	$ 192,776
Noncurrent liabilities	$ 141,483	$ 117,218	$ 115,552

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

	For the Year Ended December 31	
	2013	2012
China Pacific Catering Services	$ 158,787	$ 145,248
China Pacific Laundry Services	28,503	24,136
	$ 187,290	$ 169,384

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2013 and 2012 was based on the jointly controlled entities' financial statement audited by the auditor for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2013	December 31, 2012	January 1, 2012
Cost			
Freehold land	$ 938,392	$ 926,159	$ 945,726
Buildings	13,078,656	12,968,483	12,990,954
Flight equipment	222,573,614	207,516,311	206,176,079
Equipment under finance lease	38,691,367	51,940,712	52,270,176
Machinery equipment	8,725,560	8,523,526	7,833,196
Office equipment	968,680	1,011,699	999,504
Leased assets	135,403	150,160	171,039
Leasehold improvements	2,664,470	2,595,453	2,277,502
Construction in progress	1,007,237	296,130	574,914
	$ 288,783,379	$ 285,928,633	$ 284,239,090
Accumulated depreciation			
Buildings	$ 4,298,391	$ 3,816,200	$ 3,449,428
Flight equipment	108,380,142	90,657,915	80,255,451
Equipment under finance lease	18,198,277	22,693,471	20,309,434
Machinery equipment	5,816,956	5,485,072	5,209,231
Office equipment	689,167	677,244	610,855
Leased assets	120,420	132,504	150,199
Leasehold improvements	1,617,958	1,441,884	1,325,488
Net value	$ 139,121,311	$ 124,904,290	$ 111,310,086

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Lease	Others	Total
Cost						
Balance at January 1, 2012	$ 945,726	$ 12,990,954	$ 206,176,079	$ 52,270,176	$ 11,856,155	$ 284,239,090
Additions	11,730	43,699	3,648,379	561,209	569,408	4,834,425
Disposals	(9,500)	(29,316)	(2,651,204)	(890,673)	(448,664)	(4,029,357)
Discard	-	(7,463)	-	-	(27,030)	(34,493)
Reclassification	-	7,531	343,057	-	630,579	981,167
Net exchange difference	(21,797)	(36,922)	-	-	(3,480)	(62,199)
Balance at December 31, 2012	$ 926,159	$ 12,968,483	$ 207,516,311	$ 51,940,712	$ 12,576,968	$ 285,928,633
Accumulated depreciation and impairment						
Balance at January 1, 2012	$ -	$ (3,449,428)	$ (80,255,451)	$ (20,309,434)	$ (7,295,773)	$ (111,310,086)
Depreciation expense	-	(389,670)	(12,419,559)	(3,244,371)	(874,390)	(16,927,990)
Disposals	-	10,451	1,968,505	860,334	430,904	3,270,194
Discard	-	-	-	-	625	625
Reclassification	-	32	48,590	-	228	48,850
Net exchange difference	-	12,415	-	-	1,702	14,117
Balance at December 31, 2012	$ -	$ (3,816,200)	$ (90,657,915)	$ (22,693,471)	$ (7,736,704)	$ (124,904,290)
Cost						
Balance at January 1, 2013	$ 926,159	$ 12,968,483	$ 207,516,311	$ 51,940,712	$ 12,576,968	$ 285,928,633
Additions	-	53,401	3,987,410	771,874	1,153,541	5,966,226
Disposals	-	(10,833)	(2,279,769)	(759,287)	(218,867)	(3,268,756)
Discard	-	(396)	(5,682)	-	(69,074)	(75,152)
Reclassification	-	47,243	13,355,344	(13,261,932)	57,387	198,042
Net exchange difference	12,233	20,758	-	-	1,395	34,386
Balance at December 31, 2013	$ 938,392	$ 13,078,656	$ 222,573,614	$ 38,691,367	$ 13,501,350	$ 288,783,379
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ (3,816,200)	$ (90,657,915)	$ (22,693,471)	$ (7,736,704)	$ (124,904,290)
Depreciation expense	-	(392,091)	(12,970,864)	(2,999,325)	(882,267)	(17,244,547)
Disposals	-	10,321	1,981,752	755,335	215,348	2,962,756
Discard	-	391	5,682	-	66,362	72,435
Reclassification	-	(93,451)	(6,738,797)	6,739,184	93,587	523
Net exchange difference	-	(7,361)	-	-	(827)	(8,188)
Balance at December 31, 2013	$ -	$ (4,298,391)	$ (108,380,142)	$ (18,198,277)	$ (8,244,501)	$ (139,121,311)

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	45-55 years
Others	10-25 years
Machinery equipments	
Electro-mechanical equipment	25 years
Others	3-13 years

(Continued)

Flight equipments and equipments under finance lease	
Airframe	20-25 years
Aircraft cabin	7-13 years
Engine	20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	7-10 years
Repairable spare parts	7-15 years
Office equipments	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Assets leased to others	3-5 years

(Concluded)

The Group's flight equipment and leased assets included the aircraft, passenger cabin, engine heavy maintenance on aircraft, engine overhauls, aircraft landing gear overhaul and repairable spar parts and other major compact.

For certain buildings the Group elected to use the revalued amount under ROC GAAP as deemed cost under IFRS on January 1, 2012.

Refer to Note 33 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings/general banking facilities granted to the Group.

15. INVESTMENT PROPERTIES

	December 31, 2013	December 31, 2012	January 1, 2012
Carrying amount			
Investment properties	$ 2,076,740	$ 1,498,004	$ 1,498,283

The investment properties held by the Group was land located in Nankan and building located in Taipei, which were leased to others.

The building was depreciated on a straight-line basis on 55 years and located in Taipei.

The Group held the land located in Nankan, Taoyuan. The difference between the net fair value of appraisal report by the end of 2010, $1,468,433 thousand and carrying value $2,047,448 thousand, was recognized impairment loss $579,015 thousand. In September 2013, the Group acquired the appraisal reports, the net fair value of the land were $2,316,300 thousand and $2,449,699 thousand both exceeded the cost $2,047,488 on the date of acquisition, therefore the impairment loss was all been reversed, included in other income - other.

The fair value of the investment properties held by the Group $2,348,759 thousand, $1,500,892 thousand and $1,501,606 thousand on December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

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

	Cost	Accumulated Impairment and Depreciation	Net Value
Balance at January 1, 2012	$ 1,503,350	$ (5,067)	$ 1,498,283
Additions	-	(279)	(279)
Balance at December 31, 2012	$ 1,503,350	$ (5,346)	$ 1,498,004
Balance at January 1, 2013	$ 1,503,350	$ (5,346)	$ 1,498,004
Additions	-	(304)	(304)
Reclassification	25	-	25
Gain on reversal of impairment	579,015	-	579,015
Balance at December 31, 2013	$ 2,082,390	$ (5,650)	$ 2,076,740

16. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Accumulated Amortization	Net Value
Balance at January 1, 2012	$ 793,223	$ (392,663)	$ 400,560
Additions	69,100	-	69,100
Amortization expense	-	(44,660)	(44,660)
Balance at December 31, 2012	$ 862,323	$ (437,323)	$ 425,000
Balance at January 1, 2013	$ 862,323	$ (437,323)	$ 425,000
Additions	115,135	-	115,135
Amortization expense	-	(50,723)	(50,723)
Balance at December 31, 2013	$ 977,458	$ (488,046)	$ 489,412

The above items of other intangible assets were depreciated on a straight-line basis on 2-12 years.

17. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Current</u>			
Other financial assets	$ 793,050	$ 1,713,212	$ 1,667,954
Temporary payments	486,260	1,082,396	782,717
Prepayments	604,163	564,574	568,027
Restricted assets	21,214	-	-
Others	561,232	350,810	245,892
	$ 2,465,919	$ 3,710,992	$ 3,264,590

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Noncurrent			
Prepayments for aircraft	$ 15,397,766	$ 8,708,335	$ 5,115,314
Prepayments - long-term	2,318,009	1,432,395	1,307,754
Refundable deposits	1,106,855	1,335,954	1,626,527
Restricted assets	507,209	564,809	721,604
Other financial assets	14,040	13,660	12,980
Others	1,098	22,855	14,069
	$ 19,344,977	$ 12,078,008	$ 8,798,248

(Concluded)

The prepayments for aircraft was the prepaid deposit, capitalized interest, etc. that the Group entered into a contract to purchase A350-900 and 777-300ER aircraft. As for the instruction of the contract, please refer to Note 34.

18. BORROWINGS

a. Short-term loans

	December 31, 2013	December 31, 2012	January 1, 2012
Bank loans - unsecured	$ 204,036	$ 1,600,000	$ -

The range of interest rate on bank loans were 1.36%-1.60%, 1.150%-1.230% and 1.038%-1.13% on December 31, 2013, December 31, 2012 and January 1, 2012, respectively.

b. Long-term debts

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured bank loans	$ 21,368,167	$ 20,755,926	$ 21,633,000
Secured bank loans	36,522,857	47,869,954	59,169,672
Commercial paper			
Proceeds from issue	20,655,000	15,305,000	10,255,000
Less: Unamortized discount	40,481	31,134	23,252
	78,505,543	83,899,746	91,034,420
Less: Current portion	25,265,961	16,932,026	18,230,972
	$ 53,239,582	$ 66,967,720	$ 72,803,448

Secured bank loans were secured by freehold land, building and flight equipment, please refer to Note 33.

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

	Currency		
	New Taiwan Dollars	**U.S. Dollars**	**Japanese Yen**
Original currency			
December 31, 2013	$ 45,609,666	$ 411,975	$ 71,112
December 31, 2012	49,178,080	669,004	-
January 1, 2012	53,051,014	899,884	1,240,000
Translated in New Taiwan dollars			
December 31, 2013	45,609,666	12,261,153	20,205
December 31, 2012	49,178,080	19,447,800	-
January 1, 2012	53,051,014	27,269,224	482,434
Interest rates			
December 31, 2013	1.283%-3.6%	0.2376%-4.39%	1.975%
December 31, 2012	1.287%-2.638%	0.308%-4.79%	-
January 1, 2012	0.7%-3.15%	0.3911%-4.77%	0.6957%
Periods			
December 31, 2013	2002/4/11-2024/4/1	2003/7/22-2017/9/21	2013/9/1-2016/8/1
December 31, 2012	2002/4/11-2029/2/4	2001/4/20-2017/9/21	-
January 1, 2012	2002/4/11-2029/2/4	2000/7/6-2017/9/21	2007/12/26-2012/12/26

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until December 2017, were used by the Company to guarantee commercial paper it issued. As of December 31, 2013, December 31, 2012, January 1, 2012, the commercial paper was issued at discount rates of 1.302%-2.121%, 1.375% - 2.125% and 1.341% - 2.102%, respectively.

19. BONDS PAYABLE

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Five-year secured domestic bonds - issued at par in			
November 2007; repayable in November 2010, November 2011 and November 2012; indicator rate plus 0.4% interest p.a., payable quarterly.	$ -	$ -	$ 1,200,000
January 2010; repayable in January 2013, January 2014 and January 2015; indicator rate plus 1.5% interest p.a., payable quarterly.	910,000	1,300,000	1,300,000

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
February 2010; repayable in February 2013, February 2014 and February 2015; indicator rate plus 1.5% interest p.a., payable quarterly.	$ 1,610,000	$ 2,300,000	$ 2,300,000
May 2011; repayable in May 2014, May 2015 and May 2016; 1.35% interest p.a., payable annually.	6,000,000	6,000,000	6,000,000
Three-year private unsecured bonds - issued at par in			
April 2009; repayable in April 2012; 3.4% interest p.a., payable semiannually.	-	-	8,800,000
June 2009; repayable in June 2012; 3.4% interest p.a., payable semiannually.	-	-	2,200,000
May 2010; repayable in May 2013; 2.8% interest p.a., payable semiannually.	-	4,380,000	4,380,000
January 2012; repayable in January 2015; 2% interest p.a., payable semiannually.	5,345,000	5,345,000	-
Five-year private unsecured bonds - issued at par in			
April 2009; repayable in April 2014; 3.6% interest p.a., payable semiannually.	1,100,000	1,100,000	1,100,000
June 2009; repayable in June 2014; 3.6% interest p.a., payable semiannually.	800,000	800,000	800,000
January 2013; repayable in January 2017 and 2018; 1.6% interest p.a., payable annually.	5,400,000	-	-
Seven-year private unsecured bonds - issued at par in			
January 2013; repayable in January 2019 and 2020; 1.85% interest p.a., payable annually.	5,500,000	-	-
Five-year convertible bonds - issued at discount in			
December 2013; repayable in lump sum upon maturity; 1.8245% discount rate p.a.	6,000,000	-	-
Less: Bonds payable discount	516,977	-	-
	32,148,023	21,225,000	28,080,000
Less: Current portion	4,780,000	5,460,000	12,200,000
	$ 27,368,023	$ 15,765,000	$ 15,880,000

(Concluded)

The indicator rate mentioned above is the 90 days' commercial paper rates in Taiwan's secondary market.

In May 2010, the Company made a first issue of 2010 private unsecured bonds with aggregate face value of $5,050,000 thousand. The investors were these affiliates: Taoyuan International Airport Services, Mandarin Airlines, Abacus Distribution Systems (Taiwan), China Pacific Catering Services and Hwa Hsia. which held the bonds with total face value of $670,000 thousand, and are eliminated in consolidated financial statement. In addition the jointly controlled entity, China Pacific Catering Services Co. held $40,000 thousand as well.

In January 2012, the Company made a first issue of 2012 private unsecured bonds with aggregate face value of $5,785,000 thousand. The investors included these affiliates: Taoyuan International Airport Services, Mandarin Airlines and Abacus Distribution Systems (Taiwan). The affiliates held the bonds with face value of $440,000 thousand, that are eliminated in consolidated financial statement.

On December 26, 2013, the Company made a first issue of 2013 unsecured convertible bonds, with the coupon rate of 0 % and the effective interest rate of 1.8245%. The issue conditions are as follows:

a. The holders may demand a lump-sum payment for the bonds upon maturity.

b. On 30 days before December 26, 2015 and December 26, 2016 the holders can require the Company to redeem their bonds at face value.

c. The Company may redeem the bonds piecemeal between January 26, 2014 and, November 16, 2018 under certain conditions.

d. Between January 26, 2014 and December 16, 2018 (except for the period between the ex-dividend date and the date of dividend declaration on record), holders may convert the bonds to the Company's common shares. The initial conversion price was set at NT$12.24, subject to adjustment if there is capital injection by cash, stock dividend distribution, the proportion of cash dividend per share in market price exceed 1.5%. As of December 31, 2013, there was no adjustment to the conversion price and no convention occurred.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.8245% per annum on initial recognition.

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

20. CAPITAL LEASE OBLIGATIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Minimum lease payments			
Not later than one year	$ 4,399,137	$ 5,314,096	$ 3,784,232
Later than one year and not later than five years	8,021,198	9,388,480	13,477,381
Later than five years	629,630	3,634,103	4,936,414
	13,049,965	18,336,679	22,198,027
Less: Future financial cost	(9,092)	(10,187)	(14,959)
Present value of minimum lease payments	$ 13,040,873	$ 18,326,492	$ 22,183,068
Present value of minimum lease payments			
Not later than one year	$ 4,399,039	$ 5,313,935	$ 3,784,053
Later than one year and not later than five years	7,984,991	9,383,585	13,471,870
Later than five years	656,843	3,628,972	4,927,145
	$ 13,040,873	$ 18,326,492	$ 22,183,068

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Current	$ 4,399,039	$ 5,313,935	$ 3,784,053
Noncurrent	8,641,834	13,012,557	18,399,015
	$ 13,040,873	$ 18,326,492	$ 22,183,068

(Concluded)

The Company leased certain of its A340-300 aircrafts and sixteen engines by sale-leaseback under finance leases. The lease terms are from April 2001 to December 2018. During the lease term, the Company retained all risks and rewards attached to aircraft and engines, and enjoyed the same substantive right prion to the transaction.

Additionally, Taiwan Air Cargo Terminal Co., Ltd. signed “Air Cargo Terminal Operating Contract” to lease land building and personal state etc. of Taiwan Taoyuan and Taiwan Kaohsiung Air Cargo Terminal.

Interest rates underlying all obligations under finance leases were floated ranging from 1.306%-2.244% and 1.296%-2.273% per annum in 2013 and 2012, respectively.

21. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Fuel cost	$ 4,326,230	$ 3,623,771	$ 4,657,021
Ground service expense	860,275	980,111	1,439,557
Repair expense	468,454	521,967	1,158,029
Interest expense	372,140	228,256	261,163
Short-term employee benefits	1,300,322	1,314,020	1,844,327
Terminal surcharges	606,499	591,275	447,231
Commission expense	566,609	512,673	569,553
Others	5,838,553	3,514,222	3,235,987
	$ 14,339,082	$ 11,286,295	$ 13,612,868

22. DEFERRED REVENUE

	December 31, 2013	December 31, 2012	January 1, 2012
Frequent flyer program	$ 2,587,188	$ 2,636,952	$ 2,182,695
Advance ticket sales	8,172,945	7,622,694	9,190,999
	$ 10,760,133	$ 10,259,646	$ 11,373,694
Current	$ 8,850,384	$ 8,291,996	$ 9,662,017
Noncurrent	1,909,749	1,967,650	1,711,677
	$ 10,760,133	$ 10,259,646	$ 11,373,694

23. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Plane under operating lease	$ 3,302,484	2,628,134	2,066,466
Onerous contract	-	780,995	770,402
	$ 3,302,484	$ 3,409,129	$ 2,836,868

Plane Under Operating Lease

The Company and Mandurin Airlines rented flight equipments under operating lease agreements. Under the contracts, when the lease expire to return the lessor, the flight equipment have to be repaired according to the plan use years and flight hours, the flight rising falling numbers and the engine rotation times, the Company had existing obligation to recognize provision when signing the lease or during the lease period.

Onerous Contract

The Taiwan Air Cargo Terminal Co., Ltd. (TACT) signed a cargo terminal renovation and extension project contract with the Civil Aeronautics Administration (CAA). TACT recognized a provision for an onerous contract because of the unavoidable costs of the renovation and extension project, which will exceed the economic benefit expected to be received on this project. In July 2013, TACT acquired the CAA's to extend the charted operating period. After project revaluation, the economic benefits were expected to exceed the unavoidable costs. Thus, TACT reversed the provision for the onerous contract. For other contract information, please refer to Note 34.

	Aircraft Lease Contract	Onerous Contract	Total
Balance at January 1, 2012	$ 2,066,466	$ 770,402	$ 2,836,868
Additional provisions recognized	862,048	-	862,048
Usage	(268,915)	-	(268,915)
Effect on discount reversal	-	7,945	7,945
Effect of exchanger rate changes	(31,465)	2,648	(28,817)
Balance at December 31, 2012	$ 2,628,134	$ 780,995	$ 3,409,129
Balance at January 1, 2013	$ 2,628,134	$ 780,995	$ 3,409,129
Additional provisions recognized	1,082,003	-	1,082,003
Usage	(426,740)	-	(426,740)
Effect on discount reversal	-	(780,995)	(780,995)
Effect of exchanger rate changes	19,087	-	19,087
Balance at December 31, 2013	$ 3,302,484	$ -	$ 3,302,484

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

Employees in U.S. and Japan of China Airlines Co., Ltd. and subsidiaries are members of U.S. and Japan government retirement benefit plans. Subsidiaries should appropriate specific portion to retirement benefit plans. The obligation to the government retirement benefit plans of China Airlines Co., Ltd. and subsidiaries is appropriating specific portion amount.

b. Defined benefit plans

The Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contribute to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualifying actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Discount rates	1.625-2.000%	1.25%-1.75%	1.50%-1.75%
Expected return on plan assets	1.920-2.000%	1.54%-2.00%	1.68%-2.00%
Expected rates of salary increase	1.500-2.500%	1.50%-2.50%	1.50%-2.50%

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	For the Year Ended December 31	
	2013	**2012**
Current service cost	$ 326,537	$ 355,779
Interest cost	218,397	219,689
Expected return on plan assets	(69,456)	(86,898)
Current actuarial losses (gains)	59,136	59,136
Past service cost	12,184	5,803
	$ 546,798	$ 553,509
An analysis by function		
Operating cost	$ 419,027	$ 374,075
Operating expense	127,771	179,434
	$ 546,798	$ 553,509

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012 was $23,940 thousand and $582,244 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2013 and 2012 was $606,184 thousand and $582,244 thousand, respectively.

The amounts included in the consolidated balance sheet on the Group's obligation on its defined benefit plans were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	$ 14,902,893	$ 15,387,523	$ 15,071,689
Fair value of plan assets	(4,472,814)	(4,726,756)	(4,667,245)
Deficit	10,430,079	10,660,767	10,404,444
Unrecognized past service cost	(19,172)	(84,110)	(149,048)
Accrued pension costs	$ 10,410,907	$ 10,576,657	$ 10,255,396

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	2012
Defined benefit obligation at the beginning of the year	$ 15,387,523	$ 15,071,689
Current service cost	326,537	355,779
Interest cost	218,397	219,689
Actuarial losses/(gains)	12,838	540,506
Benefits paid	(1,048,784)	(800,140)
Current vested past service cost	6,382	-
Defined benefit obligation at the end of the year	$ 14,902,893	$ 15,387,523

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Fair value of plan assets at the beginning of the year	$ 4,726,756	$ 4,667,245
Expected return on plan assets	69,456	86,898
Actuarial gains/(losses)	(11,102)	(41,738)
Contributions from the employer	635,698	713,756
Benefits paid	(947,994)	(699,405)
Fair value of plan assets at the end of the year	$ 4,472,814	$ 4,726,756

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	December 31, 2013	December 31, 2012	January 1, 2012
Equity instruments	38.25%	40.75%	40.75%
Debt instruments	40.69%	19.19%	19.19%
Others	21.06%	40.06%	40.06%
	100.00%	100.00%	100.00%

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs:

	December 31	
	2013	**2012**
Present value of defined benefit obligation	$ 14,902,893	$ 15,387,523
Fair value of plan assets	$ (4,472,814)	$ (4,726,756)
Deficit	$ 10,430,079	$ 10,660,767
Experience adjustments on plan liabilities	$ (12,838)	$ (540,506)
Experience adjustments on plan assets	$ (11,102)	$ (41,738)

The Group expects to make a contribution of $623,735 thousand to the defined benefit plans during the annual period beginning after 2013.

25. EQUITY

a. Share capital

1) Common shares

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Numbers of shares authorized (in thousands)	6,000,000	6,000,000	5,200,000
Amount of shares authorized	$ 60,000,000	$ 60,000,000	$ 52,000,000
Amount of shares issued	$ 52,000,000	$ 52,000,000	$ 46,316,224
Shares premium	1,391,536	1,391,536	391,867
	$ 53,391,536	$ 53,391,536	$ 46,708,091

To meet the Company's financial demand for its operation as well as repay its debt, the board resolved in June 2011 to publicly issue 568,378 thousand common shares at NT$11.73 per share, with NT$10 par value. On, August 10, 2011, the above transaction was approved by the Financial Supervisory Commission (FSC), and the subscription base date was determined at February 10, 2012 by board of directors and the record date of February 10, 2012. The Company completed the registration of this capital increase on February 20, 2012.

b. Capital surplus

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Issue of stock in excess of par value	$ 1,391,536	$ 1,391,536	$ 391,867
Bonds payable equity component	518,621	-	-
Employee stock options expired	11,747	11,747	-
Employee stock options	-	-	28,123
Long-term investment	955	955	955
Gain on sale of treasury shares held by subsidiaries	1,156	1,156	1,156
	$ 1,924,015	$ 1,405,394	$ 422,101

Under the Company Law, 10% of the publicly issued common shares should be reserved for subscription by the Company's employees. In December 2011, the board resolved the amount of shares and price for subscription by the employees. Under Statement of Financial Accounting Standards No. 39 - "Share-based Payment," the compensation cost of employee stock options was recognized on the grant date, using the fair value method.

Related information about issuing employee share option for cash was as follows:

Employee Stock Options on A Capital Increase in 2012	**Number of Options (In Thousands)**	**Weighted Average Exercise Price**
Options granted	56,838	$11.73
Options exercised	(33,097)	11.73
Options expired	(23,741)	11.73
	-	
Current granted weighted-average option fair value	$ 0.4948	

Options granted were priced using the Black-Scholes pricing model, and the inputs to the model were as follows:

Grant-date share price	$12.15
Exercise price	$11.73
Expected volatility	39.89%
Expected life	5 days
Expected dividend yield	-
Risk-free interest rate	0.7687%

The compensation cost of employee stock options issued for a capital increase in December 2011 was recognized at $28,123 thousand, which was reclassified in February 2012 to capital surplus - issuance of common shares at fair value of $16,376 thousand and capital surplus - expired employee stock options of $11,747 thousand.

The capital surplus from shares issued in excess of par (additional paid-in capital from issuance of common shares and treasury stock transactions) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

The capital surplus from long-term investments, employee stock options and conversion options may not be used for any purpose.

c. Appropriation of earnings and dividend policy

The Company's Articles of Incorporation provide that the following should be appropriated from annual net income (less any deficit): (a) 10% as legal reserve, and (b) special reserve equivalent to a debit balance of any stockholders' equity account. From the remainder, the Company should also appropriate at least 3% as bonus to employees. Of the final remainder, at least 50% should be distributed to stockholders as both cash and stock dividends (cash dividend should not be less than 30% of the total dividends) or stock dividends only. In determining the amount of cash dividends to be distributed, the board of directors should take into account future cash requirements of the Company, primarily cash requirements for future aircraft acquisitions. Distribution of earnings generated in prior years should also meet the foregoing guidelines.

All earnings appropriations should be made and approved by the stockholders in, and given effect to in the financial statements of, the year following the year of earnings generation.

Appropriation of earnings in 2012

The Company appropriated net income in 2012 based on ROC GAAP. The bonus to employees was estimated on the basis of past experiences. However, there were net losses in 2012; thus, no bonus to employees was estimated. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are retroactively adjusted in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including unrealized valuation gain or loss on financial instruments, cumulative translation adjustments against the unrealized gain of equity, and net loss not recognized as pension cost) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Under the regulations of the Securities and Futures Bureau, a special reserve is appropriated from the balance of the retained earnings at an amount equal to the carrying value of the treasury stock held by subsidiaries in excess of the market value on the balance sheet date. The special reserve may be reversed when the market value recovers.

The stockholders resolved to offset the accumulated deficit of 2011 in the stockholders' meeting held on June 15, 2012. The Company offset the accumulated deficit (a net loss of $1,954,271 thousand) against the unappropriated earnings of $181,950 thousand, a special reserve of $1,288,702 thousand, and the legal reserve of $483,620 thousand. No bonus to employees was appropriated for 2011 because of a net loss in that year.

The appropriation of earnings for 2012 had been resolved by the shareholders' meeting on June, 25 2013.

	Appreciation of Earnings
Legal reserve	$ 5,881
Special reserve	52,924
	$ 58,805

There was no earnings to be appropriated of the 2012 earnings after recognized above legal reserve and special reserve.

Appropriation of earnings in 2013

The bonus to employees was estimated on the basis of past experiences. However, there were net losses in 2013; thus, no bonus to employees was estimated. Under Rule No. 1010012865 issued by the FSC on April 6, 2012, on the first-time adoption of IFRSs, the Company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company's use of exemptions under IFRS 1. However, at the date of transitions to IFRSs, if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The Company had decrease in retained earnings at the date of transitions to IFRSs, so there was no appropriation of a special reserve.

On March 27, 2014, the board resolved to offset the accumulated deficit in 2013. The deficit included a net loss of $1,274,046 thousand, negative adjustment of other retained earning of $45,380 thousand, and the unappropriated deficits of $6,089,873 thousand. With the reversal of special reserve of $3,926,293 thousand, the remaining amount of accumulated deficit was deducted to 3,483,293 thousand. The Company offset the accumulated deficit against legal reserve of $321,891 thousand. No bonus to employees was appropriated for 2013 because of a net loss in that year.

Under the Company Law, legal reserve shall be appropriated until it has reached the Company's paid-in capital. This reserve may be used to offset a deficit. In the Company have no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Information on bonus to employee is available on the Market Observation Post System website.

Except for non-ROC resident stockholders, all stockholders receiving the unappropriated earnings generated on and after January 1, 1998 are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

d. Others equity items

The movement of other equity items is as follows:

	Exchange Differences on Translating Foreign Operations	**Unrealized Gain (Loss) on Available-for-sale Financial Assets**	**Cash Flow Hedge**	**Total**
Balance at January 1, 2013	$ (60,381)	$ (16,666)	$ 16,485	$ (60,562)
Exchange differences arising on translating the foreign operations	74,968	-	-	74,968
Unrealized gain (loss) on available-for-sale financial assets	-	7,244	-	7,244
Cumulative gain (loss) arising on changes in fair value of hedging instruments	-	-	315,841	315,841
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(219,341)	(219,341)
Share of exchange difference of associates accounted for using the equity method	-	(416)	-	(416)
Effect of income tax	(12,744)	(1,648)	(16,406)	(30,798)
Balance at December 31, 2013	$ 1,843	$ (11,486)	$ 96,579	$ 86,936

(Continued)

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedge	Total
Balance at January 1, 2012	$ -	$ 15,155	$ 34,855	$ 50,010
Exchange differences arising on translating the foreign operations	(72,748)	-	-	(72,748)
Unrealized gain (loss) on available-for-sale financial assets	-	(37,831)	-	(37,831)
Cumulative gain (loss) arising on changes in fair value of hedging instruments	-	-	57,761	57,761
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(79,894)	(79,894)
Share of exchange difference of associates accounted for using the equity method	-	333	-	333
Effect of income tax	12,367	5,677	3,763	21,807
Balance at December 31, 2012	$ (60,381)	$ (16,666)	$ 16,485	$ (60,562)

(Concluded)

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

e. Non-controlling interest

	For the Year Ended December 31	
	2013	2012
Balance at January 1, 2013	$ 1,831,137	$ 1,765,411
Net income attributable to non-controlling interest	325,166	198,198
Foreign exchange difference	6,062	(8,897)
Unrealized gain or loss on financial instrument	(3,136)	(3,543)
Effect on income tax	(7,159)	10,636
Actuarial gains and losses on defined benefit plan	23,839	(55,802)
Dividends paid by subsidiaries	(92,013)	(74,866)
Balance at December 31, 2013	$ 2,083,896	$ 1,831,137

f. Treasury stock

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Reduction During the Year (Note)	Number of Shares, End of Year
Year ended December 31, 2013			
Company's shares held by its subsidiaries reclassified from investment in shares of stock to treasury stock	2,889	-	2,889
Year ended December 31, 2012			
Company's shares held by its subsidiaries reclassified from investment in shares of stock to treasury stock	2,889	-	2,889

The Company's shares held by its subsidiaries as of December 31, 2013 and 2012 were as follows:

Subsidiary	Shares (In Thousands)	Carrying Amount (In Thousands)	Market Value (In Thousands)
December 31, 2013			
Mandarin Airlines	2,075	$ 22,717	$ 22,717
Hwa Hsia	814	8,915	8,915
		$ 31,632	$ 31,632
December 31, 2012			
Mandarin Airlines	2,075	$ 24,895	$ 24,895
Hwa Hsia	814	9,770	9,770
		$ 34,665	$ 34,665
January 1, 2012			
Mandarin Airlines	2,075	$ 27,385	$ 27,385
Hwa Hsia	814	10,747	10,747
		$ 38,132	$ 38,132

Above subsidiaries acquired the Company's stock in previous years was based on investment planning.

The shares of the Company held by its subsidiaries were treated as treasury stock. The subsidiaries can exercise stockholders' right on these treasury stocks, except the right to subscribe for the Company's new shares and the right to vote.

26. NET INCOME

a. Other income

	For the Year Ended December 31	
	2013	2012
Interest income	$ 361,433	$ 243,325
Subsidy income	182,025	119,843
Dividend income	65,631	187,354
Others	994,484	658,581
	$ 1,603,573	$ 1,209,103

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Gain on disposal property, plant and equipment	$ 6,008	$ 20,111
Net gain arising on financial assets classified as held for trading	132,701	475,129
Gain on disposal of subsidiaries	-	128
Gain on foreign exchange	160,565	1,060,594
Gain on disposal of equity investments	742,286	-
Others	(572,521)	(565,089)
	$ 469,039	$ 990,873

c. Financial cost

	For the Year Ended December 31	
	2013	2012
Interest expense		
Bonds payable	$ 553,910	$ 627,378
Bank loan	1,361,164	1,609,336
Interest on obligations under financial lease	197,298	245,090
Discount reversal of onerous contract	-	7,945
Loss arising on derivatives as designated hedging instruments in cash flow hedge accounting relationship reclassified from equity to profit or loss	9,954	19,002
	$ 2,122,326	$ 2,508,751

Information of interest capitalization was as follows:

	For the Year Ended December 31	
	2013	2012
Capitalization interest	$ 160,749	$ 90,300
Capitalization rate	1.85%-1.91%	1.91%-2.26%

d. Impairment loss of financial assets (gain on reversal)

	For the Year Ended December 31	
	2013	2012
Accounts receivable	$ 85	$ 5,854
Reversal of impairment loss on account receivable	$ (6)	$ -

e. Depreciation and amortization expense

	For the Year Ended December 31	
	2013	2012
Property, plant, equipment	$ 17,244,547	$ 16,927,990
Investment property	304	279
Intangible asset	50,723	44,660
Depreciation and amortization expense	$ 17,295,574	$ 16,972,929
An analysis of depreciation by function		
Operating cost	$ 16,523,374	$ 16,466,872
Operating expense	721,477	461,397
	$ 17,244,851	$ 16,928,269
An analysis of amortization by function		
Operating cost	$ 967	$ 2,527
Operating expense	49,756	42,133
	$ 50,723	$ 44,660

f. Employment benefit expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefit		
Defined contribution plan	$ 229,456	$ 220,693
Defined benefit plan	546,798	553,509
	$ 776,254	$ 774,202
Other employee benefits		
Salary expenses	$ 14,973,410	$ 14,772,239
Personnel service expenses	3,250,309	2,482,822
	$ 18,223,719	$ 17,255,061
An analysis of employee benefit expense by function		
Operating cost	$ 15,359,535	$ 14,725,130
Operating expense	3,640,438	3,304,133
	$ 18,999,973	$ 18,029,263

27. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	2013	2012
Income tax expense - current		
Current	$ 186,650	$ 143,776
Prior year adjustment	605	1,323
Income tax expense - deferred		
Current	400,445	(96,946)
Income tax expense recognized in profit or loss	$ 587,700	$ 48,153

A reconciliation of accounting profit and income tax expense were as follows:

	2013	2012
Loss before tax	$ (361,180)	$ (172,005)
Income tax expense (benefit) calculated at the statutory rate (17%)	$ (61,401)	$ (29,241)
Effect on different tax of subsidiaries govern by other region	(123,129)	(9,977)
Effect on adjustment to income tax		
Undeductible expenses and losses deciding taxable income	309,138	31,455
Temporary differences	728,946	91,240
Tax-exempt income	(257,461)	(101,405)
Income tax payable	41,720	-
Loss carryforwards - deducted taxable income	(485,287)	-
Loss carryforwards - generated	-	101,740
Oversea income tax expense	34,124	59,964
Deferred tax		
Temporary differences	(253,634)	(147,787)
Investment tax credits - expired	165,684	111,418
Unrecognized loss carryforwards and investment tax credits	488,395	(60,577)
Adjustments for prior years' tax	605	1,323
Income tax expense recognized in profit or loss	$ 587,700	$ 48,153

b. Income tax recognized in other comprehensive income

	2013	2012
Deferred tax		
Recognized in other comprehensive income		
Conversion of foreign operations	$ (15,909)	$ 13,550
Unrealized gain on available-for-sale financial assets	(1,648)	5,677
Hedging instruments fair value revaluation for cash flow hedging	(16,406)	3,763
Actuarial loss on defined benefit plan	4,070	98,982
Income tax expense recognized in other comprehensive income	$ (29,893)	$ 121,972

c. Deferred tax assets and liabilities

For the year ended December 31, 2013

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plan	$ 1,792,478	$ (51,526)	$ 20,934	$ -	$ 1,761,886
Finance leases assets	731,148	(731,148)	-	-	-
Dynasty flyer program	458,870	(10,253)	-	-	448,617
Major component depreciation	346,159	716,078	-	-	1,062,237
Maintenance reserve	454,733	111,394	-	-	566,127
Depreciation of major spare part	200,860	(85,913)	-	-	114,947
Allowance for reduction of inventory	282,732	46,728	-	-	329,460
Others	514,538	29,730	(11,018)	(624)	532,626
Loss carryforward	5,322,706	(1,011,592)	-	-	4,311,114
Investment credits	148,073	(148,073)	-	-	-
	$ 10,252,297	$ (1,134,575)	$ 9,916	$ (624)	$ 9,127,014
Deferred tax liabilities					
Temporary differences					
Finance leases assets	$ 790,369	$ (790,369)	$ -	$ -	$ -
Unrealized foreign exchange gain	237,048	4,947	-	-	241,995
Depreciation difference from fixed assets	144,529	(16,667)	-	-	127,862
Defined benefits plan	-	(13,144)	16,864	-	3,720
Others	147,968	81,103	22,945	3,227	255,243
	$ 1,319,914	$ (734,130)	$ 39,809	$ 3,227	$ 628,820

For the year ended December 31, 2012

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plan	$ 1,717,805	$ (24,309)	$ 98,982	$ -	$ 1,792,478
Finance leases assets	-	731,148	-	-	731,148
Dynasty flyer program	376,090	82,780	-	-	458,870
Major component depreciation	172,884	173,275	-	-	346,159
Maintenance reserve	353,092	101,641	-	-	454,733
Depreciation of major spare part	164,219	36,641	-	-	200,860
Allowance for reduction of inventory	177,673	105,059	-	-	282,732
Others	564,567	(60,526)	11,088	(591)	514,538
Loss carryforward	5,295,468	27,238	-	-	5,322,706
Investment credits	198,913	(50,840)	-	-	148,073
	$ 9,020,711	$ 1,122,107	$ 110,070	$ (591)	$ 10,252,297
Deferred tax liabilities					
Temporary differences					
Finance leases assets	$ -	$ 790,369	$ -	$ -	$ 790,369
Unrealized foreign exchange gain	2,110	234,938	-	-	237,048
Depreciation difference from fixed assets	146,009	(1,480)	-	-	144,529
Others	164,390	1,334	(11,902)	(5,854)	147,968
	$ 312,509	$ 1,025,161	$ (11,902)	$ (5,854)	$ 1,319,914

Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the balance sheets.

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards			
2017	$ -	$ 3,582	$ 27,263
2018	197,226	199,934	289,469
2019	3,396,913	217,527	244,968
2020	120,029	120,029	137,976
2021	80,080	80,080	80,402
2022	125,604	125,466	-
2023	214,365	-	-
	$ 4,134,217	$ 746,618	$ 780,078
Investment tax credits			
Personnel training	$ -	$ 82,844	$ 143,421
Automated equipment	125,487	60,254	61,949
	$ 125,487	$ 143,098	$ 205,370

d. As of the year ended in 2013, unused investment tax credits of China Airlines, Ltd. and subsidiaries were as follows:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
China Airlines, Ltd.				
Article 6 of the Statute for Upgrading Industries	R&D expenses, personnel training expenses and purchases of eligible equipment	$ 40,542	$ 40,542	2014
		24,691	24,691	2015
		$ 65,233	$ 65,233	
Taiwan Air Cargo Terminal Limited				
Article 6 of the Statute for Upgrading Industries	Investments in equipment and technology	$ 64,277	$ 60,254	2014

e. Unused tax loss carryforwards as of December 31, 2013 were as follows:

Expiry Year	Unused Amount
China Airlines, Ltd.	
2018	$ 5,317,848
2019	19,338,075
2021	2,899,496
2022	598,471
	$ 28,153,890

(Continued)

Expiry Year	Unused Amount
Mandarin Airline Co., Ltd.	
2018	$ 394,452
2019	192,508
2023	224,234
	$ 811,194
Cal Hotel Co., Ltd.	
2019	$ 97,720
2020	101,471
2021	45,157
2022	9,617
	$ 253,965
Cal Park Co., Ltd.	
2019	$ 2,939
2020	18,558
	$ 21,497
Taiwan Air Cargo Terminal Limited	
2021	$ 34,923
2022	115,988
2023	102,248
	$ 253,159

(Concluded)

f. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Imputation credits accounts	$ 225,815	$ 111,570	$ 24,942

Since the Company had accumulated deficit as of December 31, 2013 and 2012, there were no expected creditable tax ratio.

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

g. Income tax assessment

The income tax returns of the Company and its subsidiaries through 2011, except those of Taiwan Air Cargo Terminal Limited (TACT), have been examined by the tax authorities.

The tax authority claimed that TACT's negative imputed credit account (ICA) should be a positive amount; thus TACT was assessed an additional income tax liability of $183,741 thousand. TACT was dissatisfied with this assessment and filed an application for the reexamination of its return with the tax authorities; an administrative appeal with the Ministry of Finance (MOF), an administrative action with the High Administrative Court and an appeal with the Supreme Administrative Court, which were all overruled and dismissed. The final appeal decision, which was rendered on December 4, 2013, was unfavorable to TACT. TACT booked all its cumulative losses of $183,741 thousand as of December 31, 2013 under "nonoperating losses and expenses - other expenses."

TACT was assessed by the tax authorities with an additional income tax liability amounting to $129,350 thousand and an additional fine of on its 2001 income tax filing due to the excessive distribution of ICA to its shareholders. TACT was dissatisfied with this assessment and filed an application for the reexamination of its return and an administrative appeal and also initiated administrative action, which were all dismissed. TACT then appealed to the Supreme Administrative Court, which ruled on December 9, 2010 that the Company should make up for the excessive distribution of ICA but need not pay a fine. Furthermore, the tax authorities were instructed to retry the case. Dissatisfied with the disapproval of the fine, the tax authorities filed a retrial appeal on December 29, 2010. On the other hand, TACT was dissatisfied with the decision to reverse the excessive distribution of ICA and filed a retrial appeal on January 12, 2011. The Supreme Administrative Court dismissed both appeals on December 8, 2011. TACT was still dissatisfied with the additional fine, therefore, TACT filed an administrative appeal with the Ministry of Finance on December 21, 2012. The tax authority amended the fine to 0.8 times on August 1, 2013. However TACT was still dissatisfied with the results of retrial and recheck. Hence, TACT an administrative appeal to the Ministry of Finance again. The appeal was still pending as of December 31, 2013. The amount of provision recognized by TACT for over-distributed tax and fine was $147,810 thousand.

28. LOSS PER SHARE

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

	For the Year Ended December 31	
	2013	2012
Basic and diluted loss per share	$ (0.25)	$ (0.08)

The weighted average number of shares used to calculate loss per share was as follows:

Net Loss for the Year

	For the Year Ended December 31	
	2013	2012
Net loss used to calculate loss per share	$ (1,274,046)	$ (418,356)

Number of Shares

	For the Year Ended December 31	
	2013	2012
Weighted average number of shares used to calculate loss per share	5,197,111	5,134,993

These bonuses were previously recorded as appropriations from earnings. If the Company decides to settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares, and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. This dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

29. OPERATING LEASE ARRANGEMENTS

China Airlines, Ltd., Mandarin Airlines and Taiwan Air Cargo Terminal rented planes and hangars under various operating lease contracts expiring on various dates until January 2024. The Group does not have a bargain purchase option to acquire the leased planes and hangar at the expiration of the lease periods.

The rental rates stated in the aircraft lease agreements are fixed or floated. If the agreed-upon rental rate is floating and will be revised quarterly or semiannually, subleasing is not allowed for all the lease arrangements. As of December 31, 2013, the Group has rented ten A330-300 planes, three B737-800 planes and eight ERJ 190 planes under operating contracts; the lease terms range from 8 to 12 years, with an extension option.

As of December 31, 2013, December 31, 2012 and January 1, 2012, the refundable deposits paid by the Group under operating lease contracts were $716,552 thousand, $626,924 thousand and $730,138 thousand, respectively. Part of the refundable deposits is secured by credit guarantees.

The future minimum lease payments for the noncancelable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 31, 2012
Up to 1 year	$ 3,786,257	$ 3,692,557	$ 4,313,677
Over 1 year to 5 years	13,492,847	13,053,978	9,575,839
Over 5 years	14,483,470	16,323,006	6,127,591
	$ 31,762,574	$ 33,069,541	$ 20,017,107

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

	For the Year Ended December 31	
	2013	2012
Minimum lease payment	$ 3,543,880	$ 2,150,535

30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

To support its operating activities and purchase of aircraft, the Group needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment and dividend expenses and other needs.

31. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

1) Financial instruments not evaluated 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.

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial liabilities						
Bonds payable	$ 32,148,023	$ 33,242,397	$ 21,225,000	$ 21,390,587	$ 28,080,000	$ 28,844,150
Loans and debt	78,505,543	78,642,338	83,899,746	85,527,989	91,034,420	93,231,254

Some long-term debts and capital lease obligations are floating-rate financial liabilities, so their carrying values are their fair values. As of December 31, 2013, December 31, 2012 and January 1, 2012, the fair values of long-term debts and private bonds with fixed interest rates are estimated at the present value of expected cash flows discounted at rates of 0.486% to 1.4554%, 0.868% to 0.9051% and 1.1281 % to 1.25%, respectively, prevailing in the market for long-term debts.

2) Fair value measurements recognized in the balance sheets

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

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

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivative instrument	$ -	$ 23,254	$ -	$ 23,254
Domestic money market fund	192,419	-	-	192,419
	$ 192,419	$ 23,254	$ -	$ 215,673

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in domestic countries	$ 28,768	$ -	$ -	$ 28,768
Securities listed in other countries	75,504	-	-	75,504
	$ 104,272	$ -	$ -	$ 104,272
Financial liabilities at FVTPL				
Derivative instrument	$ -	$ 2,799	$ -	$ 2,799
Derivative financial assets for hedging	$ -	$ 140,620	$ -	$ 140,620
Derivative financial liabilities for hedging	$ -	$ 24,879	$ -	$ 24,879

(Concluded)

December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market fund	$ 838,137	$ -	$ -	$ 838,137
Securities listed in domestic	653,211	-	-	653,211
	$ 1,491,348	$ -	$ -	$ 1,491,348
Available-for-sale financial assets				
Securities listed in domestic	$ 34,771	$ -	$ -	$ 34,771
Securities listed in other countries	65,392	-	-	65,392
	$ 100,163	$ -	$ -	$ 100,163
Derivative financial assets for hedging	$ -	$ 53,526	$ -	$ 53,526
Derivative financial liabilities for hedging	$ -	$ 35,132	$ -	$ 35,132

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial assets at FVTPL	$ 3,662,138	$ -	$ -	$ 3,662,138
Securities listed in domestic	274,517	-	-	274,517
Financial assets designated as at FVTPL	374,085	-	-	374,085
	$ 4,310,740	$ -	$ -	$ 4,310,740
Available-for-sale financial assets				
Securities listed in domestic	$ 41,340	$ -	$ -	$ 41,340
Securities listed in other countries	100,197	-	-	100,197
	$ 141,537	$ -	$ -	$ 141,537
Derivative financial assets for hedging	$ -	$ 108,667	$ -	$ 108,667
Derivative financial liabilities for hedging	$ -	$ 72,401	$ -	$ 72,401

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

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

a) Fair values of financial instruments designated as at fair value through profit or loss, available-for-sale financial assets, and derivative financial assets for hedging are based on their quoted prices in an active market. If quoted market prices are not available, fair values are estimated using valuation techniques. For those derivative financial assets for hedging and with no quoted prices, the fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments. The valuation techniques are applied to the derivative financial assets by financial institutions, which calculate fair values at the expiry date of each contract.

b) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Thus, no fair value is presented.

c) Fair values of bonds payable are based on their quoted market prices.

The total amount of fair value listed above is not equal to the total value of the Group because it is not necessary to disclose the fair value of semifinancial and nonfinancial instruments.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Financial assets at FVTPL	$ 215,673	$ 1,491,348	$ 4,310,740
Available-for-sale financial assets	104,272	100,163	141,537
Derivative financial assets for hedging	140,620	53,526	108,667
Financial assets carried at cost	468,476	463,339	434,103
Loans and receivables (1)	29,806,215	22,438,700	25,990,192
	$ 30,735,256	$ 24,547,076	$ 30,985,239
Financial liabilities			
Financial liabilities at FVTPL	$ 2,799	$ -	$ -
Derivative financial liabilities for hedging	24,879	35,132	72,401
Financial liabilities at amortized cost (2)	135,161,328	138,459,341	156,506,414
	$ 135,189,006	$ 138,494,473	$ 156,578,815

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivables, accounts receivable - related parties, other receivables, refundable deposits, other financial asset and other restricted financial asset.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, short-term notes payable, notes and accounts payables, accounts payable - related parties, other payable, bonds payable and long-term loans, capital lease obligation, part of other current liabilities, part of other noncurrent liability and guarantee deposit.

c. Financial risk management objectives and policies

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

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

1) Market risk

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

The Group enters into forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated 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.

The Group's foreign assets and liabilities carrying value denominated in foreign currencies at the end of reporting periods were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	$ 4,640,919	$ 2,375,009	$ 4,326,485
EUR	713,966	594,762	562,935
HKD	1,301,084	1,084,376	1,403,578
JPY	950,527	857,477	764,126
RMB	11,604,538	6,329,004	5,696,389
Liabilities			
USD	18,331,727	26,635,417	37,052,377
EUR	306,431	270,483	393,279
HKD	314,869	253,553	265,795
JPY	1,269,617	1,189,635	1,512,342
RMB	1,709,514	1,547,641	1,214,393

Sensitivity analysis

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

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

The range of sensitive analysis includes assets and liabilities is not denominated by functional currency. When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be an increase in pre-tax profit for the years ended December 31, 2013 and 2012, $23,902 thousand and $604,542 thousand, respectively.

b) Interest rate risk

The Group enters into interest swap contracts to hedge against the risks on change in net liabilities interest rates.

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial liabilities	$ 31,285,991	$ 19,627,309	$ 23,926,691
Cash flow interest rate risk			
Financial liabilities	92,612,484	105,423,929	117,370,797

Sensitivity analysis

The sensitivity analyses below were 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 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher and had all other variables been held constant, the Group's pretax profit for the year ended December 31, 2013 would have decreased by $700,000 thousand.

Had interest rates increased 100 basis point and had all other variables been held constant, the Group's pretax profit for the year ended December 31, 2012 would have decreased by $968,000 thousand.

c) Other price risk

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

Sensitivity analysis

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

	For the Year Ended December 31			
	2013		2012	
	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)
Fuel price increase 5%	$ 21,417	$ 91,940	$ 12,381	$ 18,590
Fuel price decrease 5%	(13,132)	(84,966)	(13,940)	(10,300)

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk, primarily comes from accounts receivable generated from operating activities and bank deposits generated from investing activities, fixed investment income and other financial instruments, operation related credit risk and financial credit risk are managed separately.

Operation - related credit risk

The Group has established procedures to management operations related credit risk to maintain the quality of accounts receivable.

To assess individual customers, the Group consider into the financial condition of the customers, the credit rating agency rating, the Group's internal credit rating, transaction history and current economic conditions and many other factors that may affect the repayment. Sometimes, the Group uses certain credit enhancement tools to reduce the credit risk of specific customers.

Financial credit risk

Credit risk on bank deposits, investments income and other financial instruments are measured and monitor by the Group's finance department. The Group's trading partners and other parties were well-performing banks and financial institutions, corporations, and government agencies, the risk of Counterparties fail to discharge an obligation is low, therefore there is no significant credit risk.

3) Liquidity risk

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

Liquidity and interest risk rate tables

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 nonderivative 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.

December 31, 2013

	The Weighted Average Effective Interest Rate (%)	1-3 Months	3 Months to 1 Year	1-2 Years	2-5 Years	5+ Years
Finance lease liabilities	1.4260	$ 831,745	$ 3,567,392	$ 2,411,223	$ 5,609,974	$ 629,630
Floating interest rate liabilities	1.4997	2,948,546	21,808,169	14,068,334	34,186,654	3,904,705
Fixed interest rate liabilities	4.3739	102,972	389,895	545,441	1,085,625	-
Derivative instruments	-	2,201	21,879	394	405	-
		$ 3,885,464	$ 25,787,335	$ 17,025,392	$ 40,882,658	$ 4,534,335

December 31, 2012

	The Weighted Average Effective Interest Rate (%)	1-3 Months	3 Months to 1 Year	1-2 Years	2-5 Years	5+ Years
Finance lease liabilities	1.7331	$ 1,248,340	$ 4,291,374	$ 2,718,551	$ 7,065,507	$ 3,671,645
Floating interest rate liabilities	1.5651	4,056,735	13,642,505	27,354,926	33,832,759	5,474,640
Fixed interest rate liabilities	4.3739	1,719,955	354,917	455,626	1,040,599	-
Derivative instruments	-	19,703	7,474	2,910	5,046	-
		$ 7,044,733	$ 18,296,270	$ 30,532,013	$ 41,943,911	$ 9,146,285

January 1, 2012

	The Weighted Average Effective Interest Rate (%)	1-3 Months	3 Months to 1 Year	1-2 Years	2-5 Years	5+ Years
Finance lease liabilities	1.7051	$ 1,246,171	$ 2,824,627	$ 5,326,776	$ 8,698,169	$ 5,027,041
Floating interest rate liabilities	1.5570	3,937,456	14,836,271	17,784,643	46,114,432	8,512,110
Fixed interest rate liabilities	4.5164	186,021	478,923	428,758	1,265,859	222,238
Derivative instruments	-	29,858	35,297	5,778	1,468	-
		$ 5,399,506	$18,175,118	$ 23,545,955	$ 56,079,928	$ 13,761,389

Loan commitments

	December 31, 2013	December 31, 2012	January 1, 2012
Disposal unsecured bank loan limit	$ 14,854,000	$ 10,442,000	$ 13,881,000

32. RELATED-PARTY TRANSACTIONS

Details of transactions between the Group and its related parties are disclosed below:

a. Operating transactions

	Sales of Goods		Purchases of Goods	
	For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012
Associates	$ 113,392	$ 249,000	$ 531,293	$ 442,825
Jointly controlled entities	$ 13,877	$ 13,121	$ 1,278,542	$ 1,224,036
Major stockholder	$ 26,001	$ 38,486	$ 53,014	$ 62,275

The amount of accounts receivable - related parties at reporting dates were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 5,447	$ 16,251	$ 29,301
Jointly controlled entities	594	1,117	1,083
Major stockholder	8,476	3,340	3,697
	$ 14,517	$ 20,708	$ 34,081

The amount of accounts payable - related parties at reporting dates were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 108,889	$ 70,303	$ 88,682
Jointly controlled entities	317,284	302,779	275,726
Major stockholder	6,362	5,800	7,303
	$ 432,535	$ 378,882	$ 371,711

The outstanding accounts payable from related parties are unsecured and will be paid in cash, the terms of making collections and payables is from 30 days to 60 days; accounts receivable from related parties does not gather any deposit, and no expense was recognized for allowance for impairment loss.

b. Lease of properties

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, the Company paid the rental on usage hours. In 2013 and 2012, the Company had paid rentals of $53,014 thousand and $62,275 thousand, respectively.

c. Endorsements and guarantees

	December 31, 2013		December 31, 2012		January 1, 2012	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
The Company						
Cal Park	$ 3,400,000	$ 3,071,000	$ 3,400,000	$ 3,237,000	$ 3,400,000	$ 3,320,000
Taiwan Air Cargo Terminal	1,080,000	361,800	1,080,000	-	-	-
Freighter Princess Ltd.	-	-	-	-	29,520	29,520
Freighter Prince Ltd.	285,564	285,564	300,478	300,478	334,243	334,243
Freighter Queen Ltd.	-	-	244,982	244,982	297,216	297,216
Cal Hotel	180,000	19,029	180,000	118,497	180,000	146,379
Cal Asia						
Taikoo Spirit Aerospace Systems (Jinjiang) Composite	16,229	15,323	15,852	15,329	16,524	13,005

d. Bonds payable - related parties

China Pacific Catering Services subscribed private unsecured bonds issued by China Airlines, Ltd. in 2010 (refer to Note 19), and had been paid in full in May 2013. As of December 31 and January 1, 2012, China Pacific Catering Services both hold 40,000 thousand bonds issued by China Airlines, Ltd.

e. Property transactions

To enhance asset use and improve resource sharing within its network, the Company sold the land and building located in the Taichung Port road to Mandarin Airlines for $29,320 thousand in December 2012. The gain on disposal of properties was $126 thousand, which had been collected in full.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 35,415	$ 43,324
Post-employment benefits	4,353	4,069
	$ 39,768	$ 47,393

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

33. PLEDGED ASSETS

The following assets had been pledged or mortgaged as collaterals for long-term and short-term bank loans and business transactions:

	December 31, 2013	December 31, 2012	January 1, 2012
Property, plant and equipment	$ 110,044,021	$ 136,203,861	$ 150,997,123
Restricted assets - noncurrent			
Pledged certificate deposits	181,209	191,239	181,260
US treasury bill	487,649	545,460	660,979
	$ 110,712,879	$ 136,940,560	$ 151,839,362

The above US treasury bill had been pledged as collaterals for Freighter Prince Ltd., Freighter Queen Ltd. and Freighter Princess Ltd. classified as restricted assets - noncurrent.

34. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2013, the Group had commitments and contingent liabilities (except for those mentioned in other notes), as follows:

Commitment

a. In January 2008, the Company entered into a contract to buy fourteen A350-900 planes from Airbus, with the option to buy six more A350-900 planes, with aggregate purchase prices of US$3,933,235 thousand and US$1,802,645 thousand, respectively. Excepted delivery slots of aircraft in 2016 to 2018.

   Prepayments for aircraft purchases were as follows:

December 31, 2013	December 31, 2012	January 1, 2012
US$315,859 thousand	US$237,194 thousand	US$119,197 thousand

b. In December 2012, the Company entered into a contract to buy six 777-300ER planes from the Boeing Company, with the option to buy six more 777-300ER planes, at aggregate purchase prices of US$2,067,261 thousand and US$2,213,015 thousand, respectively, expected slot to acquire aircraft in 2015 to 2016. The board of the Company has reserved to transfer the purchase right of the six confirm aircraft to the aircraft leasing company then lease those aircrafts back after the Company acquires the planes.

   Prepayments for aircraft purchase were as follows:

December 31, 2013	December 31, 2012
US$163,786 thousand	US$26,673 thousand

c. To provide more options to its passengers, the board of directors resolved on December 13, 2013 to have a joint venture with Tiger Airways Singapore Pte. Ltd. to establish a new low-cost carrier (LCC), which will be named Tigerair Taiwan Co., Ltd. ("Tigerair Taiwan"). The paid-in capital of Tigerair Taiwan will be $2 billion. The Company and Mandarin Airlines will acquire 90% of Tigerair Taiwan's shares for NT$1.8 billion. Tigerair Taiwan had already obtained CAA's approval for its establishment and planned to launch its operation before the end of 2014.

d. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. The terminal expansion and improvements and the equipment installation and upgrade in the Taiwan Taoyuan International Airport cargo terminal and Kaohsiung cargo terminal were expected to be completed in the first 10 years of the COP. This construction project was approved by CAA's board in 2003. The total estimated expense of the construction project was $8,490,000 thousand. Designation of project was from 2004 and the construction began in 2008. In 2013, TATC filed an application of for the extension of the chartered operation period, and CAA approved a 10-year extension.

   The original total expenditure of the previous main construction project were $8,490,000 thousand. However, TACT filed an arbitration for the total amount of expenditure in 2012 to revised the total amount as $6,840,000 thousand.

As of December 31, 2013, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo Terminal Expansion Construction Consultant Contract	$ 636,493
Siemens Taiwan	Cargo Terminal Expansion Construction First-Stage And Second-Stage Storage And Transport Facilities Contract	1,892,400
Chien Kuo Construction Co., Ltd.	Cargo Terminal Expansion Construction First-Stage Contract	1,491,938
Guo Chi Construction Co., Ltd.	Taoyuan Cargo Terminal Expansion Construction Post-Arbitration Revised Contract	371,200
Lih Hwa Construction Company Limited	Taoyuan Cargo Terminal Expansion Construction Post-Arbitration Revision Contract	303,200

As of December 2013, the cumulated consultant service expense and construction equipment had amounted to 395,950 thousand (VAT included) and 3,748,392(VAT included), respectively. When the projects had been completed and checked, the amounts of $258,778 thousand (VAT included) and $2,301,204 thousand (VAT included) were reclassified to property, plant, and equipment. The remaining cumulative payments of $1,584,360 thousand (VAT included) after deducting the loss of $141 thousand on the collapse of an express delivery warehouse for imports were recognized under construction in progress.

Assets acquired from cargo terminal improvements, equipment acquisition and subsequent equipment acquisition and replacement will be transferred to the government without any compensation. Furthermore, on the termination of the lease contract on lands, buildings and personal properties when the chartered operating license expires, the leased land and operating assets would be returned to the government in their original state.

TACT should pay royalties to CAA during the chartered operation period. The calculation is based on annual sales (including operating revenue and nonoperatingg revenue but excluding the rental revenue from specific district), and CAA has the right to adjust the royalty rates on the basis of actual revenue and expenditure. The royalty rates are based on CAA letter order No. 1000021973 and have remained the same as those in the original contract signed in April 2012; these rates were listed as follows:

Annual Operating Amount	Royalty Rate	Royalty Rate (Before Adjustment)
Below 2 billion	6.00%	6.66%
Above 2 billion but below 4 billion	8.00%	8.88%
Above 4 billion but below 6 billion	10.00%	11.10%
Above 6 billion but below 8 billion	12.00%	13.32%
Above 8 billion but below 10 billion	14.00%	15.54%
Above 10 billion but below 12 billion	16.00%	17.76%
Above 12 billion	18.00%	19.98%

e. CAL Park Co., Ltd. ("CAL Park") signed "Taiwan Taoyuan International Airport Aviation Operation Center (including Airport Hotel) Construction Operating Contract" with the CAA on September 20, 2006. However, on November 1, 2010, the Taoyuan Airport Corporation took over the CAA's rights on this contract from the CAA. The contract is effective 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 rates for the development stage differ from those for the operation period. It 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.

   CAL Park should pay construction and operation security deposits of $100,000,000 (using a refundable certificate deposit recognized under deposits-in). If CAL Park complies with the contract terms within three months amount after the initial operation date, half of the security deposits will be refunded interest free, and the remaining amount will be refunded within three months after the end of the operating period and the completion of asset transfer. In 2013, CAL Park received refunded security deposits of $50,000,000 with no interest.

   In the 50 years beginning from the initial operation date (March 1, 2009) 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 executing 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 an 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 assignation no later than three years before the expiry day of chartered period. If CAA decides not to keep the building and equipment on the base, CAL Park Co., Ltd. Should remove all related building and equipment within three months after the expiry date.

Contingent Liabilities

a. The Company has been named as a defendant in the civil class action alleged the fuel surcharges levied in the shipments to and from the United States in violation of Antitrust Laws. The Company has properly joined the defendants' Joint Defense Group. Except duly response to the Court's orders, this Company, together with other Asian airlines defendants, keeps arguing the Plaintiffs' qualification to be "a class" in this civil class action. During late 2013 and early 2014, the litigation turns to be prejudicial to defendants according to the lawyers' observation. After proper assessment, the Company changed its strategy to diminish impact from this litigation.

   This litigation is on-going. After the Company's valuation at the contingent liabilities subject to available information, a proper provision has been recorded in 2013 financial statements. Further information which is expected to prejudice seriously the position of the Company will be disclosed upon material developments in due course.

b. The Company has been named as a defendant, together with other members in Association of Asia Pacific Airlines, by some passengers in the civil class action alleged the antitrust violation in US Northern District Court of California. The Company has properly joined the defendants' Joint Defense Group. The litigation is in the pretrial procedure, and we have seen any evidence supporting Plaintiffs' allegation so far.

c. Due to fraudulent financial reporting of Far Eastern Air transports Corp. (FAT) during the third quarter of 2005 to the third quarter of 2007, the Securities and Futures Investors Protection Center (SFIPC) raised a civil action in 2009 against FAT's institutional stockholders, directors and supervisors, who were alleged jointly and severally liable for the damages at $297,061 thousand. The Company was named as a joint defendant in January 2010.

   The Company entered into a settlement with SFIPC and the allegation against the Company and the directors assigned by it was therefore with drawled on May 28, 2013. The settlement is covered by the directors and officers liabilities insurance subject to US$50,000 deductibles, which does not materially impact on the finance of the Company.

35. ADDITIONAL DISCLOSURES

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

   1) Financing provided: None

   2) Endorsement/guarantee provided: Table 1 (attached)

   3) Marketable securities held: Table 2 (attached)

   4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Table 3 (attached)

   5) Acquisition of individual real estates at costs or price of at least NT$100 million or 20% of the paid-in capital: None

   6) Disposal of individual real estates at cost or prices of at least NT$100 million or 20% of the paid-in capital: None

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

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

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

   10) Derivative financial transactions (Note 9)

b. Investment in Mainland China: Table 7 (attached)

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

36. SEGMENT INFORMATION

a. Segment information

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

	For the Year Ended December 31, 2013			
	Air Transportation	**Others**	**Adjustment and Write-off**	**Total**
Operating revenue	$ 139,170,014	$ 7,594,716	$ (5,062,185)	$ 141,702,545
Operation profit and losses	$ (2,088,984)	$ 1,290,657	$ 36,500	$ (761,827)
Interest revenue				361,433
Investment income accounted for by the equity method				450,361
Revenue				2,200,890
Financial cost				(2,122,326)
Operating expense				(489,711)
Loss before income tax				$ (361,180)
Identifiable assets	$ 142,417,586	$ 9,379,067	$ (57,845)	$ 151,738,808
Investment accounted for by the equity method				2,687,755
Assets				66,549,336
Total assets				$ 220,975,899

	For the Year Ended December 31, 2012			
	Air Transportation	**Others**	**Adjustment and Write-off**	**Total**
Operating revenue	$ 139,401,781	$ 6,695,865	$ (5,125,507)	$ 140,972,139
Operation profit and losses	$ (854,316)	$ 537,865	$ 36,500	$ (279,951)
Interest revenue				243,325
Investment income accounted for by the equity method				416,721
Revenue				2,527,216
Financial cost				(2,508,751)
Operating expense				(570,565)
Loss before income tax				$ (172,005)
Identifiable assets	$ 153,633,917	$ 8,982,774	$ (94,345)	$ 162,522,346
Investment accounted for by the equity method				2,545,444
Assets				54,231,905
Total assets				$ 219,299,695

b. Geographical segment

The geographical segment information of the Company and its subsidiaries in 2013 and 2012 are listed below:

	For the Year Ended December 31, 2013								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 43,511,399	$ 20,882,502	$ 31,287,675	$ 14,401,584	$ 3,416,981	$ 15,466,867	$ 17,797,722	$ (5,062,185)	$ 141,702,545
Operation profit and losses	$ (4,536,459)	$ 1,786,656	$ (1,300,039)	$ (1,849,477)	$ (103,996)	$ 2,848,642	$ 2,356,346	$ 36,500	$ (761,827)
Interest revenue									361,433
Investment income accounted for by the equity method									450,361
Revenue									2,200,890
Interest expense									(2,122,326)
Operating expense									(489,711)
Loss before income tax									$ (361,180)
Identifiable assets	$ 1,752,153	$ 112,281	$ 208,519	$ 19,908	$ 7,391	$ 17,218	$ 149,679,183	$ (57,845)	$ 151,738,808
Investment accounted for by the equity method									2,687,755
Assets									66,549,336
Total assets									$ 220,975,899

	For the Year Ended December 31, 2012								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 44,384,216	$ 19,206,697	$ 31,305,683	$ 14,524,394	$ 3,136,455	$ 16,047,775	$ 17,492,426	$ (5,125,507)	$ 140,972,139
Operation profit and losses	$ (4,051,217)	$ 1,917,346	$ (925,216)	$ (2,362,025)	$ 29,033	$ 3,339,909	$ 1,735,719	$ 36,500	$ (279,951)
Interest revenue									243,325
Investment income accounted for by the equity method									416,721
Revenue									2,527,216
Interest expense									(2,508,751)
Operating expense									(570,565)
Loss before income tax									$ (172,005)
Identifiable assets	$ 1,989,033	$ 81,824	$ 178,786	$ 16,398	$ 4,887	$ 20,045	$ 160,325,718	$ (94,345)	$ 162,522,346
Investment accounted for by the equity method									2,545,444
Assets									54,231,905
Total assets									$ 219,299,695

37. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

The impact to consolidated balance sheet and consolidated comprehensive income statement after adopting IFRS were as follows:

1) Reconciliation of the consolidated balance sheet as of January 1, 2012

ROC GAAP			Impact of Transition to IFRSs		
Item	Amount	Difference	Amount	Item	Note
Current assets					
Cash and cash equivalents	$ 12,774,182	$ (1,660,410)	$ 11,113,772	Cash and cash equivalents	1
Other receivable	640,681	(6,654)	634,027	Other receivable	2
Inventories, net	8,762,581	(2,097,526)	6,665,055	Inventories	2
Deferred tax assets - current	5,855	(5,855)	-	-	15
Others	16,506,173	1,124,746	17,630,919	Others	2
Total current assets	38,689,472	(2,645,699)	36,043,773	Total current assets	
Long-term investments					
Investments accounted for by the equity method	1,666,487	781,767	2,448,254	Investments accounted for by the equity method	11
Others	854,783	(5,255)	849,528	Others	
Total long-term investments	2,521,270	776,512	3,297,782	Total long-term investments	
Net properties	151,441,357	21,487,647	172,929,004	Property, plant and equipment	2, 3, 4, 5, 9, 13
-	-	1,498,283	1,498,283	Investment properties	5
Intangible assets	713,480	(312,920)	400,560	Intangible assets	
Other assets					
Deposits	10,904,400	(9,277,873)	1,626,527	Deposits	3
-	-	6,423,068	6,423,068	Prepayments - noncurrent	4
Deferred tax assets - noncurrent	6,993,895	2,026,816	9,020,711	Deferred tax assets	15
Others	1,589,087	(840,434)	748,653	Others	5
Total other assets	19,487,382	(1,668,423)	17,818,959	Total other assets	
Total assets	$ 212,852,961	$ 19,135,400	$ 231,988,361	Total assets	11
Current liabilities					
Accrued expenses	$ 13,632,651	$ (19,783)	$ 13,612,868	Other payable	3, 14
Advance ticket sales	9,190,999	471,018	9,662,017	Deferred revenue - current	14
Capital lease obligations - current portion	1,221,178	2,562,875	3,784,053	Capital lease obligations - current portion	3
Other current liabilities	33,729,471	125,047	33,854,518	Other current liabilities	2
Total current liabilities	57,774,299	3,139,157	60,913,456	Total current liabilities	
Long-term liabilities					
Capital lease obligations - noncurrent	1,374,429	17,024,586	18,399,015	Capital lease obligations - noncurrent	3
Others	88,671,695	37,078	88,708,773	Others	
Total long-term liabilities	90,046,124	17,061,664	107,107,788	Total long-term liabilities	
Other liabilities					
Accrued pension costs	7,549,554	2,705,842	10,255,396	Accrued pension costs	7
-	-	2,836,868	2,836,868	Provisions - noncurrent	8
Deferred profits on sale - leaseback	5,312,853	(5,211,895)	100,958	Deferred profits on sale-leaseback	3
Deferred tax liabilities - noncurrent	-	312,509	312,509	Deferred tax liabilities	15
-	-	1,711,677	1,711,677	Deferred revenue - noncurrent	14
Others	1,923,220	(703,943)	1,219,277	Others	
Total other liabilities	14,785,627	1,651,058	16,436,685	Total other liabilities	
Total liabilities	162,606,050	21,851,879	184,457,929	Total liabilities	11
Equity					
Capital stock	46,316,224	-	46,316,224	Capital stock	
Capital surplus	422,101	-	422,101	Capital surplus	
Retained earnings	4,189,380	(5,169,322)	(979,942)	Retained earnings	10
Other equity					
Cumulative translation adjustments	(1,598,197)	1,598,197	-	Exchange difference on translating foreign operations	9, 12, 15
Net loss not recognized as pension cost	(2,325,184)	2,325,184	-	-	
Unrealized valuation loss on financial instruments	50,010	-	50,010	Unrealized valuation loss on financial instruments	
Unrealized revaluation increment	41,298	(41,298)	-	-	13
Company shares held by subsidiaries reclassified to treasury stock	(36,554)	(6,818)	(43,372)	Company shares held by subsidiaries reclassified to treasury stock	
Total other equity	(3,868,627)	3,875,265	6,638	Total other equity	
Total equity attributable to owners of the Company	47,059,078	(1,294,057)	45,765,021	Total equity attributable to owners of the Company	
Noncontrolling interests	3,187,833	(1,422,422)	1,765,411	Noncontrolling interests	11
Total equity	50,246,911	(2,716,479)	47,530,432	Total equity	
Total liabilities and equity	$ 212,852,961	$ 19,135,400	$ 231,988,361	Total liabilities and equity	

2) Reconciliation of the consolidated balance sheet as of December 31, 2012

ROC GAAP			Impact of Transition to IFRSs		
Item	Amount	Difference	Amount	Item	Note
Current assets					
Cash and cash equivalents	$ 12,636,270	$ (1,800,139)	$ 10,836,131	Cash and cash equivalents	1
Other receivable	455,287	(7,414)	447,873	Other receivable	1
Inventories, net	8,672,979	(1,840,385)	6,832,594	Inventories	2
Deferred tax assets - current	216,404	(216,404)	-	-	15
Others	11,680,083	1,181,049	12,861,132	Others	2
Total current assets	33,661,023	(2,683,293)	30,977,730	Total current assets	
Long-term investments					
Investments accounted for by the equity method	1,732,849	812,595	2,545,444	Investments accounted for by the equity method	11
Others	503,644	(4,775)	498,869	Others	
Total long-term investments	2,236,493	807,820	3,044,313	Total long-term investments	
Net properties	144,417,565	16,606,778	161,024,343	Property, plant and equipment	2、3、4、5、9、13
-	-	1,498,004	1,498,004	Investment properties	5
Intangible assets	589,098	(164,098)	425,000	Intangible assets	
Other assets					
Deposits	10,563,511	(9,227,557)	1,335,954	Deposits	3
-	-	10,140,730	10,140,730	Prepayments - noncurrent	4
Deferred tax assets - noncurrent	7,002,751	3,249,546	10,252,297	Deferred tax assets	15
Others	1,345,591	(744,267)	601,324	Others	5
Total other assets	18,911,853	3,418,452	22,330,305	Total other assets	
Total assets	$ 199,816,032	$ 19,483,663	$ 219,299,695	Total assets	11
Current liabilities					3、14
Accrued expenses	$ 11,416,774	$ (130,479)	$ 11,286,295	Other payable	14
Advance ticket sales	7,622,694	669,302	8,291,996	Deferred revenue - current	3
Capital lease obligations - current portion	871,063	4,442,872	5,313,935	Capital lease obligations - current portion	2
Other current liabilities	26,962,565	196,253	27,158,818	Other current liabilities	
Total current liabilities	46,873,096	5,177,948	52,051,044	Total current liabilities	
Long-term liabilities					
Capital lease obligations - noncurrent	430,862	12,581,695	13,012,558	Capital lease obligations - noncurrent	3
Others	82,744,149	-	82,744,149	Others	
Total long-term liabilities	83,175,011	12,585,166	95,756,707	Total long-term liabilities	

(Continued)

ROC GAAP			Impact of Transition to IFRSs		
Item	Amount	Difference	Amount	Item	Note
Other liabilities					
Accrued pension costs	$ 8,106,644	$ 2,470,013	$ 10,576,657	Accrued pension costs	7
-	-	3,409,129	3,409,129	Provisions - noncurrent	8
Deferred profits on sale - leaseback	4,735,675	(4,649,229)	86,446	Deferred profits on sale - leaseback	3
Deferred tax liabilities - noncurrent	-	1,319,914	1,319,914	Deferred tax liabilities	15
-	-	1,967,650	1,967,650	Deferred revenue - noncurrent	14
Others	1,646,067	(804,828)	841,239	Others	
Total other liabilities	14,488,386	3,712,649	18,201,035	Total other liabilities	
Total liabilities	144,536,493	21,472,293	166,008,786	Total liabilities	11
Equity					
Capital stock	52,000,000	-	52,000,000	Capital stock	
Capital surplus	1,405,394	-	1,405,394	Capital surplus	10
Retained earnings	4,248,184	(6,089,872)	(1,841,688)	Retained earnings	
Other equity					
Cumulative translation adjustments	(2,599,694)	2,539,314	(60,380)	Exchange difference on translating foreign operations	9、12、15
Net loss not recognized as pension cost	(2,917,215)	2,917,215	-	-	
Unrealized valuation loss on financial instruments	(182)	-	(182)	Unrealized valuation loss on financial instruments	
Unrealized revaluation increment	41,298	(41,298)	-	-	13
Company shares held by subsidiaries reclassified to treasury stock	(36,554)	(6,818)	(43,372)	Company shares held by subsidiaries reclassified to treasury stock	
Total other equity	(5,512,347)	5,408,413	(103,934)	Total other equity	
Total equity attributable to owners of the Company	52,141,231	(681,459)	51,459,772	Total equity attributable to owners of the Company	
Noncontrolling interests	3,138,308	(1,307,171)	1,831,137	Noncontrolling interests	11
Total equity	55,279,539	(1,988,630)	53,290,909	Total equity	
Total liabilities and equity	$ 199,816,032	$ 19,483,663	$ 219,299,695	Total liabilities and equity	

(Concluded)

3) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP			Impact of Transition to IFRSs		
Item	Amount	Difference	Amount	Item	Note
Operating revenue	$ 143,452,702	$ (2,480,563)	$ 140,972,139	Operating revenue	2,14
Operating cost	(131,985,369)	892,001	(131,093,368)	Operating cost	2,3,6,7,8
Gross profits	11,467,333	(1,588,562)	9,878,771	Gross profits	
Operating expenses	(10,501,421)	342,701	(10,158,720)	Operating expenses	6,7,14
Operating profits	965,912	(1,245,861)	(279,949)	Operating loss	
Nonoperating income and expenses	(519,957)	627,902	107,945	Nonoperating income and expenses	2,3,8,9
Income before income tax	445,955	(617,959)	(172,004)	Income before income tax	
Income tax expense	(203,183)	155,030	(48,153)	Income tax expense	11,15
Net income	$ 242,772	$ (462,929)	(220,157)	Net income	11
			(80,460)	Exchange differences on translating foreign operations	
			(41,374)	Unrealized gain (loss) on available-for-sale financial assets	
			(22,134)	Cash flow hedges	
			(6,146)	Share of other comprehensive income of associates and joint ventures	
			(559,303)	Actuarial gain and loss arising from defined benefit plans	
			97,847	Income tax relating to components of other comprehensive income	
			(611,570)	Other comprehensive income for the year	
			$ (831,727)	Total comprehensive income for the period	

c. Explanations of significant reconciling items in the transition to IFRSs

1) Time deposits over three months

Time deposits that can be readily cancelled without eroding the principal and negotiable certificates of deposit that can be readily sold without eroding the principal can meet the definition of cash in accordance with ROC GAAP. However, under IAS 7" Statement of Cash Flow", cash equivalents are held for the short-term cash commitments rather than investment or other purposes. If an investment can be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value; it can be qualified as a cash equivalent. An investment is normally qualified as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Therefore, time deposits with a carrying amount of $1,713,212 thousand and $1,667,954 thousand as of December 31, 2012 and January 1, 2012, respectively, held by the Group was for investment purposes and thus no longer classified as cash under IFRSs.

2) Significant component inspection and overhaul cost

a) Based on IAS 16 "Property, Plant and Equipment," since the Group uses the cost method to recognize property and equipment (P&E), it should depreciate separately each part of flight equipment with a cost that is significant in relation to the total cost of the equipment.

b) Based on IAS 16, for parts of flight equipment that require regular major inspections, their cost is recognized in the carrying amount of such an item when that cost is incurred if the recognition criteria (probability of future economic benefits and cost measurement reliability) are met and derecognizes the carrying amount of previous replacement cost. If previous replacement cost is not recognized as property, plant and equipment, the cost of current inspection will be used as an indication of what the cost of the existing inspection component was. The Group can use this cost in derecognizing the asset.

c) ROC GAAP does not indicate the accounting for spare parts and maintenance equipment. In practice, the Group considered these items as inventory and recognized gain and loss after disposal. Under IFRSs, major aviation spare parts and maintenance equipment with useful lives of over one year are considered property, plant, equipment and are depreciable over their useful lives.

On the transition to IFRSs, the Group made certain adjustments. As of January 1, 2012, the Group decreased inventory by $2,140,098 thousand; increased property, plant and equipment by $157,146 thousand. As of December 31, 2012, the Group decreased inventory by $1,928,339 thousand; decreased property, plant and equipment by $477,627 thousand; decreased other assets related to maintenance by $29,445 thousand; and increased long-term prepayment by $610,037 thousand. For the year ended December 31, 2012, the Group decreased revenue by $19,106 thousand and operating cost by $448,062 thousand, and increased nonoperating expenses by $271,378 thousand.

3) Lease

Under ROC GAAP, aircraft used by the Group under a sale-leaseback contract do not meet the capital lease criteria. Thus, the aircraft were accounted for as being under an operating lease. Under IAS 17 “Leases,” indicates that whether a lease is a finance lease or an operating lease depends on the substance rather than the form of the transaction. Thus, the sale-leaseback contracts on the aircraft and engines used by the group were reclassified as a finance lease or operating lease depending on the substance of the transaction.

After the transition to IFRSs, the Group made certain adjustments. As of January 1, 2012 and December 31, 2012, the Group increased property, plant and equipment by $23,206,351 thousand and $20,787,426 thousand, respectively; decreased deposits - out by $9,225,000 thousand on both sates; decreased accrued rent payable by $396,469 thousand and $396,901 thousand, respectively; increased lease obligations by $19,561,400 thousand and $17,002,000 thousand, respectively; and decreased deferred profits on sale-leaseback by $5,211,895 thousand and $4,649,228 thousand, respectively. For the year ended December 31, 2012, the Group increased the depreciation by $2,420,690 thousand; decreased the amortization of deferred profits on sale-leaseback by $562,667 thousand; decreased operating cost by $2,844,638 thousand; and increased finance cost by $283,041 thousand.

4) Prepayment for equipment

Under ROC GAAP, prepayment for equipment is accounted for as a fixed asset.

Under IFRSs, prepayment should be classified as long-term prepayment under noncurrent assets. As of January 1, 2012 and December 31, 2012, the Group reclassified the prepayment for equipment as a long-term prepayment by $5,738,999 thousand and $5,738,999 thousand, respectively.

5) Investment properties

Under ROC GAAP, the properties held to earn rentals are classified as fixed assets. Under IFRSs, the properties held for earning rentals or for capital appreciation or for both purposes should be classified as investment properties. As of January 1, 2012 and December 31, 2012, the Group reclassified the land held to earn rentals and assets leased to others from fixed asset to investment properties at its carrying amount of $1,498,283 thousand and 1,498,004 thousand, respectively.

6) Employee benefits - accumulating compensated absences

Under ROC GAAP, the accounting for accumulating compensated absences is not clarified clearly. In practice, it is accounted for as expense when the salaries are paid by entity. After the adoption of IFRSs, the accumulating compensated absences is recognized as employees render services that increase their entitlement to these compensated absences.

As of January 1, 2012 and December 31, 2012, the Group increased other payables by $680,707 thousand and $585,283 thousand, respectively. For the year ended December 31, 2012, the Group decrease salary and wages $95,504 thousand.

7) Employee benefits - actuarial gain or loss for defined pension plan

Under ROC GAAP, SFAS 18 "Accounting for Pensions" indicates that unrecognized transitional net transition obligation is amortized on a straight-line basis over the average remaining service period and included in net pension cost. On transition to IFRSs, the transition policies of IAS 19 "Employee Benefits" no longer apply; thus the effects of the unrecognized transitional net obligations should be fully recognized at once and the retained earnings should be adjusted accordingly.

Under ROC GAAP, actuarial gain or loss are recognized under the corridor approach and amortized over the average remaining service years of employees. Under IAS 19, all actuarial gains or losses recognized in other comprehensive income should be recognized immediately under retained earnings in the statement of changes in equity. These actuarial gains and losses should not be reclassified in the subsequent period.

As of January 1, 2012 and December 31, 2012, the Group increased accrued pension costs by $2,878,099 thousand and $2,632,117 thousand, respectively; decreased prepaid pension cost by 49 thousand and 103 thousand, respectively; decreased deferred pension cost by $318,987 thousand and $173,001 thousand, respectively; decreased net loss not recognized as pension cost by $2,325,184 thousand and $2,917,215 thousand, respectively; increased non-controlling interests 94,527 thousand and 135,705 thousand, respectively, and increased investments accounted for by the equity method by $39,335 thousand and $37,331 thousand, respectively. For the year ended December 31, 2012, the Group decreased pension cost by $338,945 thousand, and retained earnings, by $582,244 thousand, because of actuarial gain or loss on the defined pension plan.

8) Provisions - noncurrent

Under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," the Company should make an assessment on whether there is an existing obligation on its return of an aircraft to the lessor after a lease term expires.

Under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," the expansion contract signed by the subsidiaries of the Company and Civil Aeronautics Administration were evaluated that the inevitable cost exceeded the expected economic benefits and therefore recognize related provisions.

As of January 1, 2012 and December 31, 2012, the Group increased provisions - noncurrent by $2,154,775 thousand and $2,611,130 thousand, respectively; for the year ended December 31, 2012, the Group made an adjustment to increase operating cost of $445,762 thousand and increase financial cost of 10,593 thousand.

9) Cumulative translation adjustments - fleet

Under a regulation by the Securities and Futures Bureau (SFB), the carrying amount of an aircraft acquired and the related U.S. dollar-denominated obligation incurred for the acquisition are accounted for as an investment in a foreign operating entity if the Company's use of the aircraft results in generating revenues and incurring expenses mainly in U.S. dollars. On the balance sheet date, the carrying amount of the aircraft and the related liability are restated at balance sheet date rates. The difference is recognized in stockholders' equity as a translation adjustment. On transition to IFRSs, the above accounting treatment will no longer be used because there is no similar rule in IFRSs.

As of January 1, 2012 and December 31, 2012 the Group increased property, plant and equipment by $6,286,693 thousand and $8,468,893 thousand, respectively; and increased translation adjustment by $1,976,066 thousand and $3,107,016 thousand respectively; for the year ended December 31, 2012, the Group increased gains on foreign currency exchange by $1,051,250 thousand.

10) Adjustments to the operating of retained earnings and equity (the Company) on January 1, 2012

	January 1, 2012
Total equity under ROC GAAP	$ 47,059,078
Adjustments to retained earnings	
Employee benefits - defined benefit actuarial gains and losses	(5,127,274)
Customer loyalty programmer	(2,114,868)
Provisions - noncurrent	(1,800,104)
Property, plant and equipment	(1,984,858)
Employee benefits - short-term cumulative paid leave	(539,188)
Effect of affiliate's adoption of IFRSs	(92,921)
Cumulative translation adjustments - aircraft	4,310,627
Other	272,580
Income tax effect associated with adjustments to opening retained earnings	1,906,684
Adjustments to retained earnings	(5,169,322)
Adjustments to other equity item	3,875,265
Total equity under IFRS	$ 45,765,021

11) Joint venture

China Pacific Catering Services Ltd. and China Pacific Laundry Services Ltd. held by the Group are jointly controlled entities based on the principle of IFRS No. 31 "joint venture." After adopting IFRS, the Group recognize the equity of China Pacific Catering Services Ltd. and China Pacific Laundry Services Ltd. under equity method.

As of January 1, and December 31, 2012 China Airlines Co., Ltd. decrease total consolidated assets of $1,763,695 thousand and $1,852,294 thousand respectively owing to the joint venture accounting treatment; decrease total consolidated liabilities of $230,918 thousand and $216,210 thousand, respectively; noncontolling interest decrease $740,093 thousand and $790,199 thousand, respectively; increase equity investment $792,684 thousand and $845,885 thousand; in addition, increase consolidated net loss $155,100 thousand (including income tax decrease $58,402 thousand) in 2012.

12) Cumulative translation adjustments

The Group used an exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards" of resetting the cumulative translation difference of $50,529 thousand to zero on the transition to IFRSs and thus adjusted retained earnings as of January 1, 2012; because of the above exemptions and the change of the functional currency, the cumulative translation adjustments decreased by $47,603 thousand.

13) Revaluation increments

Under IFRS 1, the Group used the revaluation increments under ROC GAAP to some of its plants as deemed cost on the IFRS transition date, and reclassified unrealized revaluation increments to retained earnings.

As of January 1, 2012 and December 31, 2012, the amount of reclassification from unrealized revaluation increment to plants and buildings of the Group was $41,298 thousand.

14) Customer loyalty program

The accounting treatment of reward points given to customers is not specified in ROC GAAP; thus, reward is recognized as expense using the incremental cost method. Under IFRIC 13 "Customer Loyalty Programmes," loyalty award credits should be accounted for as a separate component of a sales transaction. The Company should allocate some of the proceeds of a sale to the award credits and recognize this portion of the proceeds as deferred revenue. The Company should recognize the deferred revenue as revenue only when it has fulfilled its obligations.

As of January 1, 2012 and December 31, 2012, the Company increased deferred revenue - current by $471,018 thousand and $669,302 thousand, respectively; increased deferred revenue - noncurrent by $1,711,677 thousand and $1,967,650 thousand, respectively; decreased accrued expense - operating by $67,827 thousand and $2,361 thousand, respectively; decreased revenue by $454,257 thousand; and increased operating expense by $65,466 thousand.

15) Income tax

Under ROC GAAP, entities are required to provide a valuation allowance for deferred tax assets if it is more likely than not that these assets will be realized. Under IFRSs, deferred income tax assets are recognized only when it is probable that there will be taxable profits against which the deferred tax assets can be used. Thus, a valuation allowance account is not needed.

Under ROC GAAP, deferred income tax assets and liabilities are classified as current or noncurrent on the basis of the classification of the related assets and liabilities for financial reporting. A deferred tax asset or liability that cannot be related to an asset or liability for financial reporting is classified as current or noncurrent on the basis of its realization or reversal date. Under IFRSs, deferred income tax asset and liability is always classified as noncurrent. Above over, income tax asset and liability can only be offset under certain condition.

IAS 12 “Income Tax” requires the adjustment of income tax assets and liabilities related to the adjustment of retained earnings. As of January 1, 2012 and December 31, 2012, deferred income tax assets - current decreased by $5,855 thousand and 214,996 thousand, deferred income tax assets - noncurrent increased by $2,026,816 thousand and $3,249,546 thousand, respectively; deferred income tax liabilities - noncurrent increased by $312,509 thousand and $1,319,914 thousand, respectively; and cumulative translation adjustments decreased by $327,341 thousand and $520,100 thousand, respectively. For the year ended December 31, 2012, income tax expense decreased by $96,629 thousand, and the effect on retained earnings due to defined benefit actuarial gains and losses decreased by $98,935 thousand.

16) Presentation of the consolidated comprehensive income statement

After adopting IFRSs, consolidated comprehensive income statement contains current year income and other comprehensive income. The Group reclassified some of accounts for the presentation under IFRSs.

d. Special reserve on adoption day

Under Legal Interpretation No. 1010012865 issued by the Financial Supervisory Commission on April 6, 2012, on the first-time adoption of IFRSs, the Company should appropriate to a special reserve an amount that is the same as the sum of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company’s use of exemptions under IFRS 1, but if the increase in retained earnings that resulted from all IFRSs adjustments is not sufficient for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. This special reserve may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. On the date of transition to IFRSs, the Company’s retained earnings decreased; thus, the Company did not any appropriate special reserve.

e. The Company has prepared the above assessment in compliance with (a) the 2010 version of the IFRSs translated by the Accounting Research and Development Foundation and endorsed by the Financial Supervisory Commission (FSC) and (b) the amended Guidelines Governing the Preparation of Financial Reports by Securities Issuers issued by the FSC on December 22, 2011. However, IASB has issued new, amended and revised standards and interpretations. Hence, those assessment mentioned above may change as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from this assessment.

f. Explanation of material adjustments to the statement of cash flows.

Under ROC GAAP, in the statement of cash flows prepared using the indirect method, interest paid and received and dividends received are classified as operating activities. In addition, interest and dividends received are not required to be disclosed separately. However, based on IAS 7 “Statement of Cash Flows,” interest and dividends paid and received should be disclosed separately and classified under operating activities.

Except for the above difference, there are no other significant differences between ROC GAAP and IFRSs in the statement of cash flows.

TABLE 1

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collaterals Property, Plant or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	China Airlines (the "Company")	Cal Park	100% subsidiary	$ 10,161,293	$ 3,400,000	$ 3,400,000	$ 3,071,000	$ -	6.69	$ 25,403,232	Y	-	-
		Taiwan Air Cargo Terminal	54% subsidiary	10,161,293	1,080,000	1,080,000	361,800	-	2.13	25,403,232	Y	-	-
		Freighter Prince Ltd.	100% subsidiary	10,161,293	309,474	285,564	285,564	285,564	0.56	25,403,232	Y	-	-
		Freighter Queen Ltd.	100% subsidiary	10,161,293	203,295	-	-	-	-	25,403,232	Y	-	-
		Cal Hotel	100% subsidiary	10,161,293	180,000	180,000	19,029	-	0.35	25,403,232	Y	-	-
1	Cal Asia	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	Investments accounted for by the cost method	255,063	16,326	16,229	15,323	-	1.27	637,657	-	-	Y

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

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

Note 3: Transaction with subsidiaries have been written off in consolidated financial report.

TABLE 2

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2013
(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	December 31, 2013				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Stock</u>							
	France Telecom	-	Available-for-sale - current	195,587	$ 72,440	-	$ 72,440	-
	Abacus International Holdings Ltd. - unlisted common stock	-	Financial assets carried at cost - noncurrent	1,359,368	297,946	13.59	233,454	Notes 1 and 4
	Abacus International Holdings Ltd. - unlisted preferred stock	-	Financial assets carried at cost - noncurrent	135,937	473	-	-	Notes 1 and 4
	Chung Hua Express Co.	-	Financial assets carried at cost - noncurrent	1,100,000	11,000	11.00	16,749	Note 1
	Jardine Air Terminal Services	-	Financial assets carried at cost - noncurrent	12,000,000	56,023	15.00	34,577	Note 4
	Regal International Advertising	-	Financial assets carried at cost - noncurrent	592,500	5,925	6.22	1,248	Note 3
Mandarin Airlines	<u>Stock</u>							
	China Airlines	Parent company	Available-for-sale financial asset - current	2,074,628	22,717	-	22,717	-
	France Telecom	-	Available-for-sale financial asset - current	8,274	3,064	-	3,064	-
	<u>Bond</u>							
	First Issue of Private Unsecured Bonds in 2012, China Airlines	Parent company	Bond investments with no active market - noncurrent	280	280,000	-	280,000	-
Taoyuan International Airport Services	<u>Bond</u>							
	First Issue of Private Unsecured Bonds in 2012 - China Airlines	Parent company	Bond investments with no active market - noncurrent	100	100,000	-	100,000	-
Cal-Asia Investment	<u>Stock</u>							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets carried at cost - noncurrent	-	73,665	5.83	37,952	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets carried at cost - noncurrent	-	21,378	5.45	7,549	Note 2
Abacus Distribution Systems (Taiwan)	<u>Beneficial certificates</u>							
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	265,726	3,276	-	3,276	-
	Eastspring Inv Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,941,566	39,091	-	39,091	-
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,368,105	31,287	-	31,287	-
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	2,910,773	43,103	-	43,103	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Yuanta De-Bao Money Market Fund	-	Financial assets at fair value through profit or loss - current	558,151	$ 6,557	-	$ 6,557	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,100,962	62,412	-	62,412	-
	<u>Bond</u>							
	First Issue of Private Unsecured Bonds in 2012 - China Airlines	Parent company	Bond investments with no active market - noncurrent	60	60,000	-	60,000	-
Taiwan Airport Services	<u>Stock</u>							
	TransAsia Airways	-	Available-for-sale financial asset - noncurrent	2,265,182	28,767	0.40	28,767	-
	Titan V.C. Corp.	-	Financial assets carried at cost - noncurrent	1,448,171	2,065	5.30	6,546	-
Hwa Hsia	<u>Stock</u>							
	China Airlines	Parent company	Available-for-sale financial asset - current	814,152	8,915	-	8,915	-
	<u>Beneficial certificates</u>							
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	506,592	6,693	-	6,693	-

Note 1: The subsidiary’s net asset value was $233,454 thousand, which included common stock and preferred stock as of and for the year ended December 31, 2013.

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

Note 3: The net asset value was calculated using the investee’s unaudited financial statements as of and for the year ended December 31, 2013 because the audited financial statements were not prepared on time.

Note 4: The net asset value was calculated using the investee’s audited financial statements as of and for the six months ended June 30, 2013 because the audited financial statements were not prepared on time.

Note 5: Transaction with subsidiaries have been written off in consolidated financial report.

(Concluded)

TABLE 3

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Issuer/Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition (Note)		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units	Amount
China Airlines	Beneficial certificates													
	UPAMC James Bond Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	12,332,965.40	$ 200,000	23,393,785.19	$ 380,000	35,726,750.59	$ 580,770	$ 580,000	$ 770	-	$ -
	Union Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	15,603,545.13	200,000	35,022,892.78	450,000	50,626,437.91	650,738	650,000	738	-	-
	Capital Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	44,624,047.60	700,000	44,624,047.60	700,604	700,000	604	-	-
	Eastspring Inv Well Poll Money Market	Financial assets at fair value through profit or loss - current	-	-	-	-	66,568,415.70	880,000	66,568,415.70	880,760	880,000	760	-	-
	Stock													
	China Life Insurance Co., Ltd.	Financial assets at fair value through profit or loss - current	-	-	16,424,127	430,312	-	-	16,424,127	466,052	430,312	35,740	-	-

Note 1: Including valuation gain and loss on financial assets at the end of the period.

Note 2: Transaction with subsidiaries have been written off in consolidated financial report.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(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	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
China Airlines, Ltd. ("China Airlines")	Taiwan Air Cargo Terminal	Subsidiary	Purchase	$ 268,440	0.22	30 days	$ -	-	$ (41,332)	(1.37)	-
	Cal Park	Subsidiary	Purchase	213,019	0.17	2 months	-	-	(159,764)	(5.28)	-
	Mandarin Airlines	Subsidiary	Sale	(2,373,391)	(1.55)	2 months	-	-	422,956	5.04	-
			Purchase	303,434	0.25	2 months	-	-	(286,863)	(9.48)	-
	China Pacific Catering Services	Equity-method investee	Purchase	1,197,513	0.97	60 days	-	-	(303,544)	(10.03)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	996,881	0.81	40 days	-	-	(307,188)	(10.15)	-
	China Aircraft Services	Equity-method investee	Purchase	206,347	0.17	30 days	-	-	(36,048)	(1.19)	-
	Taiwan Airport Services	Subsidiary	Purchase	376,613	0.31	40 days	-	-	(66,572)	(2.20)	-
	Kaohsiung Catering Services	Equity-method investee	Purchase	129,058	0.10	40 days	-	-	(20,110)	(0.66)	-
	Hwa Hsia	Subsidiary	Purchase	272,415	0.22	2 months	-	-	(50,658)	(1.67)	-
Taiwan Air Cargo Terminal	China Airlines	Parent company	Sale	(268,440)	(20.49)	2 months	-	-	41,332	46.59	-
Cal Park	China Airlines	Parent company	Sale	(213,019)	(72.16)	2 months	-	-	159,764	88.08	-
Mandarin Airlines	China Airlines	Parent company	Purchase	2,043,020	28.33	2 months	-	-	(422,956)	(41.66)	-
			Sale	(303,434)	(4.09)	2 months	-	-	286,863	68.40	-
China Pacific Catering Services	China Airlines	Investor using equity method	Sale	(1,197,513)	(57.70)	60 days	-	-	303,544	71.12	-
Taoyuan International Airport Service	China Airlines	Parent company	Sale	(996,881)	(39.94)	30 days	-	-	307,188	69.33	-
China Aircraft Services	China Airlines	Investor using equity method	Sale	(206,347)	(13.28)	30 days	-	-	36,048	14.06	-
Taiwan Airport Services	China Airlines	Parent company	Sale	(376,613)	(42.08)	45 days	-	-	66,572	54.36	-
Kaohsiung Catering Services	China Airlines	Investor using equity method sales	Sale	(129,058)	(9.14)	40 days	-	-	20,110	10.39	-
Hwa Hsia	China Airlines	Parent company	Sale	(272,415)	(76.60)	2 months	-	-	50,658	88.32	-

Note: Transaction with subsidiaries have been written off in consolidated financial report.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
China Airlines, Ltd. (“China Airlines”)	Mandarin Airlines	Subsidiary	$ 422,956	6.23	$ -	-	$ 226,108	$ -
Mandarin Airlines	China Airlines	Parent company	286,863	1.17	-	-	209,562	-
Taoyuan International Airport Service	China Airlines	Parent company	307,188	3.51	-	-	306,202	-
China Pacific Catering Services	China Airlines	Parent company	303,544	4.03	-	-	197,045	-
Cal Park	China Airlines	Parent company	159,765	1.33	-	-	55,918	-

Note: Transaction with subsidiaries have been written off in consolidated financial report.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2013			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2013	December 31, 2012	Shares	Percentage of Ownership	Carrying Value			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate lease and international trade	$ 1,500,000	$ 1,500,000	150,000,000	100.00	$ 1,479,619	$ 9,699	$ 9,699	-
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	1,102,073	(93,296)	(54,821)	Note 1
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,355,358	416,581	224,954	-
	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	1,056,433	15,399	15,399	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	685,797	311,347	158,787	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	604,510	190,307	93,250	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US$ 47,016	US$ 46,516	47,016,200	100.00	1,275,313	763,477	763,477	-
	Abacus Distribution System (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	420,209	161,895	152,054	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK$ 58,000	HK$ 58,000	28,400,000	20.00	407,725	140,915	28,183	-
	Asian Compressor Technology Services	Taoyuan, Taiwan	Research, manufacture and maintenance of engines	77,322	77,322	7,732,200	24.50	244,486	411,034	95,711	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	251,295	86,166	40,787	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	140,240	140,240	14,329,759	35.78	225,221	132,207	47,306	-
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	210,275	16,641	16,641	-
	Science Park Logistics	Tainan, Taiwan	Storage and customs of services	150,654	150,654	13,293,000	28.48	192,175	96,889	27,562	-
	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	163,628	51,823	28,503	-
	Hwa Hsia	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	50,000	50,000	50,000	100.00	78,810	29,929	29,929	Note 1
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 20,400	JPY 20,400	408	51.00	30,986	3,527	1,799	-
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	36,353	13,588	13,588	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,471	2,689	672	-
	Freighter Princess Ltd.	Cayman Islands	Aircraft lease	US$ 1	US$ 1	1,000	100.00	30	-	-	-
	Freighter Prince Ltd.	Cayman Islands	Aircraft lease	US$ 1	US$ 1	1,000	100.00	30	-	-	-
	Freighter Queen Ltd.	Cayman Islands	Aircraft lease	US$ 1	US$ 1	1,000	100.00	30	-	-	-
Cal-Asia Investment	Xiamen International Airport Air Cargo Terminal	Xiamen International Airport	Forwarding and storage of air cargo	US$ 4,118	US$ 4,118	-	14.00	260,142	133,149	18,652	Note 3
	Xiamen International Airport Air Cargo Storage	Xiamen International Airport	Forwarding and storage of air cargo	US$ 1,947	US$ 1,947	-	14.00	107,684	71,138	9,964	Note 3
	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK$ 3,329	HK$ 3,329	1,050,000	35.00	34,213	20,239	7,093	Note 4
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US$ 5,877	US$ 5,877	-	100.00	367,259	22,370	22,370	Note 3
Hwa Hsia	Hwa Shin Building Safeguard	Taoyuan, Taiwan	Building security and maintenance services	10,000	10,000	1,000,000	100.00	19,970	8,212	8,212	-
Taiwan Airport Service (Samoa)	Xiamen International Airport Air Cargo Terminal	Xiamen International Airport	Forwarding and storage of air cargo	US$ 3,950	US$ 3,950	-	14.00	258,763	133,149	18,641	Note 3
	Xiamen International Airport Air Cargo Storage	Xiamen International Airport	Forwarding and storage of air cargo	US$ 1,927	US$ 1,927	-	14.00	107,922	71,138	9,959	Note 3

Note 1: Adopted the treasury stock 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 stocks because it is a limited Company.

Note 4: The investment income (loss) was calculated using the investee’s unaudited financial statement, because the audited financial statement were not prepared on time.

Note 5: Transaction with subsidiaries have been written off in consolidated financial report.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

China Airlines

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2013	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2013	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2013	Accumulated Inward Remittance of Earnings as of December 31, 2013
					Outflow	Inflow						
Xiamen International Air Cargo Terminal	Forwarding and storage of air cargo	$ 1,105,268 (RMB 224,480)	Indirect (Note 1)	$ 122,555 (US$ 4,118)	$ -	$ -	$ 122,555 (US$ 4,118)	$ 133,149	14.00	$ 18,652 (RMB 3,868)	$ 260,142 (RMB 52,835)	$ 56,018 (US$ 1,888) (Note 4)
Xiamen International Airport Air Cargo Storage	Forwarding and storage of air cargo	689,312 (RMB 14,000)	Indirect (Note 1)	57,960 (US$ 1,947)	-	-	57,960 (US$ 1,947)	71,138	14.00	9,964 (RMB 2,067)	107,684 (RMB 21,871)	
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	1,097,917 (US$ 36,890)	Indirect (Note 1)	64,024 (US$ 2,151)	-	-	64,024 (US$ 2,151)	(153,497)	5.83	-	73,665 (RMB 14,961)	
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	407,100 (RMB 82,682)	Indirect (Note 1)	18,929 (US$ 636)	-	-	18,929 (US$ 636)	(33,391)	5.45	-	21,378 (RMB 4,342)	
Yangtze River Express Airlines	Forwarding and storage of air cargo	2,461,841 (RMB 500,000)	Indirect (Notes 1 and 9)	1,154,648 (US$ 38,796)	-	-	1,154,648 (US$ 38,796)	-	-	-	-	
Shanghai Eastern Aircraft Maintenance	Aircraft line maintenance	92,262 (US$ 3,100)	Indirect (Note 2)	7,381 (US$ 248)	-	-	7,381 (US$ 248)	-	8.00	-	7,381 (US$ 248)	
Shanghai Eastern United International	Forwarding of air cargo and ocean freight	29,762 (US$ 1,000)	Indirect (Note 3)	5,104 (US$ 172)	-	-	5,104 (US$ 172)	-	17.15	-	5,104 (US$ 172)	

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$1,430,601 (US$48,068)	$1,436,535 (Note 5)	$31,734,216 (Note 6)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2013	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2013	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of December 31, 2013	Accumulated Repatriation of Investment Income as of December 31, 2013
Xiamen International Air Cargo Terminal	Forwarding and storage of air cargo	$ 1,105,268 (RMB 224,480)	Indirect (Note 7)	$ 117,566 (US$ 3,950)	$ -	$ -	$ 117,566 (US$ 3,950)	$ 133,149	14.00	$ 18,641 (RMB 3,870)	$ 258,763 (RMB 52,555)	$ 74,590 (US$ 2,506)
Xiamen International Airport Air Cargo Storage	Forwarding and storage of air cargo	68,932 (RMB 14,000)	Indirect (Note 7)	57,344 (US$ 1,927)	-	-	57,344 (US$ 1,927)	71,138	14.00	9,956 (RMB 2,068)	107,922 (RMB 21,919)	12,654 (US$ 425)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2013	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$174,910 (US$5,877)	$174,910 (US$5,877)	$320,068(Note 6)

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

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

Note 3: Cal-Asia Investment invested in Eastern United International Logistics (Holdings), which in turn, invested in a company located in Mainland China.

Note 4: The inward remittance of earnings in 2013 amounted to US$1,887,816.

Note 5: The amount comprised US$47,035,573 and NT$36,666,667.

Note 6: The limit stated in the Investment Commission's regulation, "Investment or Technical Cooperation in Mainland China Adjudgment Rule," is the larger of the Company's net asset value or 60% of the consolidated net asset value.

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

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

Note 9: Yangtze River Express had been disposed by Cal-Asia Investment.

Note 10: Transaction with subsidiaries have been written off in consolidated financial report.

(Concluded)

TABLE 8-1

CHINA AIRLINES, LTD. AND SUBSIDIARIES AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINE, LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Transaction Criteria	% to Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Global Sky Express	a	Cargo revenue	$ 97,292	The same as ordinary transactions	0.07
		Cal-Dynasty International	a	Cargo revenue	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Passenger revenue	1,877,736	The same as ordinary transactions	1.33
		Taiwan Air Cargo Terminal	a	Other operating revenue	15,578	The same as ordinary transactions	0.01
		Mandarin Airlines	a	Other operating revenue	165,284	The same as ordinary transactions	0.12
		Taoyuan International Airport Services	a	Other operating revenue	2,843	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Other operating revenue	6,901	The same as ordinary transactions	-
		Taiwan Airport Services	a	Other operating revenue	11,893	The same as ordinary transactions	0.01
		Cal-Asia Investment	a	Other operating revenue	-	The same as ordinary transactions	-
		Hwa Hsia	a	Other operating revenue	10,242	The same as ordinary transactions	0.01
		Dynasty Holidays	a	Other operating revenue	2,884	The same as ordinary transactions	-
		Global Sky Express	a	Other operating revenue	2,030	The same as ordinary transactions	-
		Yestrip	a	Other operating revenue	2,427	The same as ordinary transactions	-
		Cal park	a	Other operating revenue	-	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Other operating revenue	4,952	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Terminal and landing fees	996,881	The same as ordinary transactions	0.70
		Taiwan Airport Services	a	Terminal and landing fees	376,613	The same as ordinary transactions	0.27
		Hwa Hsia	a	Terminal and landing fees	272,415	The same as ordinary transactions	0.19
		Mandarin Airlines	a	Passenger costs	303,434	The same as ordinary transactions	0.21
		Taiwan Air Cargo Terminal	a	Other operating costs	268,440	The same as ordinary transactions	0.19
		Dynasty Holidays	a	Other operating costs	46,085	The same as ordinary transactions	0.03
		Cal-Dynasty International	a	Other operating costs	41,425	The same as ordinary transactions	0.03
		Cal-Asia Investment	a	Other operating costs	-	The same as ordinary transactions	-
		Yestrip	a	Other operating costs	8,683	The same as ordinary transactions	0.01
		Cal park	a	Other operating costs	213,019	The same as ordinary transactions	0.15
		Cal Hotel Co., Ltd.	a	Other operating costs	71,210	The same as ordinary transactions	0.05
		Abacus Distribution System (Taiwan)	a	Operating expenses	2,530	The same as ordinary transactions	-
		Mandarin Airlines	a	Interest expenses	5,585	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Interest expenses	1,995	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest expenses	1,197	The same as ordinary transactions	-
		Hwa Hsia	a	Interest expenses	-	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts receivable - related parties	1,141	The same as ordinary transactions	-
		Mandarin Airlines	a	Accounts receivable - related parties	422,956	The same as ordinary transactions	0.19
		Abacus Distribution System (Taiwan)	a	Accounts receivable - related parties	589	The same as ordinary transactions	-
		Hwa Hsia	a	Accounts receivable - related parties	2,953	The same as ordinary transactions	-
		Global Sky Express	a	Accounts receivable - related parties	3,899	The same as ordinary transactions	-

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Transaction Criteria	% to Total Consolidated Total Revenue or Assets
		Yestrip	a	Accounts receivable - related parties	$ 10,163	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Global Sky Express	a	Dividends receivable	-	The same as ordinary transactions	-
		Hwa Hsia	a	Dividends receivable	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Dividends receivable	-	The same as ordinary transactions	-
		Taiwan Airport Services	a	Dividends receivable	-	The same as ordinary transactions	-
		Yestrip	a	Dividends receivable	-	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts payable - related parties	41,316	The same as ordinary transactions	0.02
		Mandarin Airlines	a	Accounts payable - related parties	286,863	The same as ordinary transactions	0.13
		Taoyuan International Airport Services	a	Accounts payable - related parties	307,188	The same as ordinary transactions	0.14
		Cal-Dynasty International	a	Accounts payable - related parties	1,454	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Accounts payable - related parties	29	The same as ordinary transactions	-
		Taiwan Airport Services	a	Accounts payable - related parties	66,572	The same as ordinary transactions	0.03
		Hwa Hsia	a	Accounts payable - related parties	50,658	The same as ordinary transactions	0.02
		Yestrip	a	Accounts payable - related parties	3,232	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Accounts payable - related parties	6,221	The same as ordinary transactions	-
		Cal park	a	Accounts payable - related parties	159,764	The same as ordinary transactions	0.07
		Global Sky Express	a	Accounts payable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Interest payable	2,670	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Interest payable	953	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest payable	572	The same as ordinary transactions	-
		Hwa Hsia	a	Interest payable	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Other current liabilities	-	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Other current liabilities	-	The same as ordinary transactions	-
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	268,440	The same as ordinary transactions	0.19
		Taiwan Airport Services	c	Operating costs	13,618	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating costs	13,022	The same as ordinary transactions	0.01
		Hwa Hsia	c	Operating costs	12,552	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	2,556	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Operating expenses	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	41,316	The same as ordinary transactions	0.02
		Taiwan Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	1,141	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
2	Mandarin Airlines	China Airlines, Ltd.	b	Passenger revenue	303,434	The same as ordinary transactions	0.21
		China Airlines, Ltd.	b	Passenger costs	1,877,736	The same as ordinary transactions	1.33
		Taiwan Airport Services	c	Terminal and landing fees	96,369	The same as ordinary transactions	0.07
		Taoyuan International Airport Services	c	Terminal and landing fees	38,577	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating expenses	165,284	The same as ordinary transactions	0.12
		China Airlines, Ltd.	b	Interest revenue	5,585	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	286,863	The same as ordinary transactions	0.13
		China Airlines, Ltd.	b	Other receivables - related parties	-	The same as ordinary transactions	-

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Transaction Criteria	% to Total Consolidated Total Revenue or Assets
		China Airlines, Ltd.	b	Interest receivable	$ 2,670	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Notes and accounts payable - related parties	422,956	The same as ordinary transactions	0.19
		Taiwan Airport Services	c	Notes and accounts payable - related parties	14,431	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
3	Taoyuan International Airport Services	Mandarin Airlines	c	Airport service revenue	38,577	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Airport service revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Airport service revenue	996,881	The same as ordinary transactions	0.70
		China Airlines, Ltd.	b	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	2,843	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,995	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	307,188	The same as ordinary transactions	0.14
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	953	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
4	Cal-Dynasty International	China Airlines, Ltd.	b	Operating revenue	41,425	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable	1,454	The same as ordinary transactions	-
5	Abacus Distribution System (Taiwan)	China Airlines, Ltd.	b	Service revenue	2,530	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	6,901	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,197	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	29	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Other receivables - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	572	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	589	The same as ordinary transactions	-
6	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	376,613	The same as ordinary transactions	0.27
		Taiwan Air Cargo Terminal	c	Operating revenue	13,618	The same as ordinary transactions	0.01
		Mandarin Airlines	c	Operating revenue	96,369	The same as ordinary transactions	0.07
		China Airlines, Ltd.	b	Operating expenses	11,893	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	66,572	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Accounts receivable - related parties	14,431	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
7	Cal-Asia Investment	China Airlines, Ltd.	b	Operating revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	-	The same as ordinary transactions	-
8	Hwa Hsia	China Airlines, Ltd.	b	Operating revenue	272,415	The same as ordinary transactions	0.19
		Taiwan Air Cargo Terminal	c	Operating revenue	12,552	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	10,242	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Interest revenue	-	The same as ordinary transactions	-

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Transaction Criteria	% to Total Consolidated Total Revenue or Assets
		China Airlines, Ltd.	b	Accounts receivable - related parties	$ 50,658	The same as ordinary transactions	0.02
		China Airlines, Ltd.	b	Interest receivable	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	2,953	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
9	Dynasty Holidays	China Airlines, Ltd.	b	Operating revenue	46,085	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating expenses	2,884	The same as ordinary transactions	-
10	Global Sky Express	China Airlines, Ltd.	b	Operating costs	97,292	The same as ordinary transactions	0.07
		China Airlines, Ltd.	b	Operating expenses	2,030	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	3,899	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable	-	The same as ordinary transactions	-
11	Yestrip	China Airlines, Ltd.	b	Operating revenue	8,683	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	2,427	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	3,232	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	10,163	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
12	Cal park	China Airlines, Ltd.	b	Operating revenue	213,019	The same as ordinary transactions	0.15
		Cal Hotel Co., Ltd.	c	Operating revenue	82,188	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Accounts receivable - related parties	159,764	The same as ordinary transactions	0.07
		Cal Hotel Co., Ltd.	c	Accounts receivable - related parties	21,592	The same as ordinary transactions	0.01
13	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	71,210	The same as ordinary transactions	0.05
		China Airlines, Ltd.	b	Operating expenses	4,952	The same as ordinary transactions	-
		Cal park	c	Operating costs	82,188	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Accounts receivable - related parties	6,221	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	-	The same as ordinary transactions	-
		Cal park	c	Accounts payable - related parties	21,592	The same as ordinary transactions	0.01

Note 1: Three kinds of relationships with transactors were as follows:

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINE, LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
0	China Airlines, Ltd.	Global Sky Express	a	Cargo revenue	$ 134,400	The same as ordinary transactions	0.09
		Mandarin Airlines	a	Passenger revenue	1,572,484	The same as ordinary transactions	1.10
		Taiwan Air Cargo Terminal	a	Other operating revenue	18,375	The same as ordinary transactions	0.01
		Mandarin Airlines	a	Other operating revenue	404,396	The same as ordinary transactions	0.28
		Taoyuan International Airport Services	a	Other operating revenue	2,432	The same as ordinary transactions	-
		China Pacific Catering Services	a	Other operating revenue	6,421	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Other operating revenue	6,939	The same as ordinary transactions	-
		Taiwan Airport Services	a	Other operating revenue	11,684	The same as ordinary transactions	0.01
		China Pacific Laundry Services	a	Other operating revenue	6,701	The same as ordinary transactions	-
		Hwa Hsia	a	Other operating revenue	10,948	The same as ordinary transactions	0.01
		Dynasty Holidays	a	Other operating revenue	3,649	The same as ordinary transactions	-
		Global Sky Express	a	Other operating revenue	2,729	The same as ordinary transactions	-
		Yestrip	a	Other operating revenue	3,318	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Other operating revenue	5,218	The same as ordinary transactions	-
		China Pacific Catering Services	a	Customer service cost	1,149,900	The same as ordinary transactions	0.80
		Taoyuan International Airport Services	a	Terminal and landing fees	974,717	The same as ordinary transactions	0.68
		Taiwan Airport Services	a	Terminal and landing fees	364,839	The same as ordinary transactions	0.25
		Hwa Hsia	a	Terminal and landing fees	270,235	The same as ordinary transactions	0.19
		Mandarin Airlines	a	Passenger costs	286,280	The same as ordinary transactions	0.20
		Taiwan Air Cargo Terminal	a	Other operating costs	258,818	The same as ordinary transactions	0.18
		Dynasty Holidays	a	Other operating costs	64,216	The same as ordinary transactions	0.04
		China Pacific Laundry Services	a	Other operating costs	74,136	The same as ordinary transactions	0.05
		Cal-Dynasty International	a	Other operating costs	27,440	The same as ordinary transactions	0.02
		Cal-Asia Investment	a	Other operating costs	77	The same as ordinary transactions	-
		Yestrip	a	Other operating costs	7,952	The same as ordinary transactions	0.01
		Cal park	a	Other operating costs	213,019	The same as ordinary transactions	0.15
		Cal Hotel Co., Ltd.	a	Other operating costs	81,118	The same as ordinary transactions	0.06
		Abacus Distribution System (Taiwan)	a	Operating expenses	2,430	The same as ordinary transactions	-
		Mandarin Airlines	a	Interest expenses	13,862	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	a	Interest expenses	10,351	The same as ordinary transactions	0.01
		China Pacific Catering Services	a	Interest expenses	1,120	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest expenses	2,850	The same as ordinary transactions	-
		Hwa Hsia	a	Interest expenses	280	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts receivable - related parties	1,910	The same as ordinary transactions	-
		Mandarin Airlines	a	Accounts receivable - related parties	338,513	The same as ordinary transactions	0.17
		China Pacific Catering Services	a	Accounts receivable - related parties	590	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details: Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
		Abacus Distribution System (Taiwan)	a	Accounts receivable - related parties	$ 658	The same as ordinary transactions	-
		China Pacific Laundry Services	a	Accounts receivable - related parties	527	The same as ordinary transactions	-
		Hwa Hsia	a	Accounts receivable - related parties	446	The same as ordinary transactions	-
		Global Sky Express	a	Accounts receivable - related parties	4,364	The same as ordinary transactions	-
		Yestrip	a	Accounts receivable - related parties	18,056	The same as ordinary transactions	0.01
		Cal Hotel Co., Ltd.	a	Accounts receivable - related parties	402	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts payable - related parties	33,684	The same as ordinary transactions	0.02
		Mandarin Airlines	a	Accounts payable - related parties	230,578	The same as ordinary transactions	0.12
		Taoyuan International Airport Services	a	Accounts payable - related parties	261,255	The same as ordinary transactions	0.13
		Cal-Dynasty International	a	Accounts payable - related parties	968	The same as ordinary transactions	-
		China Pacific Catering Services	a	Accounts payable - related parties	290,416	The same as ordinary transactions	0.15
		Abacus Distribution System (Taiwan)	a	Accounts payable - related parties	205	The same as ordinary transactions	-
		Taiwan Airport Services	a	Accounts payable - related parties	62,406	The same as ordinary transactions	0.03
		China Pacific Laundry Services	a	Accounts payable - related parties	12,364	The same as ordinary transactions	0.01
		Hwa Hsia	a	Accounts payable - related parties	48,929	The same as ordinary transactions	0.02
		Yestrip	a	Accounts payable - related parties	2,108	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Accounts payable - related parties	6,564	The same as ordinary transactions	-
		Cal park	a	Accounts payable - related parties	159,764	The same as ordinary transactions	0.08
		Mandarin Airlines	a	Interest payable	3,797	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Interest payable	1,920	The same as ordinary transactions	-
		China Pacific Catering Services	a	Interest payable	129	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest payable	765	The same as ordinary transactions	-
		Hwa Hsia	a	Interest payable	38	The same as ordinary transactions	-
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	258,818	The same as ordinary transactions	0.18
		Mandarin Airlines	c	Sales revenue	8,799	The same as ordinary transactions	0.01
		Taiwan Airport Services	c	Operating costs	111,465	The same as ordinary transactions	0.08
		Taoyuan International Airport Services	c	Operating costs	49,551	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating costs	18,375	The same as ordinary transactions	0.01
		Hwa Hsia	c	Operating costs	16,081	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Operating expenses	7,621	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	33,684	The same as ordinary transactions	0.02
		Taiwan Airport Services	c	Accounts payable - related parties	19,414	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts payable - related parties	1,910	The same as ordinary transactions	-
2	Mandarin Airlines	China Airlines, Ltd.	b	Passenger revenue	286,280	The same as ordinary transactions	0.20
		China Airlines, Ltd.	b	Passenger costs	1,572,484	The same as ordinary transactions	1.10
		Taiwan Airport Services	c	Terminal and landing fees	84,308	The same as ordinary transactions	0.06
		Taoyuan International Airport Services	c	Terminal and landing fees	37,803	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Terminal and landing fees	8,799	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	404,396	The same as ordinary transactions	0.28
		China Airlines, Ltd.	b	Interest revenue	13,862	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	230,578	The same as ordinary transactions	0.12
		China Airlines, Ltd.	b	Interest receivable	3,797	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	338,513	The same as ordinary transactions	0.17
		Taiwan Airport Services	c	Accounts payable - related parties	12,048	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Accounts payable - related parties	6,802	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
3	Taoyuan International Airport Services	Mandarin Airlines	c	Airport service revenue	$ 37,803	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Airport service revenue	57,172	The same as ordinary transactions	0.04
		China Airlines, Ltd.	b	Airport service revenue	974,717	The same as ordinary transactions	0.68
		China Airlines, Ltd.	b	Operating costs	2,432	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	10,351	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	261,255	The same as ordinary transactions	0.13
		Mandarin Airlines	c	Accounts receivable - related parties	6,802	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	1,920	The same as ordinary transactions	-
4	Cal-Dynasty International	China Airlines, Ltd.	b	Operating revenue	27,440	The same as ordinary transactions	0.02
		China Airlines, Ltd.	b	Accounts receivable	968	The same as ordinary transactions	-
5	China Pacific Catering Services	China Airlines, Ltd.	b	Operating revenue	1,149,900	The same as ordinary transactions	0.80
		China Pacific Laundry Services	c	Operating costs	10,933	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	6,421	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,120	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	290,416	The same as ordinary transactions	0.15
		China Airlines, Ltd.	b	Interest receivable	129	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accrued expense	590	The same as ordinary transactions	-
6	Abacus Distribution System (Taiwan)	China Airlines, Ltd.	b	Service revenue	2,430	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	6,939	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	2,850	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	205	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	765	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	658	The same as ordinary transactions	-
7	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	364,839	The same as ordinary transactions	0.25
		Taiwan Air Cargo Terminal	c	Operating revenue	111,465	The same as ordinary transactions	0.08
		Mandarin Airlines	c	Operating revenue	84,308	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Operating expenses	11,684	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	62,406	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	19,414	The same as ordinary transactions	0.01
		Mandarin Airlines	c	Accounts receivable - related parties	12,048	The same as ordinary transactions	0.01
8	Cal-Asia Investment	China Airlines, Ltd.	b	Operating revenue	77	The same as ordinary transactions	-
9	China Pacific Laundry Services	China Airlines, Ltd.	b	Operating revenue	74,136	The same as ordinary transactions	0.05
		China Pacific Catering Services	c	Operating revenue	10,933	The same as ordinary transactions	0.01
		Cal Hotel Co., Ltd.	c	Operating revenue	10,529	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating costs	6,701	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	12,364	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts payable - related parties	527	The same as ordinary transactions	-
10	Hwa Hsia	China Airlines, Ltd.	b	Operating revenue	270,235	The same as ordinary transactions	0.19
		Taiwan Air Cargo Terminal	c	Operating revenue	16,081	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	10,948	The same as ordinary transactions	0.01

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
		China Airlines, Ltd.	b	Interest revenue	$ 280	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	48,929	The same as ordinary transactions	0.02
		China Airlines, Ltd.	b	Interest receivable	38	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	446	The same as ordinary transactions	-
11	Dynasty Holidays	China Airlines, Ltd.	b	Operating revenue	64,216	The same as ordinary transactions	0.04
		China Airlines, Ltd.	b	Operating expenses	3,649	The same as ordinary transactions	-
12	Global Sky Express	China Airlines, Ltd.	b	Operating costs	134,400	The same as ordinary transactions	0.09
		China Airlines, Ltd.	b	Operating expenses	2,729	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	4,364	The same as ordinary transactions	-
13	Yestrip	China Airlines, Ltd.	b	Operating revenue	7,952	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	3,318	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	2,108	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	18,056	The same as ordinary transactions	0.01
14	Cal park	China Airlines, Ltd.	b	Operating revenue	213,019	The same as ordinary transactions	0.15
		Cal Hotel Co., Ltd.	c	Operating revenue	82,165	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Accounts receivable - related parties	159,764	The same as ordinary transactions	0.08
		Cal Hotel Co., Ltd.	c	Accounts receivable - related parties	21,568	The same as ordinary transactions	0.01
15	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	81,118	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Operating expenses	5,218	The same as ordinary transactions	-
		China Pacific Laundry Services	c	Operating costs	10,529	The same as ordinary transactions	0.01
		Cal park	c	Operating costs	82,165	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Accounts receivable - related parties	6,564	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	402	The same as ordinary transactions	-
		Cal park	c	Accounts payable - related parties	21,568	The same as ordinary transactions	0.01

Note 1: Three kinds of relationships with transactors were as follows:

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

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

(Concluded)