

China Airlines, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2024 and 2023 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (collectively, the “Group”) as of March 31, 2024 and 2023, and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows for the three months then ended, and the related notes to the consolidated financial statements, including a summary of material accounting policy information (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries and investments accounted for using the equity method were not reviewed. As of March 31, 2024 and 2023, the combined total assets of these non-significant subsidiaries were NT\$20,143,193 thousand and NT\$20,916,254 thousand, respectively, representing 6.74% and 7.11%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$11,464,640 thousand and NT\$11,630,863 thousand, respectively, representing 5.25% and 5.28%, respectively, of the consolidated total liabilities; for the three months ended March 31, 2024 and 2023, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$307,878 thousand and NT\$77,583 thousand, respectively, representing 9.96% and 4.93%, respectively, of the consolidated total comprehensive income. As of March 31, 2024 and 2023, the aforementioned investments accounted for using the equity method were NT\$1,916,703 thousand and NT\$1,529,074 thousand, respectively; for the three months ended March 31, 2024 and 2023, the amounts of the Group’s share of the profit of such investments accounted for using the equity method were NT\$159,835 thousand and NT\$70,278 thousand, respectively.

Qualified Conclusion

Based on our reviews, except for adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024 and 2023, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Other Matters - Use of Other Accountants’ Review Reports

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the report of other auditors. As of March 31, 2024 and 2023, the total assets of these subsidiaries were NT\$18,978,248 thousand and NT\$14,903,992 thousand, respectively, representing 6.35% and 5.06%, respectively, of the consolidated total assets; for the three months ended March 31, 2024 and 2023, the total revenue of these subsidiaries was NT\$4,246,512 thousand and NT\$2,514,815 thousand, respectively, representing 8.73% and 5.89%, respectively, of the consolidated total revenue.

The engagement partners on the reviews resulting in this independent auditors’ review report are Kuan-Hao Lee and I-Chi Chien.

Deloitte & Touche
Taipei, Taiwan
Republic of China

May 9, 2024

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2024		December 31, 2023		March 31, 2023	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 33,018,868	11	\$ 30,391,564	10	\$ 35,548,668	12
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	168,318	-	186,560	-	120,521	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	5,975,000	2	4,079,619	1	9,304,339	3
Financial assets for hedging - current (Notes 4, 6 and 31)	10,867,310	4	10,353,943	4	3,994,787	1
Notes and accounts receivable, net (Notes 4, 10 and 31)	10,104,099	3	10,000,732	3	10,907,369	4
Notes and accounts receivable - related parties (Notes 31 and 32)	6,404	-	16,176	-	6,231	-
Finance lease receivables - current (Notes 4, 21 and 31)	281,012	-	265,955	-	-	-
Other receivables (Notes 4 and 31)	949,302	-	808,005	-	692,625	-
Current tax assets (Notes 4 and 28)	33,817	-	27,984	-	35,664	-
Inventories, net (Notes 4 and 11)	10,601,387	4	10,678,706	4	10,865,968	4
Non-current assets held for sale (Notes 4, 5 and 12)	1,582,027	-	1,290,581	1	-	-
Other current assets (Note 18)	1,687,386	1	1,593,490	1	1,584,601	1
Total current assets	<u>75,274,930</u>	<u>25</u>	<u>69,693,315</u>	<u>24</u>	<u>73,060,773</u>	<u>25</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	53,492	-	103,982	-	81,123	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	224,293	-	224,912	-	204,523	-
Financial assets for hedging - non-current (Notes 4, 6 and 31)	5,344	-	-	-	-	-
Investments accounted for using the equity method (Notes 4 and 14)	1,916,703	1	1,737,235	1	1,529,074	-
Property, plant and equipment (Notes 4, 5, 15 and 33)	121,316,895	41	123,342,731	42	125,725,341	43
Right-of-use assets (Notes 4 and 21)	55,058,244	18	52,231,083	18	56,595,656	19
Investment properties (Notes 4 and 16)	2,071,728	1	2,071,785	1	2,071,955	1
Other intangible assets (Notes 4 and 17)	753,863	-	791,567	-	837,864	-
Deferred tax assets (Notes 4, 5 and 28)	8,362,352	3	8,192,270	3	8,239,702	3
Finance lease receivables - non-current (Notes 4, 21 and 31)	123,002	-	187,901	-	-	-
Other non-current assets (Notes 18, 21, 31 and 33)	33,845,718	11	32,665,650	11	25,958,524	9
Total non-current assets	<u>223,731,634</u>	<u>75</u>	<u>221,549,116</u>	<u>76</u>	<u>221,243,762</u>	<u>75</u>
TOTAL	<u>\$ 299,006,564</u>	<u>100</u>	<u>\$ 291,242,431</u>	<u>100</u>	<u>\$ 294,304,535</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 235,000	-	\$ 35,000	-	\$ 2,135,000	1
Short-term bills payable (Notes 19 and 31)	-	-	20,000	-	830,000	-
Financial liabilities for hedging - current (Notes 4, 21 and 31)	9,453,308	3	8,889,205	3	9,664,811	3
Notes and accounts payable (Note 31)	1,640,802	1	1,382,344	1	1,143,039	-
Accounts payable - related parties (Notes 31 and 32)	729,817	-	670,814	-	500,317	-
Contract liabilities - current (Notes 4 and 23)	26,815,665	9	26,473,116	9	23,452,466	8
Other payables (Notes 22 and 31)	14,944,902	5	17,750,515	6	12,241,624	4
Current tax liabilities (Notes 4 and 28)	874,065	-	205,147	-	515,516	-
Provisions - current (Notes 4, 24 and 31)	2,750,930	1	2,742,402	1	4,585,889	2
Lease liabilities - current (Notes 4, 21 and 31)	3,498,086	1	3,364,630	1	3,107,154	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20, 26 and 31)	4,723,659	2	4,723,814	2	2,350,000	1
Current portion of long-term borrowings (Notes 19, 31 and 33)	22,205,350	7	18,669,326	6	13,000,582	5
Other current liabilities (Note 31)	5,706,924	2	5,119,354	2	3,918,504	1
Total current liabilities	<u>93,578,508</u>	<u>31</u>	<u>90,045,667</u>	<u>31</u>	<u>77,444,902</u>	<u>26</u>
NON-CURRENT LIABILITIES						
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	29,307,041	10	26,099,758	9	29,721,744	10
Bonds payable - non-current (Notes 4, 20, 26 and 31)	4,925,000	2	4,925,000	2	7,654,401	3
Long-term borrowings - non-current (Notes 19, 31 and 33)	42,006,038	14	46,478,031	16	59,634,532	20
Contract liabilities - non-current (Notes 4 and 23)	3,405,817	1	2,964,299	1	1,314,650	1
Provisions - non-current (Notes 4, 24 and 31)	18,084,836	6	16,865,601	6	17,286,990	6
Deferred tax liabilities (Notes 4 and 28)	286,261	-	196,899	-	289,180	-
Lease liabilities - non-current (Notes 4, 21 and 31)	16,624,453	6	15,783,549	5	15,370,394	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,464,098	3	9,706,647	3	9,158,212	3
Other non-current liabilities (Note 31)	828,561	-	698,110	-	2,336,713	1
Total non-current liabilities	<u>124,932,105</u>	<u>42</u>	<u>123,717,894</u>	<u>42</u>	<u>142,766,816</u>	<u>49</u>
Total liabilities	<u>218,510,613</u>	<u>73</u>	<u>213,763,561</u>	<u>73</u>	<u>220,211,718</u>	<u>75</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)						
Share capital	60,515,407	20	60,513,407	21	60,135,374	20
Capital surplus	3,888,582	1	3,887,046	1	3,144,366	1
Retained earnings						
Legal reserve	1,230,977	1	1,230,977	1	925,385	-
Special reserve	534,375	-	534,375	-	-	-
Unappropriated retained earnings	12,245,489	4	9,146,199	3	7,690,235	3
Total retained earnings	14,010,841	5	10,911,551	4	8,615,620	3
Other equity	(1,091,748)	-	(690,014)	-	(321,967)	-
Treasury shares	(30,875)	-	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	<u>77,292,207</u>	<u>26</u>	<u>74,591,115</u>	<u>26</u>	<u>71,542,518</u>	<u>24</u>
NON-CONTROLLING INTERESTS (Note 26)	<u>3,203,744</u>	<u>1</u>	<u>2,887,755</u>	<u>1</u>	<u>2,550,299</u>	<u>1</u>
Total equity	<u>80,495,951</u>	<u>27</u>	<u>77,478,870</u>	<u>27</u>	<u>74,092,817</u>	<u>25</u>
TOTAL	<u>\$ 299,006,564</u>	<u>100</u>	<u>\$ 291,242,431</u>	<u>100</u>	<u>\$ 294,304,535</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2024)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 48,644,558	100	\$ 42,691,908	100
OPERATING COSTS (Notes 4, 11, 15, 17, 21, 24, 25, 27 and 32)	<u>41,047,833</u>	<u>84</u>	<u>37,493,621</u>	<u>88</u>
GROSS PROFIT	7,596,725	16	5,198,287	12
OPERATING EXPENSES (Notes 4, 15, 21, 25, 27 and 32)	<u>3,744,418</u>	<u>8</u>	<u>3,372,528</u>	<u>8</u>
PROFIT FROM OPERATIONS	<u>3,852,307</u>	<u>8</u>	<u>1,825,759</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27)	502,050	1	502,368	1
Other gains and losses (Notes 12, 14, 15, 27 and 31)	378,783	1	31,070	-
Finance costs (Notes 27 and 31)	(641,766)	(1)	(700,663)	(1)
Share of the profit (loss) of associates and joint ventures (Note 14)	<u>159,835</u>	<u>-</u>	<u>70,278</u>	<u>-</u>
Total non-operating income and expenses	<u>398,902</u>	<u>1</u>	<u>(96,947)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	4,251,209	9	1,728,812	4
INCOME TAX EXPENSE (Notes 4 and 28)	<u>841,295</u>	<u>2</u>	<u>332,328</u>	<u>1</u>
NET INCOME FOR THE PERIOD	<u>3,409,914</u>	<u>7</u>	<u>1,396,484</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 26 and 31)	557,973	1	(17,958)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income (Note 26)	(50,922)	-	(42,127)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>10,060</u>	<u>-</u>	<u>6,624</u>	<u>-</u>
	<u>517,111</u>	<u>1</u>	<u>(53,461)</u>	<u>-</u>

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2024		2023	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	\$ 75,737	-	\$ (2,307)	-
(Loss) gain on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 31)	(1,121,033)	(2)	288,853	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>210,537</u>	<u>-</u>	<u>(56,868)</u>	<u>-</u>
	<u>(834,759)</u>	<u>(2)</u>	<u>229,678</u>	<u>1</u>
Other comprehensive (loss) income for the period, net of income tax	<u>(317,648)</u>	<u>(1)</u>	<u>176,217</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 3,092,266</u>	<u>6</u>	<u>\$ 1,572,701</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 3,099,290	6	\$ 1,305,854	3
Non-controlling interests	<u>310,624</u>	<u>1</u>	<u>90,630</u>	<u>-</u>
	<u>\$ 3,409,914</u>	<u>7</u>	<u>\$ 1,396,484</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 2,776,277	6	\$ 1,480,870	4
Non-controlling interests	<u>315,989</u>	<u>-</u>	<u>91,831</u>	<u>-</u>
	<u>\$ 3,092,266</u>	<u>6</u>	<u>\$ 1,572,701</u>	<u>4</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	<u>\$ 0.51</u>		<u>\$ 0.22</u>	
Diluted	<u>\$ 0.50</u>		<u>\$ 0.21</u>	

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

(With Deloitte & Touche auditors' review report dated May 9, 2024)

(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												
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of the Financial Statements of Foreign Operations	Other Equity		Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income						
BALANCE AT JANUARY 1, 2023	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ -	\$ 6,384,381	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (30,875)	\$ 70,000,201	\$ 2,453,241	\$ 72,453,442	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	37,392	-	37,392	-	37,392	
Issuance of employee share options by subsidiaries	-	24,055	-	-	-	-	-	-	-	24,055	5,227	29,282	
Net profit (loss) for the three months ended March 31, 2023	-	-	-	-	1,305,854	-	-	-	-	1,305,854	90,630	1,396,484	
Other comprehensive income (loss) for the three months ended March 31, 2023, net of income tax	-	-	-	-	-	(2,543)	(35,503)	213,062	-	175,016	1,201	176,217	
Total comprehensive income (loss) for the three months ended March 31, 2023	-	-	-	-	1,305,854	(2,543)	(35,503)	213,062	-	1,480,870	91,831	1,572,701	
BALANCE AT MARCH 31, 2023	<u>\$ 60,135,374</u>	<u>\$ 3,144,366</u>	<u>\$ 925,385</u>	<u>\$ -</u>	<u>\$ 7,690,235</u>	<u>\$ (6,841)</u>	<u>\$ 5,415</u>	<u>\$ (320,541)</u>	<u>\$ (30,875)</u>	<u>\$ 71,542,518</u>	<u>\$ 2,550,299</u>	<u>\$ 74,092,817</u>	
BALANCE AT JANUARY 1, 2024	\$ 60,513,407	\$ 3,887,046	\$ 1,230,977	\$ 534,375	\$ 9,146,199	\$ (12,965)	\$ 22,726	\$ (699,775)	\$ (30,875)	\$ 74,591,115	\$ 2,887,755	\$ 77,478,870	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	-	(78,721)	-	(78,721)	-	(78,721)	
Net profit (loss) for the three months ended March 31, 2024	-	-	-	-	3,099,290	-	-	-	-	3,099,290	310,624	3,409,914	
Other comprehensive income (loss) for the three months ended March 31, 2024, net of income tax	-	-	-	-	-	58,253	(40,862)	(340,404)	-	(323,013)	5,365	(317,648)	
Total comprehensive income (loss) for the three months ended March 31, 2024	-	-	-	-	3,099,290	58,253	(40,862)	(340,404)	-	2,776,277	315,989	3,092,266	
Convertible bonds converted to ordinary shares	2,000	1,536	-	-	-	-	-	-	-	3,536	-	3,536	
BALANCE AT MARCH 31, 2024	<u>\$ 60,515,407</u>	<u>\$ 3,888,582</u>	<u>\$ 1,230,977</u>	<u>\$ 534,375</u>	<u>\$ 12,245,489</u>	<u>\$ 45,288</u>	<u>\$ (18,136)</u>	<u>\$ (1,118,900)</u>	<u>\$ (30,875)</u>	<u>\$ 77,292,207</u>	<u>\$ 3,203,744</u>	<u>\$ 80,495,951</u>	

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

(With Deloitte & Touche auditors' review report dated May 9, 2024)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 4,251,209	\$ 1,728,812
Adjustments for:		
Depreciation expense	7,201,469	7,773,390
Amortization expense	55,598	55,129
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(590)	(339)
Finance costs	641,766	700,663
Interest income	(461,934)	(359,319)
Compensation costs of employee share options	-	29,282
Share of profit of associates and joint ventures	(159,835)	(70,278)
Gain on disposal of property, plant and equipment	(372,581)	(9,911)
Reversal of impairment loss recognized on flight equipment	(97,056)	-
Loss on inventories and property, plant and equipment	548,345	251,718
Net loss (gain) on foreign currency exchange	9,450	(634,309)
Recognition of provisions	1,171,115	1,401,821
Others	-	70,261
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	18,832	(721)
Notes and accounts receivable	19,591	250,871
Accounts receivable - related parties	(177,331)	(184,707)
Other receivables	(86,049)	245,125
Inventories	(373,676)	(117,243)
Other current assets	(175,539)	36,215
Notes and accounts payable	336,152	(94,402)
Accounts payable - related parties	265,296	357,299
Other payables	(3,258,596)	(3,184,480)
Contract liabilities	859,963	6,042,242
Provisions	(436,272)	(417,836)
Other current liabilities	645,392	628,707
Defined benefit liabilities	(242,549)	(71,428)
Other liabilities	8,285	53,286
Cash generated from operations	10,190,455	14,479,848
Interest received	433,981	384,581
Interest paid	(640,017)	(685,466)
Income tax paid	(44,402)	(61,937)
Net cash generated from operating activities	<u>9,940,017</u>	<u>14,117,026</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(5,224,000)	(8,461,435)
Proceeds from sale of financial assets at amortized cost	3,583,032	5,405,253

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended March 31	
	2024	2023
Purchase of financial assets for hedging	\$ (10,394,502)	\$ (3,963,415)
Proceeds from sale of financial assets for hedging	10,473,223	3,924,220
Payments for property, plant and equipment	(611,052)	(1,332,538)
Proceeds from disposal of property, plant and equipment	1,122,443	8,956
Increase in refundable deposits	(89,185)	(45,110)
Decrease in refundable deposits	98,107	3,436
Decrease in finance lease receivable	73,387	-
Increase in prepayments for equipment	(3,414,981)	(2,410,610)
Increase in computer software costs	(18,291)	(8,815)
Decrease (increase) in restricted assets	<u>45,682</u>	<u>(1,332)</u>
Net cash used in investing activities	<u>(4,356,137)</u>	<u>(6,881,390)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term borrowing	200,000	1,300,000
(Decrease) increase in short-term bills payable	(20,000)	830,000
Proceeds from long-term borrowings	760,020	259,979
Repayments of long-term borrowings	(1,695,989)	(5,959,431)
Repayments of the principal portion of lease liabilities	(3,099,786)	(3,507,611)
Proceeds from guarantee deposits received	134,191	29,031
Refund of guarantee deposits received	<u>(27,481)</u>	<u>(111,617)</u>
Net cash used in financing activities	<u>(3,749,045)</u>	<u>(7,159,649)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>792,469</u>	<u>492,212</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,627,304	568,199
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>30,391,564</u>	<u>34,980,469</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 33,018,868</u>	<u>\$ 35,548,668</u>

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

(With Deloitte & Touche auditors' review report dated May 9, 2024)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The major shareholders of the Company are China Aviation Development Foundation (CADF) and National Development Fund (NDF), Executive Yuan. As of March 31, 2024, December 31, 2023 and March 31, 2023, CADF and NDF held a combined 39.43%, 39.43% and 39.69%, respectively of the Company’s shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s board of directors on May 9, 2024.

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

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

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

- b. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1” Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discounted operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as ‘other’ only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2023.

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

The consolidated financial statements reporting principles are the same as those in the consolidated financial statements for the year ended December 31, 2023.

Employee Benefits

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

Income Tax

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

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The material accounting judgments and key sources of estimation uncertainty for these interim consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND CASH EQUIVALENTS

	March 31, 2024	December 31, 2023	March 31, 2023
Cash on hand and revolving funds	\$ 595,375	\$ 903,815	\$ 384,494
Checking accounts and demand deposits	10,791,401	9,077,246	10,738,676
Cash equivalents			
Time deposits with original maturities of less than three months	16,867,918	14,293,056	20,681,220
Repurchase agreements collateralized by bonds	<u>4,764,174</u>	<u>6,117,447</u>	<u>3,744,278</u>
	<u>\$ 33,018,868</u>	<u>\$ 30,391,564</u>	<u>\$ 35,548,668</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Bank balance	0%-5.26%	0%-5.10%	0%-4.55%
Time deposits with original maturities of less than three months	1.10%-5.87%	0.61%-6.20%	0.42%-5.32%
Repurchase agreements collateralized by bonds	1.00%-5.80%	0.70%-5.78%	0.75%-5.00%

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

	Maturity Date	Subject	Carrying Value
March 31, 2024	2024.4.1-2024.5.3	Financial assets for hedging - current	\$ 10,702,875
December 31, 2023	2024.1.5-2024.2.7	Financial assets for hedging - current	10,307,692
March 31, 2023	2023.4.7-2023.5.30	Financial assets for hedging - current	3,963,415

Impact on comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the three months ended March 31, 2024	\$ 395,183
For the three months ended March 31, 2023	(24,315)

For the three months ended March 31, 2024 and 2023, the amounts of hedging instrument settlements recognized as prepayments for equipment were \$0.

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

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Beneficiary certificates	<u>\$ 168,318</u>	<u>\$ 186,560</u>	<u>\$ 120,521</u>

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

Investments in Equity Instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 31,328	\$ 81,197	\$ 49,004
Domestic investments			
Unlisted shares	<u>22,164</u>	<u>22,785</u>	<u>32,119</u>
	<u>\$ 53,492</u>	<u>\$ 103,982</u>	<u>\$ 81,123</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Time deposits with original maturities of more than 3 months	<u>\$ 5,975,000</u>	<u>\$ 4,079,619</u>	<u>\$ 9,304,339</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year	<u>\$ 224,293</u>	<u>\$ 224,912</u>	<u>\$ 204,523</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.21%-5.6%, 0.21%-5.89% and 0.92%-5.26% per annum as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Notes receivable</u>	<u>\$ 148,237</u>	<u>\$ 176,960</u>	<u>\$ 203,644</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	10,212,933	10,081,225	10,965,061
Less: Allowance for impairment loss	<u>(257,071)</u>	<u>(257,453)</u>	<u>(261,336)</u>
	<u>9,955,862</u>	<u>9,823,772</u>	<u>10,703,725</u>
	<u>\$ 10,104,099</u>	<u>\$ 10,000,732</u>	<u>\$ 10,907,369</u>

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

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

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

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

March 31, 2024

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.45%	10.29%	51.25%	99.99%	99.99%	
Gross carrying amount	\$ 9,857,912	\$ 91,456	\$ 123,518	\$ 330	\$ 139,716	\$ 10,212,933
Loss allowance (lifetime ECLs)	<u>(44,309)</u>	<u>(9,415)</u>	<u>(63,305)</u>	<u>(330)</u>	<u>(139,711)</u>	<u>(257,071)</u>
Amortized cost	<u>\$ 9,813,603</u>	<u>\$ 82,041</u>	<u>\$ 60,213</u>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 9,955,862</u>

December 31, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.88%	10.07%	52.21%	99.95%	99.99%	
Gross carrying amount	\$ 9,763,070	\$ 155,960	\$ 13,399	\$ 9,669	\$ 139,127	\$ 10,081,225
Loss allowance (lifetime ECLs)	<u>(85,963)</u>	<u>(15,709)</u>	<u>(6,996)</u>	<u>(9,664)</u>	<u>(139,121)</u>	<u>(257,453)</u>
Amortized cost	<u>\$ 9,677,107</u>	<u>\$ 140,251</u>	<u>\$ 6,403</u>	<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 9,823,772</u>

March 31, 2023

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	1.03%	4.36%	46.59%	94.34%	98.36%	
Gross carrying amount	\$ 10,707,691	\$ 99,796	\$ 15,141	\$ 3,303	\$ 139,130	\$ 10,965,061
Loss allowance (lifetime ECLs)	<u>(109,970)</u>	<u>(4,354)</u>	<u>(7,054)</u>	<u>(3,116)</u>	<u>(136,842)</u>	<u>(261,336)</u>
Amortized cost	<u>\$ 10,597,721</u>	<u>\$ 95,442</u>	<u>\$ 8,087</u>	<u>\$ 187</u>	<u>\$ 2,288</u>	<u>\$ 10,703,725</u>

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

	For the Three Months Ended March 31	
	2024	2023
Balance at January 1	\$ 257,453	\$ 261,445
Less: Amounts written off	(382)	(108)
Foreign exchange gains and losses	<u>-</u>	<u>(1)</u>
Balance at March 31	<u>\$ 257,071</u>	<u>\$ 261,336</u>

11. INVENTORIES

	March 31, 2024	December 31, 2023	March 31, 2023
Aircraft spare parts	\$ 9,251,256	\$ 9,536,389	\$ 9,854,248
Items for in-flight sale	684,742	659,584	642,000
Work in process - maintenance services	558,349	388,582	275,853
Others	<u>107,040</u>	<u>94,151</u>	<u>93,867</u>
	<u>\$ 10,601,387</u>	<u>\$ 10,678,706</u>	<u>\$ 10,865,968</u>

The operating costs for the three months ended March 31, 2024 and 2023 included losses from inventory write-downs of \$480,540 thousand and \$137,717 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	March 31, 2024	December 31, 2023	March 31, 2023
Aircraft held for sale	<u>\$ 1,582,027</u>	<u>\$ 1,290,581</u>	<u>\$ -</u>

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price. The Company recognized gain on reversal of impairment of \$97,056 thousand and \$0 thousand for the three months ended March 31, 2024 and 2023.

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

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follow:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			March 31, 2024	December 31, 2023	March 31, 2023
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	79	79	82
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investment	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Cal Park	Real estate lease and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	97	97
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54	54
	Taoyuan International Airport Services	Airport services	49	49	49
	Taiwan Airport Services (Note)	Airport services	48	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100

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

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50% and for the other subsidiaries, the Company had control and more than 50% of their voting shares. The above financial information of the subsidiaries for the three months ended March 31, 2024 and 2023 was reported according to financial statements that were not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

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

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

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

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

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	March 31, 2024	December 31, 2023	March 31, 2023
Investments in associates	\$ 893,928	\$ 860,285	\$ 904,253
Investments in joint ventures	<u>1,022,775</u>	<u>876,950</u>	<u>624,821</u>
	<u>\$ 1,916,703</u>	<u>\$ 1,737,235</u>	<u>\$ 1,529,074</u>

a. Investments in associates

The investments in associates were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Unlisted companies</u>			
Dynasty Holidays	\$ -	\$ -	\$ -
Airport Air Cargo Terminal (Xiamen)	530,279	511,283	526,980
Airport Air Cargo Service (Xiamen)	312,757	299,972	316,775
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>50,892</u>	<u>49,030</u>	<u>60,498</u>
	<u>\$ 893,928</u>	<u>\$ 860,285</u>	<u>\$ 904,253</u>

At 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	Proportion of Ownership and Voting Rights		
	March 31, 2024	December 31, 2023	March 31, 2023
Dynasty Holidays	-	-	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%	35%

The share of profit or loss of associates accounted for using the equity method was as follows:

	For the Three Months Ended March 31	
	2024	2023
Dynasty Holidays	\$ -	\$ -
Airport Air Cargo Terminal (Xiamen)	7,343	5,024
Airport Air Cargo Service (Xiamen)	5,923	5,125
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>744</u>	<u>2,943</u>
	<u>\$ 14,010</u>	<u>\$ 13,092</u>

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

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

b. Investments in joint ventures

The investments in joint ventures were as follows:

	March 31, 2024	December 31, 2023	March 31, 2023
China Pacific Catering Services	\$ 909,585	\$ 767,615	\$ 509,397
China Pacific Laundry Services	105,560	101,705	91,067
NORDAM Asia Ltd.	-	-	16,823
Delica International Co., Ltd.	<u>7,630</u>	<u>7,630</u>	<u>7,534</u>
	<u>\$ 1,022,775</u>	<u>\$ 876,950</u>	<u>\$ 624,821</u>

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

	Proportion of Ownership and Voting Rights		
	March 31, 2024	December 31, 2023	March 31, 2023
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%
NORDAM Asia Ltd.	49%	49%	49%
Delica International Co., Ltd.	51%	51%	51%

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

NORDAM Asia was classified as an associate accounted for using the equity method. On October 27, 2023, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve NORDAM Asia, and the liquidation process has been in progress.

To expand the Group's catering business, Kaohsiung Catering entered into a joint venture agreement with a Japanese brand company to invest in Delica International Co., Ltd., with the Japanese brand company having the right to make decisions on operations, and therefore, the Group does not have control. On March 1, 2024, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve Delica International Co., Ltd., and the liquidation process has been in progress.

The share of profit or loss of joint ventures accounted for using the equity method was as follows:

	For the Three Months Ended March 31	
	2024	2023
China Pacific Catering Services	\$ 141,970	\$ 61,176
China Pacific Laundry Services	3,855	(1,617)
NORDAM Asia Ltd.	-	(2,373)
Delica International Co., Ltd.	-	-
	<u>\$ 145,825</u>	<u>\$ 57,186</u>

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2023	\$ 995,869	\$ 16,078,284	\$ 256,431,520	\$ 18,281,257	\$ 291,786,930
Additions	-	17,778	1,195,253	119,507	1,332,538
Disposals	-	(1,122)	(568,195)	(167,526)	(736,843)
Reclassification	-	259	547,875	13,184	561,318
Net exchange differences	<u>(3,305)</u>	<u>(6,112)</u>	<u>-</u>	<u>(679)</u>	<u>(10,096)</u>
Balance at March 31, 2023	<u>\$ 992,564</u>	<u>\$ 16,089,087</u>	<u>\$ 257,606,453</u>	<u>\$ 18,245,743</u>	<u>\$ 292,933,847</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2023	\$ -	\$ (8,113,161)	\$(142,420,987)	\$ (13,045,378)	\$(163,579,526)
Depreciation expense	-	(124,416)	(3,933,693)	(239,525)	(4,297,634)
Disposals	-	1,122	495,722	167,025	663,869
Reclassification	-	-	648	-	648
Net exchange differences	<u>-</u>	<u>3,555</u>	<u>-</u>	<u>582</u>	<u>4,137</u>
Balance at March 31, 2023	<u>\$ -</u>	<u>\$ (8,232,900)</u>	<u>\$(145,858,310)</u>	<u>\$ (13,117,296)</u>	<u>\$(167,208,506)</u>
Balance at March 31, 2023, net value	<u>\$ 992,564</u>	<u>\$ 7,856,187</u>	<u>\$ 111,748,143</u>	<u>\$ 5,128,447</u>	<u>\$ 125,725,341</u>
<u>Cost</u>					
Balance at January 1, 2024	\$ 997,537	\$ 16,204,479	\$ 227,792,901	\$ 18,241,668	\$ 263,236,585
Additions	-	32,792	453,443	124,817	611,052
Disposals	-	(674)	(2,519,761)	(97,184)	(2,617,619)
Reclassification	-	219	(3,850,662)	8,194	(3,842,249)
Net exchange differences	<u>20,851</u>	<u>39,298</u>	<u>-</u>	<u>4,536</u>	<u>64,685</u>
Balance at March 31, 2024	<u>\$ 1,018,388</u>	<u>\$ 16,276,114</u>	<u>\$ 221,875,921</u>	<u>\$ 18,282,031</u>	<u>\$ 257,452,454</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2024	\$ -	\$ (8,616,999)	\$(117,861,943)	\$ (13,414,912)	\$(139,893,854)
Depreciation expense	-	(122,180)	(3,516,384)	(240,312)	(3,878,876)
Disposals	-	674	2,448,935	96,737	2,546,346
Reclassification	-	-	5,123,023	222	5,123,245
Net exchange differences	<u>-</u>	<u>(28,397)</u>	<u>-</u>	<u>(4,023)</u>	<u>(32,420)</u>
Balance at March 31, 2024	<u>\$ -</u>	<u>\$ (8,766,902)</u>	<u>\$(113,806,369)</u>	<u>\$ (13,562,288)</u>	<u>\$(136,135,559)</u>
Balance at March 31, 2024, net value	<u>\$ 1,018,388</u>	<u>\$ 7,509,212</u>	<u>\$ 108,069,552</u>	<u>\$ 4,719,743</u>	<u>\$ 121,316,895</u>

Reclassification is mainly resulted from the transfer of prepayments for equipment and adaption of non-current assets held for sale.

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

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

To replace aging aircraft and revitalize the fleet, the Company's board of directors resolved the sale of five, two and five 747-400F aircraft on May 10, August 9, 2023 and March 8, 2024, respectively.

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

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

16. INVESTMENT PROPERTIES

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amount			
Investment properties	<u>\$ 2,071,728</u>	<u>\$ 2,071,785</u>	<u>\$ 2,071,955</u>

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

The fair values of the investment properties held by the Group were \$3,137,644 thousand, \$3,137,644 thousand and \$2,488,931 thousand as of March 31, 2024, December 31, 2023 and March 31, 2023, respectively. The above fair value valuation was performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

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

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance at January 1, 2024	\$ 1,976,490	\$ 168,280	\$ (1,353,203)	\$ 791,567
Additions	17,896	-	-	17,896
Reclassification	(25,476)	-	25,473	(3)
Amortization expense	-	-	(55,598)	(55,598)
Disposals	(1,955)	-	1,955	-
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Balance at March 31, 2024	<u>\$ 1,966,955</u>	<u>\$ 168,280</u>	<u>\$ (1,381,372)</u>	<u>\$ 753,863</u>
Balance at January 1, 2023	\$ 1,913,404	\$ 168,280	\$ (1,198,264)	\$ 883,420
Additions	8,815	-	-	8,815
Reclassification	(18,731)	-	19,490	759
Amortization expense	-	-	(55,129)	(55,129)
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Balance at March 31, 2023	<u>\$ 1,903,488</u>	<u>\$ 168,280</u>	<u>\$ (1,233,904)</u>	<u>\$ 837,864</u>

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

18. OTHER ASSETS

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Current</u>			
Temporary payments	\$ 558,792	\$ 456,611	\$ 381,122
Prepayments	559,428	729,226	871,192
Restricted assets	13,954	13,954	13,336
Others	<u>555,212</u>	<u>393,699</u>	<u>318,951</u>
	<u>\$ 1,687,386</u>	<u>\$ 1,593,490</u>	<u>\$ 1,584,601</u>
<u>Non-current</u>			
Prepayments for aircraft	\$ 30,552,524	\$ 28,814,500	\$ 19,674,930
Prepayments - long-term	2,053,166	2,567,078	4,644,653
Refundable deposits	880,155	877,753	862,650
Restricted assets	329,569	378,179	740,742
Other financial assets	11,708	11,815	14,816
Others	<u>18,596</u>	<u>16,325</u>	<u>20,733</u>
	<u>\$ 33,845,718</u>	<u>\$ 32,665,650</u>	<u>\$ 25,958,524</u>

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

19. BORROWINGS

a. Short-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Bank loans - unsecured	<u>\$ 235,000</u>	<u>\$ 35,000</u>	<u>\$ 2,135,000</u>
Interest rates	1.81%-1.90%	1.81%-2.10%	1.49%-1.81%

b. Short-term bills payable

	March 31, 2024	December 31, 2023	March 31, 2023
Commercial paper	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 830,000</u>
Annual discount rates	-	1.92%	1.49%-1.80%

c. Long-term borrowings

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured bank loans	\$ 6,730,642	\$ 8,655,391	\$ 16,928,052
Secured bank loans	41,060,323	40,062,527	35,056,385
Commercial paper			
Proceeds from issuance	16,460,000	16,470,000	20,700,000
Less: Unamortized discount	<u>39,577</u>	<u>40,561</u>	<u>49,323</u>
	64,211,388	65,147,357	72,635,114
Less: Current portion	<u>22,205,350</u>	<u>18,669,326</u>	<u>13,000,582</u>
	<u>\$ 42,006,038</u>	<u>\$ 46,478,031</u>	<u>\$ 59,634,532</u>
Interest rates	1.14%-2.34%	1.65%-2.25%	1.14%-2.08%

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Periods	2009.2.4- 2035.12.14	2009.2.4- 2035.12.14	2009.2.4- 2034.10.12

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Group to guarantee commercial papers issued. As of March 31, 2024, December 31, 2023 and March 31, 2023, the commercial papers were issued at discount rates of 1.9993%-2.2017%, 1.7368%-2.173% and 1.8570%-2.0817%, respectively.

In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Group applied for a special loan project to maintain its operations, and the fund along with subsidized interest rates were provided by the government. The total amount of the loans is \$35,480 million, which shall be repaid within 2 to 4 years from the date of initial drawdown. As of March 31, 2024, the Group had made a drawdown in the amount of \$34,800 million and repaid \$29,170 million of the drawdown.

20. BONDS PAYABLE

	March 31, 2024	December 31, 2023	March 31, 2023
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds first-time issued in 2018	2,050,000	2,050,000	3,275,000
Unsecured corporate bonds first-time issued in 2019	2,375,000	2,375,000	3,500,000
Unsecured corporate bonds first-time issued in 2023	2,650,000	2,650,000	-
Convertible bonds seventh-time issued	<u>1,573,659</u>	<u>1,573,814</u>	<u>2,229,401</u>
	9,648,659	9,648,814	10,004,401
Less: Current portion and put option of convertible bonds	<u>4,723,659</u>	<u>4,723,814</u>	<u>2,350,000</u>
	<u>\$ 4,925,000</u>	<u>\$ 4,925,000</u>	<u>\$ 7,654,401</u>

Category	Period	Conditions	Rate (%)
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.5.19-2024.5.19	Principal repayable on due date; indicator rate; payable annually	1.75
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year private unsecured bonds - issued at par in May 2023; repayable in May 2027 and 2028; 1.90% interest p.a., payable annually	2023.05.22-2028.05.22	Principal repayable in May of 2027 and 2028; indicator rate; payable annually	1.90
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.4.28-2026.4.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April 2026; 0.8612 discount rate p.a.	-

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

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

- 2) The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.
- 3) The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- 4) Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT\$19 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 16, 2023, the conversion price was adjusted to NT\$18. As of March 31, 2024, a total face value of NT\$2,898,300 thousand of convertible bonds was converted into 154,382 thousand ordinary shares of the Company.

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

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	62,436
Convertible bonds converted into ordinary shares	<u>(2,799,760)</u>
Liability component at December 31, 2022	1,573,814
Interest charged at an effective interest rate	3,381
Convertible bonds converted into ordinary shares	<u>(3,536)</u>
Liability component at March 31, 2024	<u>\$ 1,573,659</u>

- b. On March 9, 2023, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued in installments throughout 2023 with a limited total face value of \$8,000 million. Each bond has a face value of \$1,000 thousand. As of March 31, 2024, \$2,650 million had been issued.
- c. On March 8, 2024, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued in installments throughout 2024 with a limited total face value of \$8,000 million.

21. LEASE AGREEMENTS

- a. Right-of-use assets

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amounts			
Land	\$ 5,405,652	\$ 5,501,123	\$ 5,782,095
Buildings	2,994,329	3,106,392	3,330,549
Flight equipment	46,641,862	43,607,168	47,468,343
Other equipment	<u>16,401</u>	<u>16,400</u>	<u>14,669</u>
	<u>\$ 55,058,244</u>	<u>\$ 52,231,083</u>	<u>\$ 56,595,656</u>

	For the Three Months Ended March 31	
	2024	2023
Additions to right-of-use assets	<u>\$ 6,271,468</u>	<u>\$ 1,095,882</u>
Depreciation for right-of-use assets		
Land	\$ 102,348	\$ 103,413
Buildings	198,973	182,569
Flight equipment	3,019,780	3,188,889
Other equipment	<u>1,436</u>	<u>828</u>
	<u>\$ 3,322,537</u>	<u>\$ 3,475,699</u>

b. Lease liabilities

	March 31, 2024	December 31, 2023	March 31, 2023
Carrying amounts			
Current	<u>\$ 3,498,086</u>	<u>\$ 3,364,630</u>	<u>\$ 3,107,154</u>
Non-current	<u>\$ 16,624,453</u>	<u>\$ 15,783,549</u>	<u>\$ 15,370,394</u>

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

	March 31, 2024	December 31, 2023	March 31, 2023
Land	0%-1.80%	0%-1.80%	0%-1.80%
Buildings	0%-4.65%	0%-4.65%	0%-4.65%
Flight equipment	0.68%-5.73%	0.68%-5.73%	0.68%-3.34%
Other equipment	0%-1.65%	0%-1.65%	0%-1.43%

c. Financial liabilities under hedge accounting

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

	Maturity Date	Subject	Carrying Value
March 31, 2024	2024.5.1-2036.3.10	Financial liabilities for hedging - current	\$ 9,451,199
		Financial liabilities for hedging - non-current	29,307,041
December 31, 2023	2024.5.1-2034.12.31	Financial liabilities for hedging - current	8,766,634
		Financial liabilities for hedging - non-current	26,094,250
March 31, 2023	2023.9.13-2034.12.13	Financial liabilities for hedging - current	9,554,562
		Financial liabilities for hedging - non-current	29,716,985

Influence of comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)	Reclassified to Income
For the three months ended March 31, 2024	\$ (1,286,462)	\$ (79,349)
For the three months ended March 31, 2023	288,521	(28,698)

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased one A350-900 plane, ten 777-300ER planes, fifteen A330-300 planes, ten 737-800 planes, eight A320-200 planes, six A320neo planes, eleven A321neo planes, and three ATR72-600 planes for operation, lease periods are 4 to 16 years from May 2008 to March 2036. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents; floating rents are according to benchmark ratio, and the rent is revised every half year. When the lease expires, the lessee does not have purchase rights.

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

	March 31, 2024	December 31, 2023	March 31, 2023
Refundable deposits	\$ 521,207	\$ 384,035	\$ 549,947
Credit guarantees	1,822,416	1,755,126	2,111,975

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, please refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by \$924,669 thousand, \$921,583 thousand and \$912,387 thousand on March 31, 2024, December 31, 2023 and March 31, 2023, respectively.

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

e. Lease agreement signed but not yet delivered

In October 2019, the Company signed a rental contract for eight A321neo with CALC Lease Corporation, which is expected to be introduced between 2022 and 2025. As of March 31, 2024, five A321neo have been delivered.

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental contract for eight A320neo with ICBC Lease Corporation, which are expected to be delivered between 2021 and 2024. As of March 31, 2024, six A321neo have been delivered.

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

f. Aircraft leases

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

Finance lease receivables

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Undiscounted lease payments</u>			
Year 1	\$ 300,391	\$ 289,300	\$ -
Year 2	<u>125,163</u>	<u>192,866</u>	<u>-</u>
	425,554	482,166	-
Less: Unearned finance income	<u>(21,540)</u>	<u>(28,310)</u>	<u>-</u>
Net investment in leases presented as finance lease receivables	<u>\$ 404,014</u>	<u>\$ 453,856</u>	<u>\$ -</u>
Current	<u>\$ 281,012</u>	<u>\$ 265,955</u>	<u>\$ -</u>
Non-current	<u>\$ 123,002</u>	<u>\$ 187,901</u>	<u>\$ -</u>

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

g. Other lease information

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

	For the Three Months Ended March 31	
	2024	2023
Short-term leases and low-value asset leases	<u>\$ 23,492</u>	<u>\$ 18,158</u>
Total cash outflow for leases	<u>\$ (3,530,875)</u>	<u>\$ (3,918,344)</u>

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

22. OTHER PAYABLES

	March 31, 2024	December 31, 2023	March 31, 2023
Fuel costs	\$ 4,718,008	\$ 4,740,640	\$ 3,731,148
Short-term employee benefits	3,006,257	5,655,168	2,106,424
Repair expenses	1,851,660	1,967,750	1,748,801
Terminal surcharges	947,813	922,902	1,112,631
Ground service expenses	927,252	953,666	958,248
Commission expenses	237,033	277,088	132,704
Interest expenses	184,007	156,502	128,123
Others	<u>3,072,872</u>	<u>3,076,799</u>	<u>2,323,545</u>
	<u>\$ 14,944,902</u>	<u>\$ 17,750,515</u>	<u>\$ 12,241,624</u>

23. CONTRACT LIABILITIES

	March 31, 2024	December 31, 2023	March 31, 2023
Frequent flyer program	\$ 4,306,192	\$ 3,961,174	\$ 3,410,511
Advance ticket sales	25,891,640	25,476,241	21,341,146
Others	<u>23,650</u>	<u>-</u>	<u>15,459</u>
	<u>\$ 30,221,482</u>	<u>\$ 29,437,415</u>	<u>\$ 24,767,116</u>
Current			
Non-current	\$ 26,815,665	\$ 26,473,116	\$ 23,452,466
	<u>3,405,817</u>	<u>2,964,299</u>	<u>1,314,650</u>
	<u>\$ 30,221,482</u>	<u>\$ 29,437,415</u>	<u>\$ 24,767,116</u>

24. PROVISIONS

	March 31, 2024	December 31, 2023	March 31, 2023
Operating leases - aircraft	<u>\$ 20,835,766</u>	<u>\$ 19,608,003</u>	<u>\$ 21,872,879</u>
Current	\$ 2,750,930	\$ 2,742,402	\$ 4,585,889
Non-current	<u>18,084,836</u>	<u>16,865,601</u>	<u>17,286,990</u>
	<u>\$ 20,835,766</u>	<u>\$ 19,608,003</u>	<u>\$ 21,872,879</u>

	Aircraft Lease Contracts
Balance at January 1, 2024	\$ 19,608,003
Additional provisions recognized	1,171,115
Usage	(436,272)
Unwinding of discounts and effects of changes in the discount rate	(186)
Effect of foreign currency exchange differences	<u>493,106</u>
Balance at March 31, 2024	<u>\$ 20,835,766</u>
Balance at January 1, 2023	\$ 20,962,933
Additional provisions recognized	1,401,821
Usage	(417,836)
Effect of foreign currency exchange differences	<u>(74,039)</u>
Balance at March 31, 2023	<u>\$ 21,872,879</u>

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

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined retirement benefit plan was calculated using the actuarially determined pension cost discount rate as of December 31, 2023 and 2022.

	For the Three Months Ended March 31	
	2024	2023
Operating costs	\$ 214,582	\$ 222,504
Operating expenses	<u>84,920</u>	<u>88,754</u>
	<u>\$ 299,502</u>	<u>\$ 311,258</u>

26. EQUITY

a. Share capital

Ordinary shares

	March 31, 2024	December 31, 2023	March 31, 2023
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,515,407</u>	<u>\$ 60,513,407</u>	<u>\$ 60,135,374</u>

The Company issued the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$3,600 thousand and \$0, respectively, for the three months ended March 31, 2024 and 2023. The number of ordinary shares exchanged was 200 thousand and 0, respectively, and entitled to registration change after the issuance of new shares.

b. Capital surplus

	March 31, 2024	December 31, 2023	March 31, 2023
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,383,582	\$ 2,382,046	\$ 2,092,431
Dividend distributed to subsidiaries	2,680	2,680	1,725
Expired equity component of convertible bonds	958,386	958,221	929,548
<u>May only be used to offset a deficit (2)</u>			
Long-term investments	476,712	476,712	24,602
<u>May not be used for any purpose</u>			
Equity component of convertible bonds	<u>67,222</u>	<u>67,387</u>	<u>96,060</u>
	<u>\$ 3,888,582</u>	<u>\$ 3,887,046</u>	<u>\$ 3,144,366</u>

- 1) Such capital surplus 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 share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in the capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

The board of directors of the Company proposed to amend the Company Act on January 10, 2024, and the amendments are subject to the resolution of shareholders' meeting to be held on May 30, 2024. Under the dividend policy as set forth in the amended Company Act, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan. The profit can be distributed in the form of new shares or cash, and the cash dividends should be no less than 30% of the total dividends.

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

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

1) Appropriation of earnings in 2022

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

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

2) Appropriation of earnings in 2023

The appropriation of earnings in 2023, which was proposed by the Company's board of directors on April 18, 2024, is as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 637,399	\$ -
Special reserve	155,639	-
Cash dividends	4,176,580	0.69016808

The appropriation of earnings in 2023 is subject to the resolution of the shareholders in their meeting on May 30, 2024.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2023	\$ (4,298)	\$ 40,918	\$ (570,995)	\$ (534,375)
Exchange differences on translation of the financial statements of foreign operations	(3,446)	-	-	(3,446)
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	228,674	228,674
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	42,143	42,143
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(42,127)	-	(42,127)
Effects of income tax	<u>903</u>	<u>6,624</u>	<u>(57,755)</u>	<u>(50,228)</u>
Other comprehensive income (loss) recognized in the period	<u>(2,543)</u>	<u>(35,503)</u>	<u>213,062</u>	<u>175,016</u>
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>37,392</u>	<u>37,392</u>
Balance at March 31, 2023	<u>\$ (6,841)</u>	<u>\$ 5,415</u>	<u>\$ (320,541)</u>	<u>\$ (321,967)</u>

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance at January 1, 2024	\$ (12,965)	\$ 22,726	\$ (699,775)	\$ (690,014)
Exchange differences on translation of the financial statements of foreign operations	71,922	-	-	71,922
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	(650,913)	(650,913)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	85,916	85,916
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(50,922)	-	(50,922)
Effects of income tax	<u>(13,669)</u>	<u>10,060</u>	<u>224,593</u>	<u>220,984</u>
Other comprehensive income (loss) recognized in the period	58,253	(40,862)	(340,404)	(323,013)
Transferred to initial carrying amount of hedged items	<u>-</u>	<u>-</u>	<u>(78,721)</u>	<u>(78,721)</u>
Balance at March 31, 2024	<u>\$ 45,288</u>	<u>\$ (18,136)</u>	<u>\$ (1,118,900)</u>	<u>\$ (1,091,748)</u>

e. Non-controlling interests

	For the Three Months Ended March 31	
	2024	2023
Beginning balance	\$ 2,887,755	\$ 2,453,241
Net profit (loss) attributable to non-controlling interests	310,624	90,630
Exchange differences on translation of the financial statements of foreign operations	3,815	1,139
Cash flow hedge on changes in fair value of hedging instruments	1,236	(10)
Cumulative gain (loss) arising on changes in fair value of hedging instruments-reclassified to profit or loss	701	88
Effects of income tax	<u>(387)</u>	<u>(16)</u>
	5,365	1,201
Outstanding share options held by employees of subsidiaries	<u>-</u>	<u>5,227</u>
Ending balance	<u>\$ 3,203,744</u>	<u>\$ 2,550,299</u>

f. Treasury shares

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

(In Thousands of Shares)

Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the three months ended March 31, 2024	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the three months ended March 31, 2023	<u>2,075</u>	<u>-</u>	<u>2,075</u>
Subsidiary	Number of Shares (In Thousands)	Carrying Amount	Market Value
<u>March 31, 2024</u>			
Mandarin Airlines	2,075	<u>\$ 40,455</u>	<u>\$ 40,455</u>
<u>December 31, 2023</u>			
Mandarin Airlines	2,075	<u>\$ 44,916</u>	<u>\$ 44,916</u>
<u>March 31, 2023</u>			
Mandarin Airlines	2,075	<u>\$ 40,455</u>	<u>\$ 40,455</u>

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

27. NET INCOME

a. Revenue

	For the Three Months Ended March 31	
	2024	2023
Passenger	\$ 33,005,647	\$ 24,549,091
Cargo	12,313,170	15,704,004
Others	<u>3,325,741</u>	<u>2,438,813</u>
	<u>\$ 48,644,558</u>	<u>\$ 42,691,908</u>

b. Other income

	For the Three Months Ended March 31	
	2024	2023
Interest income	\$ 461,934	\$ 359,319
Others	<u>40,116</u>	<u>143,049</u>
	<u>\$ 502,050</u>	<u>\$ 502,368</u>

c. Other gains and losses

	For the Three Months Ended March 31	
	2024	2023
Gain on disposal of property, plant and equipment	\$ 372,581	\$ 9,911
Gain on financial assets mandatorily classified as at FVTPL	590	339
Reversal of impairment loss recognized on flight equipment	97,056	-
Net foreign exchange (loss) gain	(28,605)	89,149
Others	<u>(62,839)</u>	<u>(68,329)</u>
	<u>\$ 378,783</u>	<u>\$ 31,070</u>

d. Finance costs

	For the Three Months Ended March 31	
	2024	2023
Interest expense		
Bonds payable	\$ 34,906	\$ 30,530
Bank loans	199,250	277,180
Interest on lease liabilities	407,597	392,575
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	<u>13</u>	<u>378</u>
	<u>\$ 641,766</u>	<u>\$ 700,663</u>

(Continued)

	For the Three Months Ended March 31	
	2024	2023
Capitalization interest	<u>\$ 128,549</u>	<u>\$ 79,490</u>
Capitalization rate	1.84%-1.99%	1.64%-1.71% (Concluded)

e. Depreciation and amortization expense

	For the Three Months Ended March 31	
	2024	2023
Property, plant, equipment	\$ 3,878,876	\$ 4,297,634
Right-of-use assets	3,322,537	3,475,699
Investment properties	56	57
Intangible assets	<u>55,598</u>	<u>55,129</u>
Depreciation and amortization expense	<u>\$ 7,257,067</u>	<u>\$ 7,828,519</u>
An analysis of depreciation by function		
Operating costs	\$ 6,794,431	\$ 7,375,118
Operating expenses	<u>407,038</u>	<u>398,272</u>
	<u>\$ 7,201,469</u>	<u>\$ 7,773,390</u>
An analysis of amortization by function		
Operating costs	\$ 2,347	\$ 1,255
Operating expenses	<u>53,251</u>	<u>53,874</u>
	<u>\$ 55,598</u>	<u>\$ 55,129</u>

f. Employee benefits expense

	For the Three Months Ended March 31	
	2024	2023
Post-employment benefits		
Defined contribution plan	\$ 166,647	\$ 132,742
Defined benefit plan	<u>299,502</u>	<u>311,258</u>
	<u>\$ 466,149</u>	<u>\$ 444,000</u>
Other employee benefits		
Salary expenses	\$ 6,750,465	\$ 5,180,501
Personnel service expenses	<u>2,043,821</u>	<u>1,824,895</u>
	<u>\$ 8,794,286</u>	<u>\$ 7,005,396</u>

(Continued)

	For the Three Months Ended March 31	
	2024	2023
An analysis of employee benefits expense by function		
Operating costs	\$ 7,665,300	\$ 5,895,492
Operating expenses	<u>1,595,135</u>	<u>1,553,904</u>
	<u>\$ 9,260,435</u>	<u>\$ 7,449,396</u>
		(Concluded)

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the three months ended March 31, 2024 and 2023, the estimated amount of compensation of employees were \$112,759 thousand and \$47,122 thousand, respectively.

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

There was no difference between the actual appropriated amounts of compensation of employees and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

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

28. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expense are as follows:

	For the Three Months Ended March 31	
	2024	2023
Current tax		
Current year	\$ 714,231	\$ 47,593
Deferred tax		
Current year	<u>127,064</u>	<u>284,735</u>
Income tax expense recognized in profit or loss	<u>\$ 841,295</u>	<u>\$ 332,328</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended March 31	
	2024	2023
<u>Deferred tax</u>		
Recognized in other comprehensive income		
Translation of foreign operations	\$ (13,669)	\$ 903
Fair value changes of financial assets at FVTOCI	10,060	6,624
Fair value changes of hedging instruments for cash flow hedging	<u>224,206</u>	<u>(57,771)</u>
Total income tax recognized in other comprehensive income	<u>\$ 220,597</u>	<u>\$ (50,244)</u>

c. Income tax assessment

The income tax returns of the Company through 2021 have been examined by the tax authorities. Except Taiwan Airport Services, the income tax returns of the Company's subsidiaries through 2021 have been examined by the tax authorities.

29. EARNINGS PER SHARE

	For the Three Months Ended March 31	
	2024	2023
Basic earnings per share	<u>\$ 0.51</u>	<u>\$ 0.22</u>
Diluted earnings per share	<u>\$ 0.50</u>	<u>\$ 0.21</u>
Earnings used in the computation of basic earnings per share	\$ 3,099,290	\$ 1,305,854
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	<u>3,376</u>	<u>4,724</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 3,102,666</u>	<u>\$ 1,310,578</u>
<u>In thousands of shares</u>		
Weighted average number of ordinary shares in computation of basic earnings per share	6,049,340	6,011,463
Effect of potentially dilutive ordinary shares:		
Compensation of employees or bonuses issued to employees	15,184	6,765
Convertible bonds	<u>89,109</u>	<u>125,071</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>6,153,633</u>	<u>6,143,299</u>

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

30. CAPITAL MANAGEMENT

The goal, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 30 to the Group's consolidated financial statements for the year ended December 31, 2023.

31. FINANCIAL INSTRUMENTS

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

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

	<u>March 31, 2024</u>		<u>December 31, 2023</u>		<u>March 31, 2023</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial liabilities</u>						
Bonds payable	\$ 9,648,659	\$ 9,886,754	\$ 9,648,814	\$ 10,076,215	\$ 10,004,401	\$ 10,292,958

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

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

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

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

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

March 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 168,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,318</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 22,164	\$ 22,164
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>31,328</u>	<u>31,328</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,492</u>	<u>\$ 53,492</u>
Financial assets for hedging	<u>\$ 10,702,875</u>	<u>\$ 94,251</u>	<u>\$ 75,528</u>	<u>\$ 10,872,654</u>
Financial liabilities for hedging	<u>\$ 38,758,240</u>	<u>\$ -</u>	<u>\$ 2,109</u>	<u>\$ 38,760,349</u>

December 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 186,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 186,560</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 22,785	\$ 22,785
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>81,197</u>	<u>81,197</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,982</u>	<u>\$ 103,982</u>
Financial assets for hedging	<u>\$ 10,307,692</u>	<u>\$ 40,796</u>	<u>\$ 5,455</u>	<u>\$ 10,353,943</u>
Financial liabilities for hedging	<u>\$ 34,860,884</u>	<u>\$ 50,598</u>	<u>\$ 77,481</u>	<u>\$ 34,988,963</u>

March 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ <u>120,521</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>120,521</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 32,119	\$ 32,119
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>49,004</u>	<u>49,004</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,123</u>	<u>\$ 81,123</u>
Financial assets for hedging	\$ <u>3,963,415</u>	\$ <u>6,816</u>	\$ <u>24,556</u>	\$ <u>3,994,787</u>
Financial liabilities for hedging	\$ <u>39,271,547</u>	\$ <u>73,215</u>	\$ <u>41,793</u>	\$ <u>39,386,555</u>

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

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

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

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

The fair values of currency options and fuel options are determined using option pricing models where the significant unobservable inputs are implied fluctuation. Changes in the implied fluctuations used in isolation would result in an increase or decrease in the fair value of the currency options and fuel options and swap.

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

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

	Multiplier	Liquidity Discount
March 31, 2024	0.28-12.24	80%
December 31, 2023	0.60-12.24	80%
March 31, 2023	0.74-14.31	80%

The movements of financial instruments based on Level 3 fair value measurement were as follows:

	Derivative Instruments	Equity Instruments
Balance at January 1, 2024	\$ (72,026)	\$ 103,982
Recognized in other comprehensive income	<u>145,445</u>	<u>(50,490)</u>
Balance at March 31, 2024	<u>\$ 73,419</u>	<u>\$ 53,492</u>
Balance at January 1, 2023	\$ (16,761)	\$ 123,033
Recognized in other comprehensive income	<u>(2,278)</u>	<u>(41,910)</u>
Balance at March 31, 2023	<u>\$ (19,039)</u>	<u>\$ 81,123</u>

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

c. Categories of financial instruments

	March 31, 2024	December 31, 2023	March 31, 2023
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 168,318	\$ 186,560	\$ 120,521
Financial assets for hedging	10,872,654	10,353,943	3,994,787
Financial assets at amortized cost (Note 1)	51,917,366	47,256,565	58,295,299
Financial assets at FVTOCI - investments in equity instruments	53,492	103,982	81,123
<u>Financial liabilities</u>			
Financial liabilities for hedging	38,760,349	34,988,963	39,386,555
Financial liabilities at amortized cost (Note 2)	133,242,827	134,158,636	142,144,628

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

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

d. Financial risk management objectives and policies

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

In addition, the Company has a risk committee, which meets periodically to evaluate the performance of derivative instruments and determine the appropriate hedging percentage. 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 foreign exchange 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.

Sensitivity analysis

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

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

When New Taiwan dollars increased by one dollar against U.S. dollars and all other variables were held constant, there would be a increase in pre-tax profit and an increase in other comprehensive income for the year ended March 31, 2024 of \$4,970 thousand and \$785,787 thousand, respectively; and a decrease in pre-tax profit and an increase in other comprehensive income for the year ended March 31, 2023 of \$218,495 thousand and \$1,056,478 thousand, respectively.

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

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

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

Refer to Note 21 for rental contract for hedging.

March 31, 2024

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD/170,806 USD5,346	2024.4.22- 2024.11.27	29.919-30.693	Financial assets for hedging - current/ liabilities for hedging - current	\$ 6,412	\$ -
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD/2,779,553 USD87,000	2024.4.30- 2024.12.31	29.612-31.47	Financial assets for hedging - current/ liabilities for hedging - current	82,495	-

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aircraft prepayments in U.S. dollars) was \$88,907 thousand.

December 31, 2023

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD/251,908 USD8,187	2024.1.26- 2024.11.27	29.919-30.954	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 2,720
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD/3,569,231 USD 116,000	2024.1.31- 2024.10.31	29.37-31.581	Financial assets for hedging - current/ liabilities for hedging - current	40,796	42,370

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$(4,294) thousand.

March 31, 2023

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD141,114/ USD4,629	2023.4.10- 2023.9.27	29.631-30.702	Financial assets for hedging - current/ liabilities for hedging - current	\$ 239	\$ -
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD2,957,317/ USD97,000	2023.4.28- 2024.3.29	29.292-31.748	Financial assets for hedging - current/ liabilities for hedging - current	6,577	68,456

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals and aircraft prepayments in U.S. dollars) was \$(61,640) thousand.

For the three months ended March 31, 2024

Comprehensive Income	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ 9,132	\$ (3,306)	(Note)
Aircraft prepayments	<u>162,790</u>	<u>-</u>	
	<u>\$ 171,922</u>	<u>\$ (3,306)</u>	

Note: Decrease in operating costs or exchange loss.

For the three months ended March 31, 2024, the amount of hedging instrument settlements recognized as a decrease of aircraft prepayments were \$78,721 thousand.

For the three months ended March 31, 2023

Comprehensive Income	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ 437	\$ (410)	(Note)
Aircraft prepayments	<u>6,357</u>	<u>-</u>	
	<u>\$ 6,794</u>	<u>\$ (410)</u>	

Note: Decrease in operating costs or exchange loss.

For the three months ended March 31, 2023, the amount of hedging instrument settlements recognized as an increase of aircraft prepayments were \$37,392 thousand.

b) Interest rate risk

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

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

	March 31, 2024	December 31, 2023	March 31, 2023
Fair value interest rate risk	\$ 57,024,541	\$ 53,218,978	\$ 56,599,301
Cash flow interest rate risk	75,951,284	75,641,256	86,754,308

Sensitivity analysis

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

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Group's pre-tax profit for the three months ended March 31, 2024 and 2023 would have decreased by \$47,470 thousand and \$54,221 thousand, respectively.

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

March 31, 2024

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge - Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1 2027.5.24	1.39-1.58	Financial assets for hedging - current/ liabilities for hedging - non-current	\$ 5,344	\$ -

Note: The Company recognized interest receivable and interest payable for \$76 thousand and \$(44) thousand, respectively.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$5,344 thousand.

December 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge - Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1 2027.5.24	1.39-1.58	Financial assets for hedging - current/ liabilities for hedging - non-current	\$ -	\$ 5,508

Note: The Company recognized interest receivable and interest payable for \$76 thousand and \$(46) thousand, respectively.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(5,508) thousand.

March 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge - Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1 2027.5.24	1.39-1.58	Financial assets for hedging - current/ liabilities for hedging - non-current	\$ -	\$ 4,759

Note: The Company recognized interest receivable and interest payable for \$0 thousand and \$(167) thousand, respectively.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was \$(4,759) thousand.

For the three months ended March 31, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge-Interest expense on long-term borrowings	<u>\$ 10,852</u>	<u>\$ (13)</u>	(Note)

Note: Increase in finance costs or other losses.

For the three months ended March 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge-Interest expense on long-term borrowings	<u>\$ 2,173</u>	<u>\$ (378)</u>	(Note)

Note: Increase in finance costs or other losses.

c) Other price risk

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

March 31, 2024

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges Aviation fuel - fuel options	USD	NTD16,516	2024.6.30- 2024.12.31	USD60-USD102.5	Financial assets for hedging - current/ liabilities for hedging - current	\$ 18,626	\$ 2,109
Cash flow hedges Aviation fuel - swap	USD	NTD56,902	2024.6.30- 2024.12.31	USD74.04-USD84.6	Financial assets for hedging - current/ liabilities for hedging - current	56,902	-

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$73,419 thousand.

December 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges Aviation fuel - fuel options	USD	NTD7,533	2024.3.31-2024.9.30	USD60-USD102.5	Financial assets for hedging - current/ liabilities for hedging - current	\$ 4,036	\$ 11,590
Cash flow hedges Aviation fuel - swap	USD	NTD64,472	2024.3.31-2024.12.31	USD74.04-USD87.5	Financial assets for hedging - current/ liabilities for hedging - current	1,419	65,891

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(72,026) thousand.

March 31, 2023

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges Aviation fuel - fuel options	USD	NTD18,614	2023.6.30-2024.3.31	USD60-USD139	Financial assets for hedging - current/ liabilities for hedging - current	\$ 24,556	\$ 41,368
Cash flow hedges Aviation fuel - swap	USD	NTD425	2023.12.31	USD78	Financial assets for hedging - current/ liabilities for hedging - current	-	425

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$(19,039) thousand.

For the three months ended March 31, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - aviation fuel	\$ 145,445	\$ (3,949) (Note)

Note: Increase in operating costs.

For the three months ended March 31, 2023

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - aviation fuel	\$ (2,278)	\$ (12,745)	(Note)

Note: Increase in operating costs.

Sensitivity analysis

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

	For the Three Months Ended March 31			
	2024		2023	
	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 of 5%	\$ 10,139	\$ 3,671	\$ 1,208	\$ 952
Fuel price decrease of 5%	(8,010)	(3,671)	(1,208)	(952)

2) Credit risk

The objective, policies and procedure of credit risk management are the same as the consolidated financial statements for the year ended December 31, 2023. Related illustration can be referred to Note 31.

3) Liquidity risk

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

	Undrawn Bank Loan Commitments (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 36,435,323

Liquidity and interest risk rate table

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

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

March 31, 2024

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	3.0854	\$ 5,362,568	\$ 11,307,411	\$ 8,670,046
Floating interest rate liabilities	2.0001	23,729,698	28,962,449	14,203,046
Hedging instruments	3.3700	10,587,753	23,465,882	9,030,504
Bonds payable	1.3105	<u>4,850,109</u>	<u>4,989,544</u>	<u>-</u>
		<u>\$ 44,530,128</u>	<u>\$ 68,725,286</u>	<u>\$ 31,903,596</u>

December 31, 2023

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.8206	\$ 4,439,050	\$ 9,956,071	\$ 8,972,175
Floating interest rate liabilities	2.0095	20,034,592	32,043,243	15,677,622
Hedging instruments	3.0686	15,016,933	30,628,483	10,022,879
Bonds payable	1.3105	<u>4,850,264</u>	<u>4,989,543</u>	<u>-</u>
		<u>\$ 44,340,839</u>	<u>\$ 77,617,340</u>	<u>\$ 34,672,676</u>

March 31, 2023

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.5895	\$ 3,309,761	\$ 8,391,365	\$ 8,365,775
Floating interest rate liabilities	1.7477	17,297,034	50,236,983	10,663,652
Hedging instruments	2.8491	13,609,792	34,460,587	11,615,159
Bonds payable	1.0460	<u>2,454,645</u>	<u>7,734,465</u>	<u>-</u>
		<u>\$ 36,671,232</u>	<u>\$ 100,823,400</u>	<u>\$ 30,644,586</u>

32. RELATED-PARTY TRANSACTIONS

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

a. Related party name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays	Associate (completed the dissolution and liquidation procedures in June 2023)
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture (the resolution to dissolve was held at the provisional shareholders' meeting in October 2023, and the liquidation process has been currently in progress)
Delica International Co., Ltd.	Joint venture (the resolution to dissolve was held at the provisional shareholders' meeting in March 2024, and the liquidation process has been currently in progress)
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relative

b. Operating transactions

Account Items	Related Party Type	For the Three Months Ended March 31	
		2024	2023
Other income	Major shareholder of the Company	\$ 3,277	\$ 2,946
	Joint venture	\$ 7,817	\$ 17,175

c. Purchases

Related Party Type	For the Three Months Ended March 31	
	2024	2023
Major shareholders of the Company	\$ 7,117	\$ 6,253
Associate	\$ 56,717	\$ 80,322
Joint venture	\$ 733,688	\$ 498,194

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

Related Party Type	March 31, 2024	December 31, 2023	March 31, 2023
Major shareholders of the Company	\$ 1,045	\$ 13,966	\$ 1,668
Joint venture	<u>5,359</u>	<u>2,210</u>	<u>4,563</u>
	\$ <u>6,404</u>	\$ <u>16,176</u>	\$ <u>6,231</u>

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

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

Related Party Type	March 31, 2024	December 31, 2023	March 31, 2023
Major shareholders of the Company	\$ 1,936	\$ 5,100	\$ 3,279
Associate	22,507	19,980	32,766
Joint venture	<u>705,374</u>	<u>645,734</u>	<u>464,272</u>
	\$ <u>729,817</u>	\$ <u>670,814</u>	\$ <u>500,317</u>

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

f. Lease arrangements (operating leases)

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 based on usage hours. For the three months ended March 31, 2024 and 2023, the Company had paid rentals of about \$7,117 thousand and \$6,253 thousand, respectively.

g. Endorsements and guarantees

	March 31, 2024		December 31, 2023		March 31, 2023	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
<u>The Company</u>						
Cal Park	\$ 3,400,000	\$ 1,115,520	\$ 3,400,000	\$ 1,225,080	\$ 3,850,000	\$ 1,334,640
Tigerair Taiwan Co., Ltd.	2,987,604	300,141	2,877,292	289,059	2,850,976	284,457
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,653,250	2,000,000	1,675,500	2,000,000	1,517,000

h. Remuneration of key management personnel

	For the Three Months Ended March 31	
	2024	2023
Short-term employee benefits	\$ 24,454	\$ 22,250
Post-employment benefits	<u>971</u>	<u>800</u>
	<u>\$ 25,425</u>	<u>\$ 23,050</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	March 31, 2024	December 31, 2023	March 31, 2023
Property, plant and equipment	\$ 45,504,878	\$ 47,707,813	\$ 33,439,518
Restricted assets	<u>343,523</u>	<u>440,564</u>	<u>754,078</u>
	<u>\$ 45,848,401</u>	<u>\$ 48,148,377</u>	<u>\$ 34,193,596</u>

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

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at March 31, 2024 were as follows:

- a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with 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. TACT filed an application for a 10-year extension of the COP for the cargo terminals in the Taiwan Taoyuan International Airport and Kaohsiung International Airport and received the approval from Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

In addition, TACT filed an arbitration in 2012 to revise the total amount of expenditure to \$6,840,000 thousand. As of March 31, 2024, TACT had signed the following construction contracts with unrelated parties:

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

As of March 31, 2024, TACT had no outstanding payments of construction in process for construction equipment.

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

TACT shall pay royalties to Taoyuan Airport Corporation and CAA during the chartered operation period. The calculation is based on annual sales (including operating and non-operating revenue but excluding the rental revenue from specific districts), and Taoyuan Airport Corporation and CAA have the option to adjust the royalty rates every 3 years starting from the date of transfer of the chartered operation rights on the basis of actual revenue and expenditures. The current royalty rate is 6% for less than \$2 billion and 8% for \$2 billion to \$4 billion.

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

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

CAL Park shall pay land rentals on the date of the registration of surface rights. The rental rates during the development stage differ from those during the operational period. The rental rates shall follow Article No. 2 of the “Regulations for Favorable Rentals Regarding Public Land Lease and Superficies in Infrastructure Projects,” which states that rental calculation during the development stage shall include the land value added tax plus the necessary maintenance fee; during the operational 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 fees.

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

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

- c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,672,763 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of March 31, 2024, the list price had been paid in the amount of US\$109,171 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines for the A321neo. The total list price of the four engines is US\$60,289 thousand. As of March 31, 2024, two out of the four backup engines have been delivered. The Group also signed a related aircraft lease agreement; refer to Note 21.
- d. In July 2019 and August 2019, the Company signed a contract with Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,905,142 thousand. As of March 31, 2024, seven out of ten aircraft have been delivered. The total list price of the remaining three aircraft is US\$1,223,689 thousand, and the list price has been paid in the amount of US\$244,738 thousand (recognized as prepayments for aircraft).
- e. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircraft with the option to purchase eight 787-9 aircraft. On May 23 and June 20, 2023, the Company exercised the option to purchase eight aircraft, six 787-9 aircraft transferred to 787-10 aircraft, and twenty-four aircraft (including eighteen 787-9 aircraft and six 787-10 aircraft). The total list price is approximately US\$9,246,181 thousand. The expected delivery periods are from 2025 to 2028. As of March 31, 2024, the list price has been paid in the amount of US\$557,926 thousand (recognized as prepayments for aircraft).
- f. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2026 to 2027. As of March 31, 2024, the list price has been paid in the amount of US\$32,856 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines for A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of March 31, 2024, one out of the two backup engines has been delivered, and the other is expected to be delivered in 2024. The Group also signed a related aircraft lease agreement; refer to Note 21.
- g. On March 27, 2023, the board of directors of Mandarin Airlines approved to sign a contract with AVIONS DE TRANSPORT REGIONAL G.I.E. to purchase three ATR72-600 aircraft. The total amount of the contract is not more than US\$69,000 thousand. The expected delivery period is 2024. On May 30, 2023, the board of directors of Mandarin Airlines approved the activation of the original contract option for AVIONS DE TRANSPORT REGIONAL G.I.E. to order three more ATR72-600 aircraft. The total contract price is approximately US\$69,000 thousand. The expected delivery date is 2025. As of March 31, 2024, one out of six aircraft has been delivered. The list price of the remaining five aircraft has been paid in the amount of US\$9,572 thousand (recognized as prepayments for aircraft).

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

March 31, 2024

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,308,724	31.9489	\$ 41,812,280
EUR	23,287	34.4828	802,994
HKD	275,020	4.0883	1,124,366
JPY	3,170,448	0.2115	670,427
RMB	352,713	4.4267	1,561,367

Financial liabilities

Monetary items			
USD	2,191,828	31.9489	70,026,440
EUR	11,090	34.4828	382,397
HKD	82,838	4.0883	338,668
JPY	5,449,870	0.2115	1,152,436
RMB	116,253	4.4267	514,619

December 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,119,615	30.7692	\$ 34,449,664
EUR	20,145	34.0136	685,220
HKD	303,304	3.9324	1,192,712
JPY	3,162,264	0.2173	687,144
RMB	548,986	4.3290	2,376,559

Financial liabilities

Monetary items			
USD	1,494,906	30.7692	45,997,053
EUR	9,519	34.0136	323,789
HKD	72,440	3.9324	284,862
JPY	3,303,548	0.2173	717,887
RMB	101,866	4.3290	440,978

March 31, 2023

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,306,875	30.4878	\$ 39,843,757
EUR	40,434	33.2226	1,343,333
HKD	245,653	3.8790	952,883
JPY	5,831,344	0.2291	1,336,147
RMB	421,989	4.4405	1,873,840
<u>Financial liabilities</u>			
Monetary items			
USD	2,246,487	30.4878	68,490,457
EUR	8,720	33.2226	289,705
HKD	56,216	3.8790	218,062
JPY	4,490,232	0.2291	1,028,855
RMB	113,261	4.4405	502,935

For the three months ended March 31, 2024 and 2023, the Group's net foreign exchange (losses) gains were \$(28,605) thousand and \$89,149 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

36. ADDITIONAL DISCLOSURES

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

- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
- 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)
- 10) Trading in derivative instruments (Notes 6 and 31)
- b. Information on investments in mainland China: Table 7 (attached)
- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)
- d. Information of major shareholders: Table 9 (attached)

37. SEGMENT INFORMATION

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

For the three months ended March 31, 2024 and 2023, financial information of reportable segments is listed below:

	For the Three Months Ended March 31, 2024			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	<u>\$ 47,290,645</u>	<u>\$ 2,945,554</u>	<u>\$ (1,591,641)</u>	<u>\$ 48,644,558</u>
Operation profit and loss	<u>\$ 3,487,779</u>	<u>\$ 382,199</u>	<u>\$ (17,671)</u>	\$ 3,852,307
Interest revenue				461,934
Investment income (loss) accounted for using the equity method				159,835
Revenue				510,343
Financial costs				(641,766)
Expenses				<u>(91,444)</u>
Profit before income tax				<u>\$ 4,251,209</u>
Identifiable assets	<u>\$ 171,479,037</u>	<u>\$ 13,277,461</u>	<u>\$ (6,309,631)</u>	\$ 178,446,867
Investments accounted for using the equity method				1,916,703
Assets				<u>118,642,994</u>
Total assets				<u>\$ 299,006,564</u>

For the Three Months Ended March 31, 2023

	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	<u>\$ 41,825,634</u>	<u>\$ 2,225,713</u>	<u>\$ (1,359,439)</u>	<u>\$ 42,691,908</u>
Operation profit and loss	<u>\$ 1,778,756</u>	<u>\$ 64,000</u>	<u>\$ (16,997)</u>	\$ 1,825,759
Interest revenue				359,319
Investment income (loss) accounted for using the equity method				70,278
Revenue				242,448
Financial costs				(700,663)
Expenses				<u>(68,329)</u>
Profit before income tax				<u>\$ 1,728,812</u>
Identifiable assets	<u>\$ 175,901,444</u>	<u>\$ 14,314,030</u>	<u>\$ (5,822,522)</u>	\$ 184,392,952
Investments accounted for using the equity method				1,529,074
Assets				<u>108,382,509</u>
Total assets				<u>\$ 294,304,535</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Yes	\$ 111,821	\$ 111,821	\$ 111,821	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -	-	\$ -	\$ 164,899	\$ 329,798	

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

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	Cal Park Tigerair Taiwan Co., Ltd.	100% owned subsidiary 78.89% owned subsidiary by direct and indirect holdings	\$ 15,458,441 15,458,441	\$ 3,400,000 2,987,604	\$ 3,400,000 2,987,604	\$ 1,115,520 300,141	\$ - -	4.40 3.87	\$ 38,646,103 38,646,103	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	15,458,441	2,000,000	2,000,000	1,653,250	-	2.59	38,646,103	Yes	No	No

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2024

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2024				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Shares</u>							
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	16,724	\$ 20,855	13.59	\$ 22,940	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	1,672	2,085	-	-	Note 1
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	22,164	11.00	22,164	-
	China Aircraft Services Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	1,072	-	-	-	-
Mandarin Airlines	<u>Shares</u>							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	40,455	-	40,455	-
Cal-Asia Investment	<u>Shares</u>							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	8,388	5.45	8,388	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u>							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	1,394,266	22,015	-	22,015	-
	FTSA Money Market Fund	-	Financial assets at FVTPL - current	3,301,613	35,212	-	35,212	-
	CAPITAL Money Market Fund	-	Financial assets at FVTPL - current	441,409	7,345	-	7,345	-
Taiwan Airport Services	<u>Shares</u>							
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.4	-	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u>							
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	3,163,289	51,595	-	51,595	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	3,728,020	52,151	-	52,151	-

Note 1: The subsidiary's net asset value was \$22,940 thousand, which included ordinary shares and preference shares as of March 31, 2024.

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2024

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

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or Payable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Mandarin Airlines	Subsidiary	Sale	\$ (259,253)	(0.62)	2 months	\$ -	-	\$ 223,236	2.25	-
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	132,593	0.36	30 days	-	-	(48,917)	(1.80)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	283,720	0.78	40 days	-	-	(289,859)	(10.67)	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(125,213)	(0.30)	1 months	-	-	38,085	0.38	-
	Kaohsiung Catering Service, Ltd.	Subsidiary	Purchase	105,756	0.29	90 days	-	-	(67,299)	(2.48)	-
	China Pacific Catering Services	Equity-method investee	Purchase	688,633	1.89	90 days	-	-	(675,796)	(24.87)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

MARCH 31, 2024

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
China Pacific Catering Services	China Airlines	Parent company	\$ 675,796	4.26	\$ -	-	\$ 236,287	\$ -
Taoyuan International Airport Service	China Airlines	Parent company	289,859	3.97	-	-	125,728	-
China Airlines, Ltd.	Mandarin Airlines	Subsidiary	223,236	6.20	-	-	216,333	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Business and Product	Original Investment Amount		As of March 31, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2024	December 31, 2023	Number of Shares	Percentage of Ownership	Carrying Amount			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate lease and international trade	\$ 1,500,000	\$ 1,500,000	154,453,974	100.00	\$ 1,801,635	\$ 5,793	\$ 14,811	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,750,945	88,669	86,006	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,080,000	1,080,000	108,000,000	54.00	1,415,829	72,291	39,051	Note 4
	Cal-Dynasty International	Los Angeles, U.S.A.	A holding company, real estate and hotel services	US\$ 26,145	US\$ 26,145	2,614,500	100.00	1,489,861	17,258	16,952	Notes 2 and 4
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	909,585	278,373	141,970	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	464,801	102,300	50,127	-
	CAL-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,436	100.00	607,812	7,315	7,315	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	256,222	20,095	18,875	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	88,687	42,092	19,930	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	442,793	47,510	24,815	Note 5
	Cal Hotel Co., Ltd	Taoyuan, Taiwan	Hotel business	334,800	334,800	33,480,000	100.00	354,623	13,071	14,461	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	105,560	7,009	3,855	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	127,959	3,376	3,377	Note 4
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,423	9	2	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	6,240,018	6,240,018	337,624,477	75.19	3,832,932	861,228	647,622	Note 4
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	560,000	560,000	56,000,000	100.00	346,512	(30,624)	(30,624)	-	
NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	-	-	-	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	183,846	183,846	16,613,624	3.70	188,607	861,228	31,867	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,017	42,092	453	-
CAL-Asia Investment	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	50,892	2,135	744	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	421,756	6,468	6,492	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,630	-	-	-

Note 1: The treasury shares method is adopted in recognizing investment income or loss.

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

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

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

Note 5: The difference is due to acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

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

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2024	Accumulated Repatriation of Investment Income as of March 31, 2024
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,126,507 (RMB 254,480)	Indirect (Note 1)	\$ 133,737 (US\$ 4,186)	\$ -	\$ -	\$ 133,737 (US\$ 4,186)	\$ 26,033 (RMB 5,972)	14.00	\$ 3,672 (RMB 836)	\$ 265,855 (RMB 60,057)	\$ 135,821 (US\$ 4,251) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,974 (RMB 14,000)	Indirect (Note 1)	62,219 (US\$ 1,947)	-	-	62,219 (US\$ 1,947)	21,536 (RMB 4,940)	14.00	2,962 (RMB 692)	156,349 (RMB 35,319)	71,192 (US\$ 2,228) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,654,634 (US\$ 83,090)	Indirect (Note 1)	68,728 (US\$ 2,151)	-	-	68,728 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	372,620 (US\$ 11,663)	Indirect (Note 1)	20,320 (US\$ 636)	-	-	20,320 (US\$ 636)	-	5.45	-	8,388 (RMB 1,895)	22,841 (US\$ 715)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$285,004 (US\$8,920)	\$688,752 (Note 3)	\$48,297,571 (Note 4)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2024	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of March 31, 2024	Accumulated Repatriation of Investment Income as of March 31, 2024
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,126,507 (RMB 254,480)	Indirect (Note 5)	\$ 128,382 (US\$ 4,018)	\$ -	\$ -	\$ 128,382 (US\$ 4,018)	\$ 26,033 (RMB 5,972)	14.00	\$ 3,671 (RMB 836)	\$ 264,424 (RMB 59,734)	\$ 167,916 (US\$ 5,256)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,974 (RMB 14,000)	Indirect (Note 5)	61,558 (US\$ 1,927)	-	-	61,558 (US\$ 1,927)	21,536 (RMB 4,940)	14.00	2,961 (RMB 692)	156,408 (RMB 35,333)	88,165 (US\$ 2,760)

Accumulated Outward Remittance for Investment in Mainland China as of March 31, 2024	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$189,940 (US\$5,945)	\$189,940 (US\$5,945)	\$112,381 (Note 4)

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

Note 2: As of March 31, 2024, the inward remittance of earnings amounted to US\$4,251,192 and US\$2,228,304.

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

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

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE THREE MONTHS ENDED MARCH 31, 2024
(In Thousands of New Taiwan Dollars)**

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Mandarin Airlines	a	Air transport service revenue	\$ 241,025	The same as ordinary transactions	0.50
		Tigerair Taiwan Co., Ltd.	a	Other operating revenue	125,213	The same as ordinary transactions	0.26
		Taiwan Air Cargo Terminal	a	Other operating costs	132,593	The same as ordinary transactions	0.27
		Taoyuan International Airport Service	a	Airport service costs	283,720	The same as ordinary transactions	0.58
		Kaohsiung Catering Services	a	Other operating costs	105,756	The same as ordinary transactions	0.22
		Mandarin Airlines	a	Accounts receivable - related parties	223,236	The same as ordinary transactions	0.07
		Taoyuan International Airport Service	a	Accounts payable - related parties	289,859	The same as ordinary transactions	0.10
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	132,593	The same as ordinary transactions	0.27
2	Mandarin Airlines	China Airlines, Ltd.	b	Air transport service costs	241,025	The same as ordinary transactions	0.50
		China Airlines, Ltd.	b	Accounts payable and notes payable - related parties	223,236	The same as ordinary transactions	0.07
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	283,720	The same as ordinary transactions	0.58
		China Airlines, Ltd.	b	Accounts receivable - related parties	289,859	The same as ordinary transactions	0.10
4	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expenses	125,213	The same as ordinary transactions	0.26
5	Kaohsiung Catering Services	China Airlines, Ltd.	b	Operating revenue	105,756	The same as ordinary transactions	0.22

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

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

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

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

TABLE 9**CHINA AIRLINES, LTD.****INFORMATION OF MAJOR SHAREHOLDERS
MARCH 31, 2024**

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

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

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