

China Airlines, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2020 and 2019 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (the "Group") as of June 30, 2020 and 2019, the related consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the report of other auditors. The total assets of these subsidiaries were NT\$11,344,058 thousand and NT\$13,872,020 thousand, which represented 3.98% and 4.73% of the consolidated total assets as of June 30, 2020 and 2019, and for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the total revenue were NT\$19,215 thousand, NT\$2,389,810 thousand, NT\$1,638,292 thousand and NT\$4,905,056 thousand, which represented 0.07%, 5.57%, 2.78% and 5.89% of the consolidated total revenue, respectively.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of 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 included in the consolidated financial statements referred to in the first paragraph and some investments accounted for using the equity method were not reviewed. As of June 30, 2020 and 2019, the combined total assets of these non-significant subsidiaries were NT\$22,064,911 thousand and NT\$23,284,052 thousand, respectively, representing 7.75% and 7.94%, respectively, of the consolidated total assets, and combined total liabilities of these non-significant subsidiaries were NT\$11,850,552 thousand and

NT\$12,332,446 thousand, respectively, representing 5.24% and 5.24%, respectively, of the consolidated total liabilities; for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the amounts of the combined comprehensive income of these non-significant subsidiaries were NT\$(251,695) thousand, NT\$332,113 thousand, NT\$(355,476) thousand and NT\$557,817 thousand, respectively, representing (9.04%), (67.52%), (26.15%) and (79.31%), respectively, of the consolidated total comprehensive income. As of June 30, 2020 and 2019, the aforementioned investments accounted for using the equity method were NT\$2,056,661 thousand and NT\$2,367,567 thousand, respectively; and for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$(94,728) thousand, NT\$87,895 thousand, NT\$(119,222) thousand and NT\$157,799 thousand, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for by 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 June 30, 2020 and 2019, its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its cash flows for the six months ended June 30, 2020 and 2019 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.

The engagement partners on the reviews resulting in this independent auditors' review report are Huang, Jui Chan and Cheng, Shiuh Ran.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 6, 2020

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	June 30, 2020 (Reviewed)		December 31, 2019 (Audited)		June 30, 2019 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 34,217,741	12	\$ 28,459,528	10	\$ 23,348,904	8
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 32)	498,746	-	512,192	-	279,701	-
Financial assets at amortized cost - current (Notes 4, 9 and 32)	1,640,422	1	2,355,095	1	1,339,154	1
Financial assets for hedging - current (Notes 4 and 32)	1,576	-	9,626	-	38,572	-
Notes and accounts receivable, net (Notes 4, 5, 10 and 32)	8,362,976	3	8,520,834	3	9,865,930	3
Notes and accounts receivable - related parties (Notes 32 and 33)	1,314	-	10,348	-	10,338	-
Other receivables (Note 32)	566,495	-	774,206	-	1,229,387	-
Current tax assets (Notes 4 and 28)	83,711	-	54,689	-	37,123	-
Inventories, net (Notes 4 and 11)	7,898,734	3	8,470,113	3	8,220,667	3
Non-current assets held for sale (Notes 4 and 12)	69,287	-	-	-	-	-
Other assets - current (Note 18)	2,400,780	1	2,655,711	1	2,709,373	1
Total current assets	<u>55,741,782</u>	<u>20</u>	<u>51,822,342</u>	<u>18</u>	<u>47,079,149</u>	<u>16</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 32)	133,369	-	209,221	-	130,606	-
Financial assets at amortized cost (Notes 4, 9 and 32)	344,538	-	105,586	-	-	-
Investments accounted for using the equity method (Notes 4 and 14)	2,056,661	1	2,223,793	1	2,367,567	1
Property, plant and equipment (Notes 4, 5, 15 and 34)	138,715,341	49	145,886,971	50	158,181,473	54
Right-of-use assets (Notes 4, 21 and 34)	66,113,940	23	71,033,617	24	72,742,812	25
Investment properties (Notes 4 and 16)	2,074,932	1	2,075,068	1	2,075,205	1
Other intangible assets (Notes 4 and 17)	1,141,368	-	1,182,692	-	1,187,784	-
Deferred income tax asset (Notes 4, 5 and 28)	5,520,819	2	5,337,626	2	5,225,931	2
Other assets - non-current (Notes 18, 21, 32, 33 and 34)	12,871,410	4	13,171,063	4	4,131,020	1
Total non-current assets	<u>228,972,378</u>	<u>80</u>	<u>241,225,637</u>	<u>82</u>	<u>246,042,398</u>	<u>84</u>
TOTAL	<u>\$ 284,714,160</u>	<u>100</u>	<u>\$ 293,047,979</u>	<u>100</u>	<u>\$ 293,121,547</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term loans (Notes 19 and 32)	\$ 2,150,000	1	\$ 380,000	-	\$ -	-
Short-term bills payable (Note 19)	8,248,702	3	-	-	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 32)	2,491	-	11,749	-	-	-
Financial liabilities for hedging - current (Notes 3, 4, 21 and 32)	8,566,992	3	8,618,506	3	6,167,457	2
Notes and accounts payable (Note 32)	2,128,256	1	1,495,606	1	1,546,528	1
Notes and accounts payable - related parties (Note 33)	92,592	-	542,015	-	541,965	-
Other payables (Notes 22 and 32)	8,070,297	3	13,187,972	5	13,430,894	5
Current tax liabilities (Notes 4 and 28)	154,214	-	374,178	-	232,768	-
Lease liabilities - current (Notes 4 and 21)	2,537,067	1	2,340,873	1	4,561,017	2
Provisions - current (Notes 4, 24 and 32)	330,617	-	360,393	-	53,818	-
Contract liabilities - current (Notes 4, 5 and 23)	6,085,481	2	21,060,773	7	21,251,986	7
Bonds payable and put options of convertible bonds - current portion (Notes 4, 20 and 32)	11,542,384	4	10,000,000	3	6,600,000	2
Loans and debts - current portion (Notes 19, 32 and 34)	17,527,332	6	14,148,892	5	9,463,029	3
Other current liabilities (Note 32)	1,212,111	-	3,830,570	1	6,103,156	2
Total current liabilities	<u>68,648,536</u>	<u>24</u>	<u>76,351,527</u>	<u>26</u>	<u>69,952,618</u>	<u>24</u>
NON-CURRENT LIABILITIES						
Financial liabilities for hedging - non-current (Notes 4, 21 and 32)	38,661,467	14	42,420,205	15	33,206,454	11
Bonds payable - non-current (Notes 4, 20 and 32)	14,100,000	5	22,052,625	8	25,412,707	9
Loans and debts - non-current (Notes 19, 32 and 34)	65,052,216	23	53,514,891	18	56,579,627	19
Contract liabilities - non-current (Notes 4 and 23)	2,171,317	1	2,236,311	1	2,049,234	1
Provisions - non-current (Notes 4, 24 and 32)	12,592,800	4	10,011,464	3	9,469,265	3
Deferred tax liabilities (Notes 4 and 28)	662,612	-	557,142	-	193,631	-
Lease liabilities - non-current (Notes 4 and 21)	14,568,636	5	15,801,724	5	29,198,565	10
Accrued pension costs (Notes 4, 5 and 25)	9,286,159	3	9,435,035	3	8,662,756	3
Other non-current liabilities (Note 32)	565,707	-	534,938	-	622,134	-
Total non-current liabilities	<u>157,660,914</u>	<u>55</u>	<u>156,564,335</u>	<u>53</u>	<u>165,394,373</u>	<u>56</u>
Total liabilities	<u>226,309,450</u>	<u>79</u>	<u>232,915,862</u>	<u>79</u>	<u>235,346,991</u>	<u>80</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)						
Share capital	<u>54,209,846</u>	<u>19</u>	<u>54,209,846</u>	<u>19</u>	<u>54,209,846</u>	<u>19</u>
Capital surplus	<u>1,187,155</u>	<u>-</u>	<u>2,488,907</u>	<u>1</u>	<u>1,241,214</u>	<u>-</u>
Retained earnings (accumulated deficit)						
Legal reserve	-	-	466,416	-	466,416	-
Special reserve	-	-	12,967	-	12,967	-
Unappropriated retained earnings (accumulated deficit)	<u>(1,315,618)</u>	<u>-</u>	<u>(1,777,225)</u>	<u>-</u>	<u>(686,463)</u>	<u>-</u>
Total retained earnings (accumulated deficit)	<u>(1,315,618)</u>	<u>-</u>	<u>(1,297,842)</u>	<u>-</u>	<u>(207,080)</u>	<u>-</u>
Other equity	<u>1,397,973</u>	<u>1</u>	<u>1,196,233</u>	<u>-</u>	<u>(200,614)</u>	<u>-</u>
Treasury shares	<u>(30,875)</u>	<u>-</u>	<u>(43,372)</u>	<u>-</u>	<u>(43,372)</u>	<u>-</u>
Total equity attributable to owners of the Company	<u>55,448,481</u>	<u>20</u>	<u>56,553,772</u>	<u>20</u>	<u>54,999,994</u>	<u>19</u>
NON-CONTROLLING INTERESTS (Note 26)	<u>2,956,229</u>	<u>1</u>	<u>3,578,345</u>	<u>1</u>	<u>2,774,562</u>	<u>1</u>
Total equity	<u>58,404,710</u>	<u>21</u>	<u>60,132,117</u>	<u>21</u>	<u>57,774,556</u>	<u>20</u>
TOTAL	<u>\$ 284,714,160</u>	<u>100</u>	<u>\$ 293,047,979</u>	<u>100</u>	<u>\$ 293,121,547</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated August 6, 2020)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Notes 4, 27 and 34)	\$ 26,315,522	100	\$ 42,892,312	100	\$ 58,872,652	100	\$ 83,297,660	100
COSTS (Notes 4, 11, 17, 21, 24, 25, 27, 34 and 36)	<u>21,650,702</u>	<u>82</u>	<u>38,595,777</u>	<u>90</u>	<u>53,986,964</u>	<u>92</u>	<u>74,787,686</u>	<u>90</u>
GROSS PROFIT	4,664,820	18	4,296,535	10	4,885,688	8	8,509,974	10
OPERATING EXPENSES (Notes 4, 25 and 27)	<u>1,917,054</u>	<u>8</u>	<u>3,724,015</u>	<u>9</u>	<u>5,108,778</u>	<u>8</u>	<u>7,175,981</u>	<u>8</u>
OPERATING PROFIT (LOSS)	<u>2,747,766</u>	<u>10</u>	<u>572,520</u>	<u>1</u>	<u>(223,090)</u>	<u>-</u>	<u>1,333,993</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 27)	199,574	1	172,623	-	363,204	-	325,879	-
Other gains and losses (Notes 12, 15 and 27)	83,802	-	(170,434)	-	(70,288)	-	(236,875)	-
Finance costs (Notes 27 and 33)	(796,493)	(3)	(844,417)	(2)	(1,617,165)	(3)	(1,720,248)	(2)
Share of the profit (loss) of associates and joint ventures (Note 14)	<u>(94,728)</u>	<u>-</u>	<u>87,895</u>	<u>-</u>	<u>(119,222)</u>	<u>-</u>	<u>157,799</u>	<u>-</u>
Total non-operating income and expenses	<u>(607,845)</u>	<u>(2)</u>	<u>(754,333)</u>	<u>(2)</u>	<u>(1,443,471)</u>	<u>(3)</u>	<u>(1,473,445)</u>	<u>(2)</u>
PROFIT (LOSS) BEFORE INCOME TAX	2,139,921	8	(181,813)	(1)	(1,666,561)	(3)	(139,452)	-
INCOME TAX (BENEFIT) EXPENSE (Notes 4 and 28)	<u>(112,692)</u>	<u>(1)</u>	<u>109,077</u>	<u>-</u>	<u>(108,609)</u>	<u>(1)</u>	<u>298,314</u>	<u>1</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>2,252,613</u>	<u>9</u>	<u>(290,890)</u>	<u>(1)</u>	<u>(1,557,952)</u>	<u>(2)</u>	<u>(437,766)</u>	<u>(1)</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Gain on hedging instruments subject to basis adjustment	(30,722)	-	-	-	(10,817)	-	-	-
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	(76,376)	-	(18,971)	-	(73,807)	-	(2,065)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>20,126</u>	<u>-</u>	<u>4,275</u>	<u>-</u>	<u>16,021</u>	<u>-</u>	<u>851</u>	<u>-</u>
	<u>(86,972)</u>	<u>-</u>	<u>(14,696)</u>	<u>-</u>	<u>(68,603)</u>	<u>-</u>	<u>(1,214)</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 (Losses) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 26)	\$ (38,937)	-	\$ 2,370	-	\$ (57,000)	-	\$ 26,046	-
Gain (loss) on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 33)	815,915	3	(234,490)	-	392,976	-	(358,236)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	<u>(157,451)</u>	<u>(1)</u>	<u>45,799</u>	<u>-</u>	<u>(68,646)</u>	<u>-</u>	<u>67,842</u>	<u>-</u>
	<u>619,527</u>	<u>2</u>	<u>(186,321)</u>	<u>-</u>	<u>267,330</u>	<u>-</u>	<u>(264,348)</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>532,555</u>	<u>2</u>	<u>(201,017)</u>	<u>-</u>	<u>198,727</u>	<u>-</u>	<u>(265,562)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 2,785,168</u>	<u>11</u>	<u>\$ (491,907)</u>	<u>(1)</u>	<u>\$ (1,359,225)</u>	<u>(2)</u>	<u>\$ (703,328)</u>	<u>(1)</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 2,459,448	10	\$ (442,759)	(1)	\$ (1,313,885)	(2)	\$ (686,463)	(1)
Non-controlling interests	<u>(206,835)</u>	<u>(1)</u>	<u>151,869</u>	<u>-</u>	<u>(244,067)</u>	<u>(1)</u>	<u>248,697</u>	<u>-</u>
	<u>\$ 2,252,613</u>	<u>9</u>	<u>\$ (290,890)</u>	<u>(1)</u>	<u>\$ (1,557,952)</u>	<u>(3)</u>	<u>\$ (437,766)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 2,995,035	12	\$ (641,416)	(1)	\$ (1,112,145)	(2)	\$ (953,773)	(1)
Non-controlling interests	<u>(209,867)</u>	<u>(1)</u>	<u>149,509</u>	<u>-</u>	<u>(247,080)</u>	<u>-</u>	<u>250,445</u>	<u>-</u>
	<u>\$ 2,785,168</u>	<u>11</u>	<u>\$ (491,907)</u>	<u>(1)</u>	<u>\$ (1,359,225)</u>	<u>(2)</u>	<u>\$ (703,328)</u>	<u>(1)</u>
EARNINGS (LOSSES) PER SHARE (NEW TAIWAN DOLLARS; Note 29)								
Basic	<u>\$ 0.45</u>		<u>\$(0.08)</u>		<u>\$(0.24)</u>		<u>\$(0.13)</u>	
Diluted	<u>\$ 0.42</u>		<u>\$(0.08)</u>		<u>\$(0.24)</u>		<u>\$(0.13)</u>	

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

(With Deloitte & Touche auditors' review report dated August 6, 2020)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company											
	Retained Earnings					Other Equity		Gain (Loss) on Hedging Instruments	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income					
BALANCE AT JANUARY 1, 2019	\$ 54,209,846	\$ 1,241,214	\$ 351,923	\$ 118,810	\$ 1,144,928	\$ (9,664)	\$ 42,619	\$ 25,268	\$ (43,372)	\$ 57,081,572	\$ 2,965,512	\$ 60,047,084
Appropriation of 2018 earnings												
Legal reserve	-	-	114,493	-	(114,493)	-	-	-	-	-	-	-
Special reserve	-	-	-	(105,843)	105,843	-	-	-	-	-	-	-
Cash dividends - \$0.20960737	-	-	-	-	(1,136,278)	-	-	-	-	(1,136,278)	-	(1,136,278)
Net profit (loss) for the six months ended June 30, 2019	-	-	-	-	(686,463)	-	-	-	-	(686,463)	248,697	(437,766)
Other comprehensive loss for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	19,706	(1,214)	(285,802)	-	(267,310)	1,748	(265,562)
Total comprehensive income (loss) for the six months ended June 30, 2019	-	-	-	-	(686,463)	19,706	(1,214)	(285,802)	-	(953,773)	250,445	(703,328)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(416,438)	(416,438)
Loss of control of subsidiaries	-	-	-	-	-	8,368	105	-	-	8,473	(24,957)	(16,484)
BALANCE AT JUNE 30, 2019	\$ 54,209,846	\$ 1,241,214	\$ 466,416	\$ 12,967	\$ (686,463)	\$ 18,410	\$ 41,510	\$ (260,534)	\$ (43,372)	\$ 54,999,994	\$ 2,774,562	\$ 57,774,556
BALANCE AT JANUARY 1, 2020	\$ 54,209,846	\$ 2,488,907	\$ 466,416	\$ 12,967	\$ (1,777,225)	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ (43,372)	\$ 56,553,772	\$ 3,578,345	\$ 60,132,117
Appropriation of 2019 earnings												
Legal reserve	-	-	(466,416)	-	466,416	-	-	-	-	-	-	-
Special reserve	-	-	-	(12,967)	12,967	-	-	-	-	-	-	-
Capital surplus used to cover accumulated deficit	-	(1,297,843)	-	-	1,297,843	-	-	-	-	-	-	-
Net profit (loss) for the six months ended June 30, 2020	-	-	-	-	(1,313,885)	-	-	-	-	(1,313,885)	(244,067)	(1,557,952)
Other comprehensive income for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(43,304)	(59,949)	304,993	-	201,740	(3,013)	198,727
Total comprehensive income (loss) for the six months ended June 30, 2020	-	-	-	-	(1,313,885)	(43,304)	(59,949)	304,993	-	(1,112,145)	(247,080)	(1,359,225)
Disposal of treasury shares	-	(3,909)	-	-	(1,734)	-	-	-	12,497	6,854	-	6,854
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(375,036)	(375,036)
BALANCE AT JUNE 30, 2020	\$ 54,209,846	\$ 1,187,155	\$ -	\$ -	\$ (1,315,618)	\$ (98,011)	\$ 47,313	\$ 1,448,671	\$ (30,875)	\$ 55,448,481	\$ 2,956,229	\$ 58,404,710

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

(With Deloitte & Touche auditors' review report dated August 6, 2020)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended	
	June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,666,561)	\$ (139,452)
Adjustments for:		
Depreciation expenses	16,021,382	16,490,382
Amortization expenses	105,557	101,533
Expected credit loss recognized on trade receivables	2,522	14,382
Net gain on fair value changes of financial assets and liabilities held for trading	(1,930)	(23,042)
Interest income	(180,111)	(194,430)
Dividend income	(7,417)	(6,700)
Share of loss (profit) of associates and joint ventures	119,222	(157,799)
Gain on disposal of property, plant and equipment	(6,880)	(5,458)
Loss on disposal of non-current assets held for sale	-	10,462
Gain on disposal of investments	-	(7,656)
Loss on inventory and property, plant and equipment	325,297	381,788
Net (gain) loss on foreign currency exchange	(252,373)	476,460
Finance costs	1,617,165	1,720,248
Recognition of provisions	3,294,263	2,100,313
Others	879	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	15,820	15,846
Financial liabilities classified as at fair value through profit or loss	(9,258)	(68,379)
Notes and accounts receivable	187,671	195,574
Accounts receivable - related parties	756,951	(192,866)
Other receivables	146,089	(246,963)
Inventories	830,140	300,303
Other current assets	681,984	710,277
Notes and accounts payable	196,379	(489,142)
Accounts payable - related parties	(1,219,579)	105,013
Other payables	(4,600,240)	(168,563)
Contract liabilities	(15,040,287)	1,851,965
Provisions	(612,080)	(1,452,256)
Other current liabilities	(2,615,031)	517,947
Accrued pension liabilities	(148,876)	(140,528)
Other liabilities	(27,267)	1,060
Cash (used in) generated from operations	(2,086,569)	21,700,319
Interest received	175,460	184,615
Dividends received	46,012	658,408
Interest paid	(1,730,469)	(1,735,507)
Income tax paid	(145,226)	(265,436)
Net cash (used in) generated from operating activities	<u>(3,740,792)</u>	<u>20,542,399</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of amortized cost financial assets	\$ (1,514,154)	\$ (1,345,902)
Disposal of amortized cost financial assets	1,683,931	3,640,441
Proceeds from disposal of non-current assets held for sale	-	35,692
Payments for property, plant and equipment	(479,254)	(2,638,353)
Proceeds from disposal of property, plant and equipment	12,310	38,428
Increase in refundable deposits	(62,023)	(141,954)
Decrease in refundable deposits	34,426	131,469
Increase in prepayments for equipment	(2,586,640)	(4,094,312)
Increase in computer software costs	(64,235)	(81,022)
Increase in restricted assets	8,992	(6,844)
Net cash outflow on disposal of associates (Note 31)	<u>-</u>	<u>(17,413)</u>
Net cash used in investing activities	<u>(2,966,647)</u>	<u>(4,479,770)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	1,770,000	-
Increase in short-term bills payable	8,248,702	-
Proceeds from issuance of bonds payable	-	3,500,000
Repayments of bonds payable	(6,450,000)	(4,445,900)
Proceeds from long-term debts	30,589,678	1,726,863
Repayments of long-term debts	(15,673,913)	(12,117,617)
Repayments of the principal portion of lease liabilities	(5,434,431)	(5,810,165)
Proceeds of guarantee deposits received	42,027	80,786
Refunds of guarantee deposits received	(107,945)	(74,443)
Cash dividends paid to non-controlling interests	(375,036)	(416,438)
Proceeds from disposal of treasury shares	<u>6,854</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>12,615,936</u>	<u>(17,556,914)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(150,284)</u>	<u>(94,348)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,758,213	(1,588,633)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>28,459,528</u>	<u>24,937,537</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 34,217,741</u>	<u>\$ 23,348,904</u>

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

(With Deloitte & Touche auditors' review report dated August 6, 2020)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

1. GENERAL INFORMATION

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

The major shareholders of the Company are the China Aviation Development Foundation (CADF) and the National Development Fund (NDF), Executive Yuan. As of June 30, 2020, December 31, 2019 and June 30, 2019, CADF and NDF held a combined 44.03% of the Company’s shares.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) were approved by the board of directors and authorized for issue on August 6, 2020.

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

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

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

Amendment to IFRS 16 “Covid-19-Related Rent Concessions”

The Group elected to apply the practical expedient provided in the amendment to IFRS 16 with respect to rent concessions negotiated with the lessor as a direct consequence of the COVID-19. Related accounting policies are stated in Note 4. Before the application of the amendment, the Group was required to determine whether the abovementioned rent concessions are lease modifications and thus have to be accounted for as lease modifications.

The Group applied the amendment from January 1, 2020. Retrospective application of the amendment has no impact on the retained earnings as of January 1, 2020.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
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 IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” are applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

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 that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2019.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements reporting principles are the same as those in the consolidated financial statements for the year ended December 31, 2019.

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.

Business Combinations

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Group directly disposed of the related assets or liabilities.

Lease

The Group negotiates with the lessor for rent concessions as a direct consequence of the Covid-19 to change the lease payments originally due by June 30, 2021, that results in the revised consideration for the lease substantially the same as, or less than, the consideration for the lease immediately preceding the change. There is no substantive change to other terms and conditions. The Group elects to apply the practical expedient to rent concessions for the abovementioned lease contracts, and therefore, does not assess whether the rent concessions are lease modifications. Instead, the Group recognizes the reduction in lease payment in profit or loss in the period in which the events or conditions that trigger the concession occurs, and makes a corresponding adjustment to the lease liability.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical 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, 2019.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and revolving funds	\$ 118,222	\$ 483,951	\$ 227,671
Checking accounts and demand deposits	16,589,082	7,206,938	9,234,222
Cash equivalent			
Time deposits with original maturities of less than three months	15,220,214	16,565,821	12,569,690
Repurchase agreements collateralized by bonds	<u>2,290,223</u>	<u>4,202,818</u>	<u>1,317,321</u>
	<u>\$ 34,217,741</u>	<u>\$ 28,459,528</u>	<u>\$ 23,348,904</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Bank balance	0%-1.90%	0%-1.90%	0%-1.90%
Time deposits with original maturities of less than three months	0.34%-2.80%	0.59%-3.55%	0.59%-3.50%
Repurchase agreements collateralized by bonds	0.30%-1.10%	0.47%-0.70%	0.43%-2.83%

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

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets at FVTPL - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial instruments (not under hedge accounting)			
Foreign exchange forward contracts	\$ -	\$ 434	\$ 5,447
Non-derivative financial assets			
Beneficial certificates	<u>498,746</u>	<u>511,758</u>	<u>274,254</u>
	<u>\$ 498,746</u>	<u>\$ 512,192</u>	<u>\$ 279,071</u>
<u>Financial liabilities - current</u>			
Financial liabilities held for trading			
Derivative financial instruments (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 2,491</u>	<u>\$ 11,749</u>	<u>\$ -</u>

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

	Currency	Maturity Date	Notional Amount (In Thousands)
<u>June 30, 2020</u>			
Buy forward contracts	NTD/USD	2020.7.23-2020.7.31	NTD59,347/USD 2,000
<u>December 31, 2019</u>			
Buy forward contracts	NTD/USD	2020.1.15-2020.7.31	NTD570,571/USD19,000
<u>June 30, 2019</u>			
Buy forward contracts	NTD/USD	2019.7.29-2019.10.29	NTD155,280/USD5,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 111,018	\$ 182,356	\$ 106,669
Domestic investments			
Unlisted shares	<u>22,351</u>	<u>26,865</u>	<u>23,937</u>
	<u>\$ 133,369</u>	<u>\$ 209,221</u>	<u>\$ 130,606</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Time deposits with original maturities of more than 3 months (e)	\$ 1,640,121	\$ 2,354,794	\$ 1,339,154
Governmental bonds	<u>301</u>	<u>301</u>	<u>-</u>
	<u>\$ 1,640,422</u>	<u>\$ 2,355,095</u>	<u>\$ 1,339,154</u>
<u>Non-current</u>			
xxx	<u>\$ 344,538</u>	<u>\$ 105,586</u>	<u>\$ -</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.40%-2.75%, 0.60%-2.75% and 0.40%-2.80% per annum as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Notes receivable</u>	<u>\$ 15,658</u>	<u>\$ 299,245</u>	<u>\$ 608,079</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	8,568,023	8,440,254	9,464,819
Less: Allowance for impairment loss	<u>(220,705)</u>	<u>(218,665)</u>	<u>(206,968)</u>
	<u>8,347,318</u>	<u>8,221,589</u>	<u>9,257,851</u>
	<u>\$ 8,362,976</u>	<u>\$ 8,520,834</u>	<u>\$ 9,865,930</u>

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

The Group applies the simplified approach to allowing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss allowance for all trade receivables. The expected credit losses on accounts receivables 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 for loss allowance based on past due status is not further distinguished according to the different segments of the Group's customer base.

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

June 30, 2020

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.05%	0.34%	2.12%	12.55%	97.84%	
Gross carrying amount	\$ 7,661,711	\$ 395,658	\$ 181,405	\$ 129,490	\$ 199,759	\$ 8,568,023
Loss allowance (lifetime ECLs)	<u>(3,828)</u>	<u>(1,329)</u>	<u>(3,853)</u>	<u>(16,257)</u>	<u>(195,438)</u>	<u>(220,705)</u>
Amortized cost	<u>\$ 7,657,883</u>	<u>\$ 394,329</u>	<u>\$ 177,552</u>	<u>\$ 113,233</u>	<u>\$ 4,321</u>	<u>\$ 8,347,318</u>

December 31, 2019

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.12%	0.15%	6.16%	15.25%	97.18%	
Gross carrying amount	\$ 6,705,662	\$ 1,332,640	\$ 97,700	\$ 113,716	\$ 190,536	\$ 8,440,254
Loss allowance (lifetime ECLs)	<u>(8,123)</u>	<u>(2,019)</u>	<u>(6,021)</u>	<u>(17,340)</u>	<u>(185,162)</u>	<u>(218,665)</u>
Amortized cost	<u>\$ 6,697,539</u>	<u>\$ 1,330,621</u>	<u>\$ 91,679</u>	<u>\$ 96,376</u>	<u>\$ 5,374</u>	<u>\$ 8,221,589</u>

June 30, 2019

	Not Past Due	Up to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.06%	0.21%	1.12%	19.48%	97.46%	-
Gross carrying amount	\$ 7,400,031	\$ 1,484,996	\$ 306,445	\$ 90,263	\$ 183,084	\$ 9,464,819
Loss allowance (lifetime ECLs)	<u>(4,339)</u>	<u>(3,169)</u>	<u>(3,445)</u>	<u>(17,579)</u>	<u>(178,436)</u>	<u>(206,968)</u>
Amortized cost	<u>\$ 7,395,692</u>	<u>\$ 1,481,827</u>	<u>\$ 303,000</u>	<u>\$ 72,684</u>	<u>\$ 4,648</u>	<u>\$ 9,257,851</u>

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

	For the Six Months Ended	
	2020	2019
Balance at January 1	\$ 218,665	\$ 227,306
Add: Net remeasurement of loss allowance	2,522	14,382
Less: Amounts written off	(490)	(34,703)
Foreign exchange gains and losses	8	-
Loss of control of subsidiaries	<u>-</u>	<u>(17)</u>
Balance at June 30	<u>\$ 220,705</u>	<u>\$ 206,968</u>

11. INVENTORIES, NET

	June 30, 2020	December 31, 2019	June 30, 2019
Aircraft spare parts	\$ 7,123,806	\$ 7,578,125	\$ 7,342,824
Items for in-flight sale	627,587	571,601	563,877
Work in process - maintenance services	124,713	283,933	285,396
Others	<u>22,628</u>	<u>36,454</u>	<u>28,570</u>
	<u>\$ 7,898,734</u>	<u>\$ 8,470,113</u>	<u>\$ 8,220,667</u>

The operating costs for the six months ended June 30, 2020 and 2019 included losses from inventory write-downs of \$197,219 thousand and \$266,052 thousand, respectively. And the operating costs for the three months ended June 30, 2020 and 2019 included losses from inventory write-downs of \$57,756 thousand and \$3,078 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2020	December 31, 2019	June 30, 2019
Aircraft held for sale	<u>\$ 69,287</u>	<u>\$ -</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 impairment losses of \$0 for the six months ended June 30, 2020 and 2019. Some aircraft had completed the planned disposal procedures, and the Company recognized the disposal losses of \$10,462 thousand for the three months ended March 31, 2019.

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

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
China Airlines, Ltd.	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investing	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Yestrip	Travel business	100	100	100
	Cal Park	Real estate leasing and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	94	94	94

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			June 30, 2020	December 31, 2019	June 30, 2019
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	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
	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	77	77	100
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Kaohsiung Catering Service, Ltd.	In-flight catering	54	54	54
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investing	100	100	100

(Concluded)

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

Except that the Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express, the others are investees that the Company had more than 50% of their voting shares. The above financial information of the subsidiaries for the six months ended June 30, 2020 and 2019 of these subsidiaries was reported according to reports that was not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

In order to prepare the listing of Tigerair Taiwan Co., Ltd. and comply with the rules relating to the examination for public listing, the release of the shares of Tigerair Taiwan Co., Ltd. held by the Company and Mandarin Airlines was resolved in the shareholders' meeting of the Company on June 25, 2019, and in the shareholders' meeting of Mandarin Airlines on June 27, 2019. The shares shall be subscribed by all shareholders of the Company and Mandarin Airlines on the basis of the percentage of shareholdings. For the subscribed shares that the original shareholders waived or for the undersubscribed portion, the chairman was authorized to contact specific persons to subscribe. The subscription price was set at \$41 per share. In October and December 2019, the share price was fully paid and the shares were completely delivered and transferred. A total amount of 45,661,000 shares was disposed, and the proportion of ownership decreased to 77%. The proceeds from disposal were \$1,866,474 thousand. Since the Company did not loss control of the subsidiary, the related gain on disposal was \$1,254,633 thousand and recognized in the capital surplus account.

Tigerair Taiwan Co., Ltd. plans to issue ordinary shares for cash, the board of directors of the Company approved the plan on August 6, 2020. The upper limit of the total amount of the transaction is \$2,000,000 thousand, and the actual transaction price and shares are to be decided after Tigerair Taiwan Co., Ltd approved the issuance.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in associates	\$ 1,128,815	\$ 1,208,495	\$ 1,275,351
Investments in jointly controlled entities	<u>927,846</u>	<u>1,015,298</u>	<u>1,092,216</u>
	<u>\$ 2,056,661</u>	<u>\$ 2,223,793</u>	<u>\$ 2,367,567</u>

a. Investments in associates

The investments in associates were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Unlisted companies</u>			
China Aircraft Services	\$ 377,985	\$ 461,263	\$ 510,687
Dynasty Holidays	8,397	10,004	11,034
Airport Air Cargo Terminal (Xiamen)	448,464	446,161	457,084
Airport Air Cargo Service (Xiamen)	250,922	248,350	248,676
Eastern United International Logistics (Holdings) Ltd.	<u>43,047</u>	<u>42,717</u>	<u>47,870</u>
	<u>\$ 1,128,815</u>	<u>\$ 1,208,495</u>	<u>\$ 1,275,351</u>

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

Name of Associate	Proportion of Ownership and Voting Rights		
	June 30, 2020	December 31, 2019	June 30, 2019
China Aircraft Services	20%	20%	20%
Dynasty Holidays	20%	20%	20%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd.	35%	35%	35%

The recognized investment income of associates accounted for using the equity method were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
China Aircraft Services	\$ (31,532)	\$ 5,059	\$ (61,232)	\$ 6,909
Dynasty Holidays	(1,068)	607	(1,644)	604
Airport Air Cargo Terminal (Xiamen)	10,925	6,368	13,900	10,508
Airport Air Cargo Service (Xiamen)	4,171	6,969	9,114	13,398
Eastern United International Logistics (Holdings) Ltd.	<u>725</u>	<u>1,677</u>	<u>1,450</u>	<u>3,334</u>
	<u>\$ (16,779)</u>	<u>\$ 20,680</u>	<u>\$ (38,412)</u>	<u>\$ 34,753</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 the associates' financial statements which have not been reviewed. However, the management determined that there would have been no significant adjustments to the related information presented in these consolidated financial statements had this investee's financial statements been independently reviewed.

The board of directors of the Company decided to sell part of the equity of Dynasty Holidays to H.I.S. Taiwan Co., Ltd. on January 21, 2019 and completed the transaction on January 31, 2019. After the disposal of the equity, the Group's shareholding of the issued share capital decreased from 51% to 20%. Dynasty Holidays was classified as an associate since the Group lost control of the subsidiary. Therefore, the relevant assets and liabilities were not consolidated in the current period, and only the profit and loss from January 1, 2019 to January 31, 2019 were consolidated. For information on the disposal of the subsidiary, refer to Note 30.

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
China Pacific Catering Services	\$ 729,181	\$ 801,071	\$ 921,127
China Pacific Laundry Services	152,976	168,547	160,861
Nordam Asia Ltd.	37,821	37,813	2,358
Delica International Co., Ltd.	<u>7,868</u>	<u>7,867</u>	<u>7,870</u>
	<u>\$ 927,846</u>	<u>\$ 1,015,298</u>	<u>\$ 1,092,216</u>

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

	Proportion of Ownership and Voting Rights		
	June 30, 2020	December 31, 2019	June 30, 2019
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 sides have the right to make major motion vetoes on the board of directors, and therefore, the Group does not have control.

To enhance the Group's maintenance capabilities, the Company established a joint venture with the US NORDAM Aerospace Group in December 2017, planning to provide thrust reversers and composite repair services in Asia under the NORDAM brand. NORDAM has filed for Chapter 11 bankruptcy reorganization in the USA on July 22, 2018 to solve the business disputation with their cooperative partner, so their company operation was not impacted. As a result, NORDAM Asia suspended its operation from October 5, 2018 to October 4, 2019 and resumed business on October 4, 2019. The Company increased the capital of NORDAM Asia by \$35,525 thousand in November 2019.

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

The recognized investment income of jointly controlled entities accounted for using the equity method were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
China Pacific Catering Services	\$ (70,479)	\$ 62,855	\$ (71,890)	\$ 115,970
China Pacific Laundry Services	(7,479)	4,360	(8,928)	7,076
NORDAM Asia Ltd.	9	-	8	-
Delica International Co., Ltd.	-	-	-	-
	<u>\$ (77,949)</u>	<u>\$ 67,215</u>	<u>\$ (80,810)</u>	<u>\$ 123,046</u>

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments were based on the jointly controlled entities' financial statements which have not been reviewed. 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 5 and 6 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 1,015,564	\$ 13,993,585	\$ 259,695,130	\$ 25,805,008	\$ 17,917,780	\$ 318,427,067
Additions	-	25,623	2,105,992	-	506,738	2,638,353
Disposals	-	(751)	(1,823,636)	(668,721)	(191,330)	(2,684,438)
Reclassification	-	-	28,070,020	(25,131,813)	297,578	3,235,785
Net exchange differences	5,067	9,014	-	-	924	15,005
Loss of control of subsidiaries	-	-	-	(4,474)	(2,158)	(6,632)
Balance at June 30, 2019	<u>\$ 1,020,631</u>	<u>\$ 14,027,471</u>	<u>\$ 288,047,506</u>	<u>\$ -</u>	<u>\$ 18,529,532</u>	<u>\$ 321,625,140</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ (6,574,873)	\$ (123,507,657)	\$ (14,634,822)	\$ (10,601,997)	\$ (155,319,349)
Depreciation expenses	-	(219,666)	(9,350,459)	(627,716)	(466,346)	(10,664,187)
Disposals	-	751	1,716,659	638,039	188,765	2,544,214
Reclassification	-	-	(14,621,872)	14,622,387	689	1,204
Net exchange differences	-	(4,481)	-	-	(4,907)	(9,388)
Loss of control of subsidiaries	-	-	-	2,112	1,727	3,839
Balance at June 30, 2019	<u>\$ -</u>	<u>\$ (6,798,269)</u>	<u>\$ (145,763,329)</u>	<u>\$ -</u>	<u>\$ (10,882,069)</u>	<u>\$ (163,443,667)</u>
Balance at June 30, 2019, net value	<u>\$ 1,020,631</u>	<u>\$ 7,229,202</u>	<u>\$ 142,284,177</u>	<u>\$ -</u>	<u>\$ 7,647,463</u>	<u>\$ 158,181,473</u>

(Continued)

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
<u>Cost</u>						
Balance at January 1, 2020	\$ 1,002,499	\$ 16,084,063	\$ 272,077,692	\$ -	\$ 16,846,835	\$ 306,011,089
Additions	-	16,078	261,851	-	201,325	479,254
Disposals	-	-	(2,110,858)	-	(116,056)	(2,226,914)
Reclassification	-	-	753,739	-	15,832	769,571
Net exchange differences	(6,300)	(11,497)	-	-	(1,250)	(19,047)
Balance at June 30, 2020	<u>\$ 996,199</u>	<u>\$ 16,088,644</u>	<u>\$ 270,982,424</u>	<u>\$ -</u>	<u>\$ 16,946,686</u>	<u>\$ 305,013,953</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2020	\$ -	\$ (7,028,540)	\$ (141,886,170)	\$ -	\$ (11,209,408)	\$ (160,124,118)
Depreciation expenses	-	(245,302)	(9,063,667)	-	(463,903)	(9,772,872)
Disposals	-	-	1,988,398	-	112,444	2,100,842
Reclassification	-	-	1,489,158	-	5,563	1,494,721
Net exchange differences	-	6,043	-	-	(3,228)	2,815
Balance at June 30, 2020	<u>\$ -</u>	<u>\$ (7,267,799)</u>	<u>\$ (147,472,281)</u>	<u>\$ -</u>	<u>\$ (11,558,532)</u>	<u>\$ (166,298,612)</u>
Balance at June 30, 2020, net value	<u>\$ 996,199</u>	<u>\$ 8,820,845</u>	<u>\$ 123,510,143</u>	<u>\$ -</u>	<u>\$ 5,388,154</u>	<u>\$ 138,715,341</u>

(Concluded)

The reclassification mostly enumerated the amount of prepayments for equipment.

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

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

Refer to Note 34 for the carrying amounts of property, plant and equipment pledged by the Group.

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

16. INVESTMENT PROPERTIES

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amount			
Investment properties	<u>\$ 2,074,932</u>	<u>\$ 2,075,068</u>	<u>\$ 2,075,205</u>

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

The fair values of the investment properties held by the Group were \$2,488,931 thousand, \$2,506,230 thousand and \$2,506,230 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

The fair value valuations were performed by independent qualified professional valuers, and the future income evaluated by management was based on market transactions.

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

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Relationship Between Clients	Accumulated Amortization	Net Value
Balance at January 1, 2019	\$ 2,237,382	\$ 186,197	\$ (1,212,783)	\$ 1,210,796
Additions	81,022	-	-	81,022
Amortization expenses	-	-	(101,533)	(101,533)
Disposal of subsidiaries	<u>(3,858)</u>	<u>-</u>	<u>1,357</u>	<u>(2,501)</u>
Balance at June 30, 2019	<u>\$ 2,314,546</u>	<u>\$ 186,197</u>	<u>\$ (1,312,959)</u>	<u>\$ 1,187,784</u>
Balance at January 1, 2020	\$ 2,406,163	\$ 186,197	\$ (1,409,668)	\$ 1,182,692
Additions	64,235	-	-	64,235
Amortization expenses	-	-	(105,557)	(105,557)
Effects of exchange rate changes	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Balance at June 30, 2020	<u>\$ 2,470,398</u>	<u>\$ 186,197</u>	<u>\$ (1,515,227)</u>	<u>\$ 1,141,368</u>

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

18. OTHER ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Current</u>			
Temporary payments	\$ 160,459	\$ 296,759	\$ 884,250
Prepayments	1,857,860	1,690,368	1,121,026
Restricted assets	13,556	14,618	20,832
Others	<u>368,905</u>	<u>653,966</u>	<u>683,265</u>
	<u>\$ 2,400,780</u>	<u>\$ 2,655,711</u>	<u>\$ 2,709,373</u>
<u>Non-current</u>			
Prepayments for aircraft	\$ 9,010,266	\$ 8,863,861	\$ 363,001
Prepayments - long-term	2,502,660	2,819,575	2,489,306
Refundable deposits	1,248,473	1,261,611	1,076,790
Restricted assets	66,710	64,213	99,224
Other financial assets	18,224	19,103	-
Others	<u>25,077</u>	<u>142,700</u>	<u>102,699</u>
	<u>\$ 12,871,410</u>	<u>\$ 13,171,063</u>	<u>\$ 4,131,020</u>

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of A350-900, ATR72-600, A321neo, A329neo and 777F aircraft. For details of the contract for the purchase of the aircraft, refer to Note 35.

19. BORROWINGS

a. Short-term loans

	June 30, 2020	December 31, 2019	June 30, 2019
Bank loans - unsecured	\$ <u>2,150,000</u>	\$ <u>380,000</u>	\$ _____
Interest rates	0.99%-1.34%	0.95%-1.07%	-

b. Short-term bills payable

	June 30, 2020	December 31, 2019	June 30, 2019
Commercial paper	\$ 8,300,000	\$ -	\$ -
Less: Unamortized discount on bills payable	<u>51,298</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,248,702</u>	<u>\$ -</u>	<u>\$ -</u>
Annual discount rate	0.89%-0.98%	-	-

c. Long-term borrowings

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured bank loans	\$ 4,916,000	\$ 1,929,827	\$ 3,112,000
Secured bank loans	41,086,093	34,064,099	36,314,281
Commercial paper			
Proceeds from issue	36,610,000	31,730,000	26,650,000
Less: Unamortized discount	<u>32,545</u>	<u>60,143</u>	<u>33,625</u>
	82,579,548	67,663,783	66,042,656
Less: Current portion	<u>17,527,332</u>	<u>14,148,892</u>	<u>9,463,029</u>
	<u>\$ 65,052,216</u>	<u>\$ 53,514,891</u>	<u>\$ 56,579,627</u>
Interest rates	0.81%-1.68%	1.08%-1.79%	0.93%-1.46%

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Periods	2009.2.4- 2032.6.30	2008.2.26- 2030.4.25	2007.8.24- 2030.4.25

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until March 2022, were used by the Group to guarantee the commercial paper issued. As of June 30, 2020, December 31, 2019 and June 30, 2019, such commercial paper was issued at discount rates of 1.0483%-1.1483%, 1.1300%-1.3380% and 1.1250%-1.1660%, respectively.

In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Group applied for a special loan project to maintain its operation, and the fund along with credit guarantee were provided by the government. The total amount of the loan was \$23,000,000 thousand, and it shall be payable within 2 years from the date of initial drawdown. As of June 30, 2020, the Group had a drawdown of \$1,100,000 thousand.

20. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured corporate bonds first-time issued in 2013	\$ -	\$ 2,750,000	\$ 2,750,000
Unsecured corporate bonds first-time issued in 2016	2,350,000	4,700,000	4,700,000

(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured corporate bonds second-time issued in 2016	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Unsecured corporate bonds first-time issued in 2017	1,000,000	2,350,000	2,350,000
Unsecured corporate bonds second-time issued in 2017	3,500,000	3,500,000	3,500,000
Unsecured corporate bonds second-time issued in 2018	4,500,000	4,500,000	4,500,000
Unsecured corporate bonds first-time issued in 2019	3,500,000	3,500,000	3,500,000
Convertible bonds issued the sixth time	<u>5,792,384</u>	<u>5,752,625</u>	<u>5,712,707</u>
	25,642,384	32,052,625	32,012,707
Less: Current portion and put options of convertible bonds	<u>11,542,384</u>	<u>10,000,000</u>	<u>6,600,000</u>
	<u>\$ 14,100,000</u>	<u>\$ 22,052,625</u>	<u>\$ 25,412,707</u>

(Concluded)

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year private unsecured bonds - issued at par in January 2013; repayable in January 2017 and 2018; 1.6% interest p.a., payable annually	2013.01.17-2018.01.17	Principal repayable in January of 2017 and 2018; indicator rate; payable annually	1.60
Seven-year private unsecured bonds - issued at par in January 2013; repayable in January 2019 and 2020; 1.85% interest p.a., payable annually	2013.01.17-2020.01.17	Principal repayable in January of 2019 and 2020; indicator rate; payable annually	1.85
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually	2016.05.26-2021.05.26	Principal repayable in May of 2020 and 2021; interest p.a. payable annually	1.19
Five-year unsecured bonds - issued at par in September 2016; repayable in September 2020 and 2021; 1.08% interest p.a., payable annually	2016.09.27-2021.09.27	Principal repayable in May of 2020 and 2021; interest p.a. payable annually	1.08
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually	2017.05.19-2020.05.19	Principal repayable on due date; indicator rate; payable annually	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.05.19-2024.05.19	Principal repayable on due date; indicator rate; payable annually	1.75
Three-year private unsecured bonds - issued at par in October 2017; repayable on due date; interest of 1.14% p.a., payable annually	2017.10.12-2020.10.12	Principal repayable on due date; indicator rate; payable annually	1.14
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.32% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30-2023.01.30	Unless bonds are converted to share capital or redeemed, principal repayable one time in January 2023; 1.3821 discount rate p.a.	-

The Company issued its 2016 first unsecured corporate bonds of \$5,000,000 thousand, and the purchasers of the bonds included Mandarin Airlines and Sabre Travel Network (Taiwan) who held a cumulative face value of \$150,000 thousand, which was eliminated from the consolidated financial statements.

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

- a. The holders may demand a lump-sum payment for the bonds upon maturity.
- b. The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.
- c. The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions.
- d. Between January 26, 2014 and December 16, 2018 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to the Company's ordinary shares. The initial conversion price was set at NT\$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends as of July 29, 2019, the conversion price was adjusted to NT\$12.6.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 1.3821% per annum on initial recognition.

Proceeds from issuance	\$ 6,012,000
Equity component	<u>(409,978)</u>
Liability component at the date of issuance	<u>\$ 5,602,022</u>

The initial seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 7, 2019. The cumulative face value of the bonds shall not exceed \$3,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years. During the period of public offerings, the stock market and the domestic capital market were volatile due to Coronavirus Pneumonia, the changes in the share price of the Company were unfavorable to the seventh issue of the Company's unsecured convertible bonds. After comprehensive consideration, the issuance was suspended with the permission of the competent authority based on the best interest of the Company and the shareholders' equity.

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 6, 2020. The cumulative face value of the bonds shall not exceed \$3,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years. During the period of public offerings, the stock market and the domestic capital market became volatile due to coronavirus pneumonia, the changes in the share price of the Company were unfavorable to the seventh issue of the Company's unsecured convertible bonds. After comprehensive consideration, the issuance was suspended with the approval of the competent authority based on the best interest of the Company and the shareholders' equity.

21. LEASE AGREEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Land	\$ 8,057,540	\$ 8,153,382	\$ 8,337,415
Buildings	1,182,287	824,955	1,116,424
Flight equipment	56,871,948	62,052,701	63,287,704
Other equipment	<u>2,165</u>	<u>2,579</u>	<u>1,269</u>
	<u>\$ 66,113,940</u>	<u>\$ 71,033,617</u>	<u>\$ 72,742,812</u>

For the Six Months Ended June 30

	2020	2019
Additions to right-of-use assets	<u>\$ 1,832,399</u>	<u>\$ 992,516</u>
Depreciation for right-of-use assets		
Land	\$ 253,258	\$ 217,225
Buildings	395,276	369,355
Flight equipment	5,598,902	5,238,410
Other equipment	<u>938</u>	<u>1,065</u>
	<u>\$ 6,248,374</u>	<u>\$ 5,826,055</u>

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Current	<u>\$ 2,537,067</u>	<u>\$ 2,340,873</u>	<u>\$ 4,561,017</u>
Non-current	<u>\$ 14,568,636</u>	<u>\$ 15,801,724</u>	<u>\$ 29,198,565</u>

Range of discount rate for lease liabilities (include US lease hedging instruments):

	June 30, 2020	December 31, 2019	June 30, 2019
Land	0%-1.65%	1.09%-1.65%	0%-2.87%
Buildings	0%-3.56%	0%-3.56%	0%-3.04%
Flight equipment	0.68%-3.34%	2.49%-3.34%	2.00%-3.34%
Other equipment	1.06%-1.50%	1.06%-1.50%	1.06%-1.73%

c. Financial liabilities under hedge accounting

The Company specifies a part of US lease contract as a hedging instruments to avoid exchange fluctuations is US dollar passenger revenue, and applies the accounting treatment of cash flow hedging. The lease information is as follows:

	Maturity Date	Subject	Carrying Value
June 30, 2020	2022.2.9-2028.5.15	Financial liabilities for hedging - current	\$ 8,485,591
		Financial liabilities for hedging - non-current	38,661,467
December 31, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - current	8,577,482
		Financial liabilities for hedging - non-current	42,420,205
June 30, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - current	6,164,197
		Financial liabilities for hedging - non-current	33,206,454

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the six months ended June 30, 2020	\$ 430,586	\$ 126,768
For the three months ended June 30, 2020	787,054	76,281
For the six months ended June 30, 2019	(361,201)	(19,046)
For the three months ended June 30, 2019	(236,337)	(19,046)

- d. China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, fifteen A330-300 planes, fifteen 737-800 planes, ten A320-200 planes, six ERJ190 planes and three ART72-600 planes for operation, lease period are 6 to 12 years from February 2006 to May 2028. 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, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	\$ 757,411	\$ 737,895	\$ 680,085
Credit guarantees	1,834,845	1,717,953	1,632,939

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, refer to Note 35. 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.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the lease liabilities increase by \$879,756 thousand, \$873,293 thousand and \$868,070 thousand, respectively.

Taiwan Air Cargo Terminal Co. and CAA signed a BOT contract with a land lease agreement. For details, please refer to Note 35.

- d. In September, 2019, the Company signed a rental contract for six A321neo with Air Lease Corporation, which is expected to be introduced between 2021 and 2022.

In October, 2019, the Company signed a rental letter of intent for eight A321neo with CALC Lease Corporation, which is expected to be introduced in 2022.

In September, 2019, Tigerair Taiwan Co., Ltd. signed a rental letter of intent for eight A321neo with ICBC Lease Corporation, which is expected to be introduced between 2021 and 2024.

- e. Other lease information

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term and low price lease payment	\$ 5,739	\$ 12,672	\$ 12,123	\$ 20,975
Total of lease cash outflow	\$ (3,083,439)	\$ (3,167,427)	\$ (6,397,788)	\$ (5,975,528)

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

22. OTHER PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Fuel costs	\$ 1,120,411	\$ 3,723,213	\$ 4,216,674
Ground service expenses	698,913	1,262,878	1,233,643
Repair expenses	635,621	1,208,875	1,178,949
Interest expenses	168,033	219,660	205,977
Short-term employee benefits	2,038,768	2,040,718	1,847,542
Terminal surcharges	446,659	1,122,532	988,249
Commission expenses	451,574	509,520	440,077
Others	2,510,318	3,100,576	3,319,783
	<u>\$ 8,070,297</u>	<u>\$ 13,187,972</u>	<u>\$ 13,430,894</u>

23. CONTRACT LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Frequent flyer program	\$ 2,922,083	\$ 2,895,535	\$ 2,677,014
Advance ticket sales	5,334,715	20,401,549	20,624,206
	<u>\$ 8,256,798</u>	<u>\$ 23,297,084</u>	<u>\$ 23,301,220</u>
Current	\$ 6,085,481	\$ 21,060,773	\$ 21,251,986
Non-current	2,171,317	2,236,311	2,049,234
	<u>\$ 8,256,798</u>	<u>\$ 23,297,084</u>	<u>\$ 23,301,220</u>

24. PROVISIONS

	June 30, 2020	December 31, 2019	June 30, 2019
Operating leases - aircraft	<u>\$ 12,923,417</u>	<u>\$ 10,371,857</u>	<u>\$ 9,523,083</u>
Current	\$ 330,617	\$ 360,393	\$ 53,818
Non-current	<u>12,592,800</u>	<u>10,011,464</u>	<u>9,469,265</u>
	<u>\$ 12,923,417</u>	<u>\$ 10,371,857</u>	<u>\$ 9,523,083</u>
			Aircraft Lease Contracts
Balance at January 1, 2019			\$ 8,794,539
Additional provisions recognized			2,100,313
Usage			(1,452,256)
Effects of exchange rate changes			<u>80,487</u>
Balance at June 30, 2019			<u>\$ 9,523,083</u>
Balance at January 1, 2020			\$ 10,371,857
Additional provisions recognized			3,294,263
Usage			(612,080)
Effects of exchange rate changes			<u>(130,623)</u>
Balance at June 30, 2020			<u>\$ 12,923,417</u>

The Company and Mandarin Airlines 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 Company and Mandarin Airlines 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 to the contract, Tigerair had to pay the maintenance reserve accounted for by using the number of flying hours.

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rates as of December 31, 2019 and 2018.

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
Operating costs	\$ 243,158	\$ 245,897	\$ 487,098	\$ 491,769
Operating expenses	<u>106,052</u>	<u>118,118</u>	<u>212,518</u>	<u>224,841</u>
	<u>\$ 349,210</u>	<u>\$ 364,015</u>	<u>\$ 699,616</u>	<u>\$ 716,610</u>

26. EQUITY

a. Share capital

Ordinary shares

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	<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>\$ 54,209,846</u>	<u>\$ 54,209,846</u>	<u>\$ 54,209,846</u>

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Issuance of shares in excess of par value and conversion premium	\$ 146,351	\$ 315,114	\$ 315,114
Gain on sale of treasury shares held by subsidiaries	-	3,909	3,303
Retirement of treasury shares	33,513	33,513	33,513
Employee share options expired	11,747	11,747	11,747
Long-term investments	118,962	118,962	955
Bonds payable - equity component	409,978	409,978	409,978
xxx	-	1,129,080	
Others	<u>466,604</u>	<u>466,604</u>	<u>466,604</u>
	<u>\$ 1,187,155</u>	<u>\$ 2,488,907</u>	<u>\$ 1,241,214</u>

The capital surplus from share issued in excess of par (including additional paid-in capital from the issuance of ordinary shares and treasury share transactions) and donations may be used to offset deficit; in addition, when the Group has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (but limited to a certain percentage of the Group's paid-in capital on a yearly basis).

The capital surplus arising from long-term investments, employee share options and the distribution of cash dividends to treasury share held by subsidiaries may not be used for other purposes but to offset deficit. The capital surplus arising from share options for employees and convertible bonds cannot be used.

c. Appropriation of earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles"), 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, which is to distribute dividends and bonus 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.

Under the Company Act, if surplus earnings are distributed in the form of new shares, the distribution of shares shall be approved in the meeting of the board of directors; if such earnings are distributed in the form of cash, the cash distribution shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition, a report of such distribution shall be submitted to the shareholders' meeting. If the Group has no loss, according to laws and regulations, the Group 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 surplus earnings is distributed in the form of new shares, it shall be approved by a meeting of the board of directors; if such surplus earning is distributed in the form of cash, it shall be authorized after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles") based on the amended Company Act, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with due consideration of any future aircraft acquisition plans and fund demands, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders by cash or shares (cash dividends cannot be less than 30% of total dividends distributed). However, if the Company's profit before tax in a fiscal year after deductions for the abovementioned items is not sufficient for earnings distribution, retained earnings can be used as a supplement for the deficiency.

The Company shall set aside profits as a legal reserve until the legal reserve amounts to the authorized capital. The legal reserve could be used for offsetting deficit of the Company. If the Company has no deficit in a fiscal year, the Company can distribute all or part of the capital surplus by cash or shares with due consideration of finance, marketing and management requirements in accordance with the laws and regulations.

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

1) Appropriation of earnings in 2018

The appropriation of earnings for 2018 was resolved in the shareholders' meeting on June 25, 2019.

The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 114,493	
Cash dividends	1,136,278	\$0.20960737

Rotation Special reserve is \$105,843 thousand.

2) Offsetting deficit in 2019

On June 23, 2020, the board proposed to offset the accumulated deficit in 2019. The deficit included a net loss of \$1,199,798 thousand, negative adjustment of other retained earnings of \$577,427 thousand, the remaining amount of accumulated deficit was \$1,777,225 thousand. The deficits were offset by \$466,416 thousand of legal reserve, \$12,967 thousand of special reserve and \$1,297,843 of capital reserve.

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2019	\$ (9,664)	\$ 42,619	\$ 25,268	\$ 58,223
Exchange differences on translating the financial statements of foreign operations	24,322	-	-	24,322
Cumulative loss on changes in fair value of hedging instruments	-	-	(347,505)	(347,505)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(10,755)	(10,755)
Unrealized gain on financial assets at fair value through other comprehensive income	-	(2,065)	-	(2,065)
Effects of income tax	<u>(4,616)</u>	<u>851</u>	<u>72,458</u>	<u>68,693</u>
Other comprehensive income recognized in the period	<u>19,706</u>	<u>(1,214)</u>	<u>(285,802)</u>	<u>(267,310)</u>
Disposal of subsidiaries	<u>8,368</u>	<u>105</u>	<u>-</u>	<u>8,473</u>
Balance on June 30, 2019	<u>\$ 18,410</u>	<u>\$ 41,510</u>	<u>\$ (260,534)</u>	<u>\$ (200,614)</u>
Balance on January 1, 2020	\$ (54,707)	\$ 107,262	\$ 1,143,678	\$ 1,196,233
Exchange differences on translating the financial statements of foreign operations	(53,253)	-	-	(53,253)
Cumulative loss on changes in fair value of hedging instruments	-	-	481,682	481,682
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(100,441)	(100,441)
Unrealized gain on financial assets at fair value through other comprehensive income	-	(73,807)	-	(73,807)
Effects of income tax	<u>9,949</u>	<u>13,858</u>	<u>(76,248)</u>	<u>(52,441)</u>
Other comprehensive income recognized in the period	<u>(43,304)</u>	<u>(59,949)</u>	<u>304,993</u>	<u>201,740</u>
Balance on June 30, 2020	<u>\$ (98,011)</u>	<u>\$ 47,313</u>	<u>\$ 1,448,671</u>	<u>\$ 1,397,973</u>

e. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	\$ 3,578,345	\$ 2,965,512
Net (loss) income attributable to non-controlling interests	(244,067)	248,697
Exchange differences on translating the financial statements of foreign operations		
Gain (loss) on hedging instruments	(3,747)	1,724
xxx	(3)	92
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	921	(68)
Effects of income tax	<u>(184)</u>	<u>-</u>
	<u>(3,013)</u>	<u>1,748</u>
Disposal of subsidiaries	-	(24,957)
Dividends paid by subsidiaries	<u>(375,036)</u>	<u>(416,438)</u>
Ending balance	<u>\$ 2,956,229</u>	<u>\$ 2,774,562</u>

f. Treasury shares

Treasury shares are the Company's share held by its subsidiaries as of June 30, 2020 and 2019 and are as follows:

	(Shares in Thousands)		
Purpose of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
Six months ended June 30, 2020	<u>2,889</u>	<u>(814)</u>	<u>2,075</u>
Six months ended June 30, 2019	<u>2,889</u>	<u>-</u>	<u>2,889</u>

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
<u>June 30, 2020</u>			
Mandarin Airlines	2,075	\$ <u>17,012</u>	\$ <u>17,012</u>
<u>December 31, 2019</u>			
Mandarin Airlines	2,075	\$ 18,796	\$ 18,796
Dynasty Aerotech International Corp.	814	<u>7,376</u>	<u>7,376</u>
		<u>\$ 26,172</u>	<u>\$ 26,172</u>
<u>June 30, 2019</u>			
Mandarin Airlines	2,075	\$ 20,414	\$ 20,414
Dynasty Aerotech International Corp.	814	<u>8,011</u>	<u>8,011</u>
		<u>\$ 28,425</u>	<u>\$ 28,425</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.

Dynasty Aerotech International Corp. sold a total of 814 thousand shares of its shares in the Company between January 1, 2020 and June 30, 2020. The disposal price was \$6,854 thousand.

27. NET INCOME

a. Revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Passenger	\$ 1,513,347	\$ 28,206,142	\$ 20,241,369	\$ 55,456,289
Cargo	23,441,802	10,956,320	34,537,413	21,118,018
Others	<u>1,360,373</u>	<u>3,729,850</u>	<u>4,093,870</u>	<u>6,723,353</u>
	<u>\$ 26,315,522</u>	<u>\$ 42,892,312</u>	<u>\$ 58,872,652</u>	<u>\$ 83,297,660</u>

Refer to Note 23 for the balance of contract liabilities related to customer contracts.

b. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest income	\$ 91,811	\$ 97,475	\$ 180,111	\$ 194,430
Subsidy income	382	6,826	18,507	16,728
Others	<u>107,381</u>	<u>68,322</u>	<u>164,586</u>	<u>114,721</u>
	<u>\$ 199,574</u>	<u>\$ 172,623</u>	<u>\$ 363,204</u>	<u>\$ 325,879</u>

c. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gain on disposal of property, plant and equipment	\$ 1,759	\$ 4,109	\$ 6,880	\$ 5,458
Gain (loss) on disposal of non-current assets held for sale	-	-	-	(10,462)
Net gain (loss) on financial assets classified as held for sale	(1,366)	11,902	1,930	23,042
Gain on disposal of investments	-	-	-	7,656
Gain (loss) on foreign exchange, net	130,072	(119,984)	50,958	(146,884)
Others	<u>(46,663)</u>	<u>(66,461)</u>	<u>(130,056)</u>	<u>(115,685)</u>
	<u>\$ 83,802</u>	<u>\$ (170,434)</u>	<u>\$ (70,288)</u>	<u>\$ (236,875)</u>

d. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Interest expense				
Bonds payable	\$ 45,915	\$ 106,316	\$ 143,147	\$ 200,991
Bank loans	237,028	207,333	522,784	427,084
Interest on lease liabilities	<u>513,550</u>	<u>530,768</u>	<u>951,234</u>	<u>1,092,173</u>
	<u>\$ 796,493</u>	<u>\$ 844,417</u>	<u>\$ 1,617,165</u>	<u>\$ 1,720,248</u>
Capitalization rate	0.709%- 1.461%	1.273%- 1.337%	0.709%- 1.917%	1.250%- 1.337%
Capitalization interest	<u>\$ 18,500</u>	<u>\$ 1,310</u>	<u>\$ 46,149</u>	<u>\$ 2,381</u>

e. Depreciation and amortization expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property, plant, equipment	\$ 4,865,963	\$ 5,364,344	\$ 9,772,872	\$ 10,664,187
Right-of-use assets	2,987,753	2,919,622	6,248,374	5,826,055
Investment properties	68	70	136	140
Intangible assets	<u>55,655</u>	<u>51,691</u>	<u>105,557</u>	<u>101,533</u>
Depreciation and amortization expenses	<u>\$ 7,909,439</u>	<u>\$ 8,335,727</u>	<u>\$ 16,126,939</u>	<u>\$ 16,591,915</u>
An analysis of depreciation by function				
Operating costs	\$ 7,459,234	\$ 7,931,615	\$ 15,209,069	\$ 15,683,520
Operating expenses	<u>394,550</u>	<u>352,421</u>	<u>812,313</u>	<u>806,862</u>
	<u>\$ 7,853,784</u>	<u>\$ 8,284,036</u>	<u>\$ 16,021,382</u>	<u>\$ 16,490,382</u>
An analysis of amortization by function				
Operating costs	\$ 3,548	\$ 3,167	\$ 7,086	\$ 6,333
Operating expenses	<u>52,107</u>	<u>48,524</u>	<u>98,471</u>	<u>95,200</u>
	<u>\$ 55,655</u>	<u>\$ 51,691</u>	<u>\$ 105,557</u>	<u>\$ 101,533</u>

f. Employment benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Post-employment benefits				
Defined contribution plans	\$ 128,023	\$ 141,414	\$ 283,882	\$ 282,253
Defined benefit plans	<u>349,210</u>	<u>364,015</u>	<u>699,616</u>	<u>716,610</u>
	<u>\$ 477,233</u>	<u>\$ 505,429</u>	<u>\$ 983,498</u>	<u>\$ 998,863</u>

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Other employee benefits				
Salary expenses	\$ 3,683,148	\$ 5,172,756	\$ 9,065,317	\$ 10,446,358
Personnel service expenses	<u>627,408</u>	<u>1,693,221</u>	<u>2,414,772</u>	<u>3,412,551</u>
	<u>\$ 4,310,556</u>	<u>\$ 6,865,977</u>	<u>\$ 11,480,089</u>	<u>\$ 13,858,909</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 3,742,732	\$ 6,094,292	\$ 10,003,692	\$ 12,137,935
Operating expenses	<u>1,045,057</u>	<u>1,277,114</u>	<u>2,459,895</u>	<u>2,719,837</u>
	<u>\$ 4,787,789</u>	<u>\$ 7,371,406</u>	<u>\$ 12,463,587</u>	<u>\$ 14,857,772</u>

(Concluded)

To be in compliance with the Company Act as amended, the Articles stipulate the distribution of employees' compensation at rates of no less than 3% of the net profit before income tax and employees' compensation. For the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019, the Company has experienced a deficit and, therefore, no employees' compensation was estimated.

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

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

28. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
Current year	\$ 302,514	\$ 169,869	\$ 325,810	\$ 317,904
Adjustments for prior periods	(22,322)	532	(22,322)	532
Deferred tax				
Current year	<u>(392,884)</u>	<u>(61,324)</u>	<u>(412,097)</u>	<u>(20,122)</u>
Income tax expense recognized in profit or loss	<u>\$ (112,692)</u>	<u>\$ 109,077</u>	<u>\$ (108,609)</u>	<u>\$ 298,314</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
<u>Deferred tax</u>				
Recognized in other comprehensive income				
Translation of foreign operations	\$ 6,819	\$ (1,392)	\$ 9,949	\$ (4,616)
Fair value changes of financial assets at FVTOCI	13,982	4,275	13,858	851
Fair value revaluation of hedging instruments for cash flow hedging	<u>(158,126)</u>	<u>47,191</u>	<u>(76,432)</u>	<u>72,458</u>
Total income tax recognized in other comprehensive income	<u>\$ (137,325)</u>	<u>\$ 50,074</u>	<u>\$ (52,625)</u>	<u>\$ 68,693</u>

c. Income tax assessments

Income tax returns for 2018 of the Company, Cal Hotel Co., Ltd. and Cal Park have been examined by the tax authorities. And the income tax returns for 2017 of the rest of the Company's subsidiaries have been examined by the tax authorities.

29. EARNINGS (LOSSES) PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic earnings (losses) per share	<u>\$ 0.45</u>	<u>\$ (0.08)</u>	<u>\$ (0.24)</u>	<u>\$ (0.13)</u>
Diluted earnings (losses) per share	<u>\$ 0.42</u>	<u>\$ (0.08)</u>	<u>\$ (0.24)</u>	<u>\$ (0.13)</u>
Earnings (losses) used in the computation of basic earnings per share	\$ 2,459,448	\$ (442,759)	\$ (1,313,885)	\$ (686,463)
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds (after tax)	<u>19,914</u>	<u>-</u>	<u>-</u>	<u>-</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 2,479,362</u>	<u>\$ (442,759)</u>	<u>\$ (1,313,885)</u>	<u>\$ (686,463)</u>

(Continued)

	For the Three Months Ended		For the Six Months Ended	
	June 30		June 30	
	2020	2019	2020	2019
<u>Thousand unit</u>				
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	5,418,910	5,418,096	5,418,640	5,418,096
Effects of potentially dilutive ordinary shares:				
Convertible bonds	<u>476,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (losses) per share	<u>5,895,100</u>	<u>5,418,096</u>	<u>5,418,640</u>	<u>5,418,096</u> (Concluded)

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

30. DISPOSAL OF SUBSIDIARIES

On January 21, 2019, the board of directors of the Company decided to sell part of Dynasty Holidays to H.I.S. Taiwan Co., Ltd. for disposal price of \$34,036 thousand and a disposition of \$7,656 thousand. After the disposal, the proportion of ownership decrease from 51% to 20%, loss control to the subsidiary.

a. Consideration received from disposals

Consideration received in cash and cash equivalents	<u>\$ 34,036</u>
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b. Analysis of assets and liabilities on the date control was lost

Current assets	
Cash and cash equivalents	\$ 51,449
Other current assets	47,510
Non-current assets	17,035
Current liabilities	(49,742)
Non-current liabilities	<u>(15,318)</u>
Net assets disposed of	<u>\$ 50,934</u>

c. Gain on disposals of subsidiaries

Consideration received	\$ 34,036
Net assets disposed of	(50,934)
Fair value of equity	10,187
Non-controlling interests	24,957
Reclassification of other comprehensive income in respect of subsidiaries	<u>(10,590)</u>
Gain on disposal	<u>\$ 7,656</u>

d. Net cash inflow on disposal of subsidiaries

Consideration received in cash and cash equivalents	\$ 34,036
Less: Cash and cash equivalent balances disposed of	<u>(51,449)</u>
	<u>\$ (17,413)</u>

31. CAPITAL MANAGEMENT

The goals, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 32 in the Group's consolidated financial statements for the year ended December 31, 2019.

32. FINANCIAL INSTRUMENTS

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

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

	June 30, 2020		December 31, 2019		June 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable	\$ 25,642,384	\$ 25,423,136	\$ 32,052,625	\$ 32,062,874	\$ 32,012,707	\$ 32,059,708

Some long-term debts are floating-rate financial liabilities, so their carrying amounts are their fair values. As of June 30, 2020, December 31, 2019 and June 30, 2019, the fair values of long-term debts and private bonds with fixed interest rates were estimated at the present value of expected cash flows discounted at rates of 0.4475%, 0.6700% and 0.6700%, respectively, prevailing in the market for long-term debts (Level 2). Fair values of bonds payable were the same as identical liabilities trading on the over-the-counter exchange and were based on quoted market prices (Level 1).

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 (i.e. unobservable inputs).

June 30, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 498,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,746</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 22,351	\$ 22,351
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>111,018</u>	<u>111,018</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,369</u>	<u>\$ 133,369</u>
Financial liabilities at FVTPL				
Derivative instruments	<u>\$ -</u>	<u>\$ 2,491</u>	<u>\$ -</u>	<u>\$ 2,491</u>
Derivative financial assets for hedging	<u>\$ -</u>	<u>\$ 1,314</u>	<u>\$ 262</u>	<u>\$ 1,576</u>
Derivative financial liabilities for hedging	<u>\$ 47,147,058</u>	<u>\$ 41,823</u>	<u>\$ 39,578</u>	<u>\$ 47,228,459</u>

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ 511,758	\$ -	\$ -	\$ 511,758
Foreign exchange agreement	<u>-</u>	<u>434</u>	<u>-</u>	<u>434</u>
	<u>\$ 511,758</u>	<u>\$ 434</u>	<u>\$ -</u>	<u>\$ 512,192</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 26,865	\$ 26,865
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>182,356</u>	<u>182,356</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,221</u>	<u>\$ 209,221</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivative instruments	\$ <u> -</u>	\$ <u> 11,749</u>	\$ <u> -</u>	\$ <u> 11,749</u>
Derivative financial assets for hedging	\$ <u> -</u>	\$ <u> 147</u>	\$ <u> 9,479</u>	\$ <u> 9,626</u>
Derivative financial liabilities for hedging	\$ <u>50,997,687</u>	\$ <u> 37,069</u>	\$ <u> 3,955</u>	\$ <u>51,038,711</u> (Concluded)

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	\$ 274,254	\$ -	\$ -	\$ 274,254
Derivative instruments	<u> -</u>	<u> 5,447</u>	<u> -</u>	<u> 5,447</u>
	<u>\$ 274,254</u>	<u>\$ 5,447</u>	<u>\$ -</u>	<u>\$ 279,701</u>
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	\$ -	\$ -	\$ 23,937	\$ 23,937
Unlisted shares - foreign	<u> -</u>	<u> -</u>	<u> 106,669</u>	<u> 106,669</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,606</u>	<u>\$ 130,606</u>
Derivative financial assets for hedging	\$ <u> -</u>	\$ <u> 32,327</u>	\$ <u> 6,245</u>	\$ <u> 38,572</u>
Derivative financial liabilities for hedging	\$ <u>39,370,651</u>	\$ <u> 2,794</u>	\$ <u> 466</u>	\$ <u>39,373,911</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 options) have been determined based on discounted cash flow analyses using interest yield curves applicable for the duration of the derivatives. The estimates and assumptions that the Group used to determine the fair values are identical to those used in the pricing of financial instruments for market participants.

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

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

The domestic unlisted equity investment is 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 Level 3 financial instruments are as follows:

	Multiplier	Liquidity Discount
June 30, 2020	0.80-21.22	80%
December 31, 2019	0.75-13.23	80%
June 30, 2019	0.74-15.29	80%

The movements of Level 3 financial instruments are as follows:

	Derivative Instruments	Equity Instruments
Balance at January 1, 2020	\$ 5,524	\$ 209,221
Recognized in other comprehensive income	<u>(44,840)</u>	<u>(75,852)</u>
Balance at June 30, 2020	<u>\$ (39,316)</u>	<u>\$ 133,369</u>
Balance at January 1, 2019	\$ 4,901	\$ 132,191
Recognized in other comprehensive income	<u>878</u>	<u>(1,585)</u>
Balance at June 30, 2019	<u>\$ 5,779</u>	<u>\$ 130,606</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

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 498,746	\$ 512,192	\$ 279,701
Derivative financial assets for hedging	1,576	9,626	38,572
Financial assets at amortized cost (Note 1)	46,462,225	41,479,556	36,997,307
Financial assets at FVTOCI	133,369	209,221	130,606
			(Continued)

	June 30, 2020	December 31, 2019	June 30, 2019
<u>Financial liabilities</u>			
Financial liabilities at FVTPL	\$ 2,491	\$ 11,749	\$ -
Derivative financial liabilities for hedging	47,228,459	51,038,711	39,373,911
Financial liabilities at amortized cost (Note 2)	159,308,896	134,240,993	123,848,566 (Concluded)

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable, accounts receivable - related parties, other receivables, refundable deposits and other restricted financial assets.

Note 2: The balance of financial liabilities measured at amortized cost comprised short-term loans, short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable and long-term loans, 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 shareholders to reduce the impact of market price changes on earnings. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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

1) Market risk

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

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

a) Foreign currency risk

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

Sensitivity analysis

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

When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax losses and increase in pre-tax other comprehensive income gain and losses for the six months ended June 30, 2020 of \$10,888 thousand and \$1,452,974 thousand and an increase in pre-tax profit and increase in pre-tax other comprehensive income gain and loss for the six months ended June 30, 2019 of \$773,362 thousand and \$1,216,486 thousand, respectively.

The Group's hedging strategy is to enter into foreign exchange forward 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 exchange forward contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of the effectiveness, and it is expected that the value of the foreign exchange forward contracts and the value of the corresponding hedged items will systematically change in the opposite direction in response to movements in the underlying exchange rates.

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

Please refer to Note 21 for rental contract for hedging.

June 30, 2020

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	NTD293,226/ USD9,882	2020.7.21- 2021.6.9	29.5-30.8	Financial assets for hedging - current/ liabilities for hedging - current	\$ 13	\$ 4,531
Aviation fuel - forward exchange contracts	NTD/USD	NTD539,472/ USD20,000	2020.7.31- 2021.5.28	29.4-30.7	Financial assets for hedging - current/ liabilities for hedging - current	348	7,364
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD3,115,727/ USD105,000	2020.11.4- 2020.12.4	29.5-30.4	Financial assets for hedging - current/ liabilities for hedging - current	803	29,928
Long-term prepayments - forward exchange contracts	NTD/USD	NTD29,674/ USD1,000	2020.9.25	29.5	Financial assets for hedging - current/ liabilities for hedging - current	150	-

The above hedging instruments are continuously applied to hedging accounting. The book value of other equity which belongs to each hedging items (aircraft rentals, aviation fuel, aircraft prepayments and long-term prepayments in U.S. dollar) are \$(4,518) thousand, \$(7,016) thousand, \$(29,125) thousand and \$150 thousand.

December 31, 2019

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	NTD509,507/ USD16,967	2020.1.21- 2020.12.24	29.5-30.8	Financial assets for hedging - current/ liabilities for hedging - current	\$ 38	\$ 8,491
Aviation fuel - forward exchange contracts	NTD/USD	NTD660,661/ USD22,000	2020.2.27- 2020.11.30	29.7-30.7	Financial assets for hedging - current/ liabilities for hedging - current	32	10,193
Aircraft prepayments - forward exchange contracts	NTD/USD	NTD1,411,411/ USD47,000	2020.11.4	29.6-30.5	Financial assets for hedging - current/ liabilities for hedging - current	77	18,385

The above hedging instruments are continuously applied to hedging accounting. The book value of other equity which belongs to each hedging item (aircraft rentals in U.S. dollars, aviation fuel and aircraft prepayments) are \$(8,453) thousand, \$(10,161) thousand and \$(18,308) thousand, respectively.

June 30, 2019

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	NTD1,591,584/ USD51,249	2019.7.8- 2020.6.8	29.7-31.3	Financial assets for hedging/liabilities for hedging	\$ 32,327	\$ 2,794

The above hedging instruments are continuously applied to hedging accounting. The book value of other equity which belongs to each hedging items (aircraft rentals in U.S. dollar) are \$29,533 thousand.

For the six months ended June 30, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ 3,935	\$ (3,953)	(Note)
Aviation fuel	3,145	(2,100)	
Aircraft prepayments	(10,817)	-	
Long-term prepayment	<u>150</u>	<u>-</u>	
	<u>\$ (3,587)</u>	<u>\$ (6,053)</u>	

Note: Increase in operating costs or foreign exchange loss.

For the three months ended June 30, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	\$ (1,502)	\$ (4,835)	(Note)
Aviation fuel	(5,729)	(1,829)	
Aircraft prepayments	(30,721)	-	
Long-term prepayment	<u>150</u>	<u>-</u>	
	<u>\$ (37,802)</u>	<u>\$ (6,664)</u>	

Note: Increase in operating costs or foreign exchange loss.

For the six months ended June 30, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	<u>\$ 2,087</u>	<u>\$ 36,961</u>	(Note)

Note: Decrease in operating costs or foreign exchange loss.

For the three months ended June 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	<u>\$ 2,989</u>	<u>\$ 19,872</u>	(Note)

Note: Decrease in operating costs or foreign exchange loss.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings and using interest rate swap contracts and forward interest rate contracts.

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

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value interest rate risk			
Financial liabilities	\$ 90,260,915	\$ 91,414,806	\$ 80,432,067
Cash flow interest rate risk			
Financial liabilities	92,612,480	77,821,887	90,753,529

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) point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates increased one yard (25 basis) points and had all other variables been held constant, the Group's pretax profit for the six months ended June 30, 2020 would have increased by \$115,766 thousand.

Had interest rates increased one yard (25 basis) point and had all other variables been held constant, the Group's pretax profit for the six months ended June 30, 2019 would have increased by \$113,442 thousand.

c) Other price risk

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

June 30, 2020

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD19,641	2020.9.30-2020.12.31	USD49.65-USD78.50	Financial assets for hedging - current/liabilities for hedging - current	\$ 262	\$ 19,903
Cash flow hedges - fuel swap contract	USD	NTD19,675	2020.12.31	USD67.48	Financial assets for hedging - current/liabilities for hedging - current	-	19,675

The above hedging instruments are continuously applied to hedging accounting. The carrying amount of other equity which belongs to each hedging item (fuel payments) is \$(39,316) thousand.

December 31, 2019

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD5,524	2020.3.31-2020.12.31	USD49.65-USD80.75	Financial assets for hedging	\$ 9,479	\$ 3,955

Hedge accounting is continued to be applied to the abovementioned hedging instruments continue to be applied to hedging accounting. The carrying amount of other equity which belongs to each hedging item (fuel payments) is \$5,524 thousand.

June 30, 2019

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD5,779	2019.9.30-2020.3.31	USD55-USD82.5	Financial assets for hedging - current/ liabilities for hedging - current	\$ 6,245	\$ 466

The above hedging instruments are continuously applied to hedging accounting. The carrying amount of other equity which belongs to each hedging item (fuel payments) is \$5,779 thousand.

For the six months ended June 30, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - fuel options	\$ (25,165)	\$ (21,195)	(Note)
Cash flow hedges - fuel swap contract	<u>(19,675)</u>	<u>-</u>	
	<u>\$ (44,840)</u>	<u>\$ (21,195)</u>	

Note: Increasing in operating costs.

For the three months ended June 30, 2020

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - fuel options	\$ 55,616	\$ (19,393)	(Note)
Cash flow hedges - fuel swap contract	<u>(19,675)</u>	<u>-</u>	
	<u>\$ 35,941</u>	<u>\$ (19,393)</u>	

Note: Increasing in operating costs.

For the six months ended June 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - fuel options	\$ 878	\$ (7,092)	(Note)

Note: Increasing in operating costs.

For the three months ended June 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - fuel options	\$ (1,143)	\$ (6,165)	(Note)

Note: Increasing 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 Six Months Ended June 30			
	2020		2019	
	Pre-tax Profit Increase (Decrease)	Other Compre- hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre- hensive Income Increase (Decrease)
Fuel price increase 5%	\$ 605	\$ 2,232	\$ -	\$ -
Fuel price decrease 5%	(605)	(8,829)	-	-

2) Credit risk

The goal, policies and procedure of credit risk management are same as consolidated financial statement in 2019. Related illustration can be referred in Note 33.

3) Liquidity risk

Except for the following, the objectives, policies and procedures of liquidity risk management are same as consolidated financial statement in 2019. Related illustration can be referred in Note 33.

	Unused Bank Loan Limit (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 41,309,668

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.

June 30, 2020

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	2.3909	\$ 3,265,019	\$ 10,294,529	\$ 7,350,930
Floating interest rate liabilities	0.9845	18,340,320	32,644,201	33,373,807
Hedging instruments	3.0476	10,356,709	38,103,864	3,888,599
Bonds payable	0.9791	<u>12,154,558</u>	<u>10,938,049</u>	<u>3,332,309</u>
		<u>\$ 44,116,606</u>	<u>\$ 91,980,643</u>	<u>\$ 47,945,645</u>

December 31, 2019

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	1.1613	\$ 3,357,996	\$ 10,622,204	\$ 8,949,194
Floating interest rate liabilities	1.9058	15,254,687	36,274,033	16,785,664
Derivative instruments	3.1131	10,060,822	39,729,062	6,373,333
Bonds payable	2.2573	<u>10,823,905</u>	<u>19,871,174</u>	<u>3,383,401</u>
		<u>\$ 39,497,410</u>	<u>\$ 106,496,473</u>	<u>\$ 35,491,592</u>

June 30, 2019

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	0.7958	\$ 5,766,579	\$ 22,486,711	\$ 10,420,218
Floating interest rate liabilities	1.2842	9,881,052	39,337,815	17,849,433
Hedging instruments	-	7,310,026	29,380,226	7,022,822
Bonds payable	1.1431	<u>6,772,030</u>	<u>19,201,464</u>	<u>4,551,438</u>
		<u>\$ 29,729,687</u>	<u>\$ 110,406,216</u>	<u>\$ 39,843,911</u>

33. TRANSACTIONS WITH RELATED PARTIES

The balances and transactions between the Company and its subsidiaries, which are related parties of the Company, including remaining account balances, revenue and expense, have been eliminated upon consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details between the Group and other related parties are disclosed as follows:

a. Related party' name and relationships

<u>Related Party Name</u>	<u>Relationship with the Company</u>
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays	Associate (become associate in January 2019)
China Pacific Catering Services	Joint venture investment
China Pacific Laundry Services	Joint venture investment
Nordam Asia Ltd.	Joint venture investment
Delica International Co., Ltd.	Joint venture investment
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relatives

b. Operating income

Account Items	Related Party Type	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2020	2019	2020	2019
Other income	Major shareholders of the Company	<u>\$ -</u>	<u>\$ 5,843</u>	<u>\$ 5,097</u>	<u>\$ 10,968</u>
	Associate	<u>\$ 104</u>	<u>\$ 13</u>	<u>\$ 112</u>	<u>\$ 39</u>
	Joint venture investment	<u>\$ 2,774</u>	<u>\$ 10,601</u>	<u>\$ 13,189</u>	<u>\$ 21,246</u>

c. Purchases of goods

Related Party Type	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Major shareholders of the Company	\$ -	\$ 12,458	\$ 11,418	\$ 23,782
Associate	\$ 145,317	\$ 85,604	\$ 222,980	\$ 192,845
Joint venture investment	\$ 44,819	\$ 482,524	\$ 375,720	\$ 940,207

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

Related Party Type	June 30, 2020	December 31, 2019	June 30, 2019
Major shareholders of the Company	\$ -	\$ 2,588	\$ 2,519
Joint venture investment	1,314	7,760	7,819
	<u>\$ 1,314</u>	<u>\$ 10,348</u>	<u>\$ 10,338</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	June 30, 2020	December 31, 2019	June 30, 2019
Major shareholder of the Company	\$ -	\$ 5,982	\$ 5,762
Associate	45,572	51,333	46,288
Joint venture investment	47,020	484,700	489,915
	<u>\$ 92,592</u>	<u>\$ 542,015</u>	<u>\$ 541,965</u>

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

f. Lease arrangements

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, and the Company paid the rental based on usage hours. As of June 30, 2020 and 2019, the Company paid rentals of \$11,418 thousand and \$23,782 thousand, respectively; for the three months ended June 30, 2020 and 2019, the Company's paid rentals amounted to \$0 thousand and \$12,458 thousand.

g. Endorsements and guarantees

	June 30, 2020		December 31, 2019		June 30, 2019	
	Authorized Amount	Amount Used	Authorized Amount	Amount Used	Authorized Amount	Amount Used
<u>The Company</u>						
Cal Park	\$ 3,850,000	\$ 2,024,250	\$ 3,850,000	\$ 2,129,400	\$ 3,850,000	\$ 2,234,550
Taiwan Air Cargo Terminal	-	-	1,080,000	-	1,080,000	-
Tigerair Taiwan Co., Ltd.	2,774,837	473,735	3,012,668	685,444	1,089,966	422,390
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,301,327	2,000,000	1,279,827	2,000,000	1,022,277

h. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 6,569	\$ 9,018	\$ 16,051	\$ 22,637
Post-employment benefits	<u>528</u>	<u>399</u>	<u>1,165</u>	<u>1,274</u>
	<u>\$ 7,097</u>	<u>\$ 9,417</u>	<u>\$ 17,216</u>	<u>\$ 23,911</u>

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

34. PLEDGED ASSETS

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

	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	\$ 35,343,455	\$ 31,260,801	\$ 37,242,967
Right-of-use assets	66,113,940	71,033,617	72,742,812
Restricted assets	<u>131,487</u>	<u>130,052</u>	<u>120,056</u>
	<u>\$ 101,588,882</u>	<u>\$ 102,424,470</u>	<u>\$ 110,105,835</u>

35. COMMITMENTS AND CONTINGENT LIABILITIES

As of June 30, 2020, the Group had commitments and contingent liabilities (except for those mentioned in other notes) as follows:

- a. For operation needs, the board of directors of Mandarin Airlines resolved to enter into a contract with AVIONS DE TRANSPORT REGIONAL G.I.E to purchase six ATR72-600 aircraft, and the total list price of the six aircraft was \$120,000 thousand. As of June 30, 2020, four of the aircraft has been handed over to the company, and has been paid in the amount of US\$8,314 thousand (recognized as prepayments for aircraft).
- b. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. 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 the Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

However, TACT filed an arbitration for the total amount of \$6,840,000 thousand based on the construction contract.

As of June 30, 2020, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo Terminal Expansion Construction Consultant Contract	\$ 552,285
Bin Li Construction Co., Ltd, Taiwan	Cargo Terminal Expansion and Enhancement Construction	275,000

As of June 30, 2020, the cumulated consultant service expense and construction equipment had amounted to \$481,776 thousand (VAT included) and \$5,253,600 thousand (VAT included), respectively. Upon completion of the projects, the amount of \$468,755 thousand (VAT included) and \$5,250,556 thousand (VAT included) were reclassified to property, plant and equipment. The remaining cumulative payments were recognized under construction in progress.

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

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

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

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

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

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

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

- d. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery period of the eleven aircraft ranges from 2024 to 2026. As of June 30, 2020, the list price has been paid in the amount of US\$17,014 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US\$60,289 thousand.
- e. In July and August 2019, the Company signed a contract with the Boeing Company to purchase three B777F aircraft and exercised the option to purchase three B777F aircraft. The total list price of the six aircraft is US\$2,320,315 thousand, and the expected delivery period is from 2020 to 2023. As of June 30, 2020, the list price has been paid in the amount of US\$241,650 thousand (recognized as prepayments for aircraft).
- f. In September 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2027. As of June 30, 2020, the list price has been paid in the amount of US\$9,324 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of June 30, 2020, the list price has been paid in the amount of US\$2,988 thousand (recognized as prepayments for aircraft).

36. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

By the end of January 2020, the Coronavirus that originated from Wuhan, the capital city of Hubei province in China became a pandemic. The Company has complied and continues to comply with the travel alerts issued by the Taiwan Centers for Disease Control and has cancelled flights between several countries like China, Hong Kong, Japan and Korea. Other flights have flexible capacity depending on the demand. So far, the air transport services for passengers have been severely affected. In addition to adjusting the operation, the Company also takes measures about funding assistance, human resources, reducing expenditure, and asks the government for help in three main areas including guarantee for its operation, relief compared with the burden, and a recovery plan.

The Company plans to complete the governmental \$20 billion relief loans application. Interest subsidy plan is provided by the government, with the advantage of full cargo fleet, and the flexible dispatch of passenger aircraft to carry goods in the belly freight, the Company expects to take advantage of global air cargo business opportunities. For the six months ended June 30, 2020, the cargo revenue was higher than the same period last year. As a result, the loss caused by the epidemic was abated.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of each group entity, 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:

(Foreign Currencies in Thousands)

June 30, 2020

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 708,607	29.6736	\$ 21,026,924
EUR	22,349	33.3333	744,958
HKD	293,927	3.8256	1,124,433
JPY	3,597,792	0.2751	989,819
RMB	511,200	4.1946	2,144,296

Financial liabilities

Monetary items			
USD	2,310,351	29.6736	68,556,401
EUR	9,497	33.3333	316,551
HKD	61,375	3.8256	234,795
JPY	3,111,172	0.2751	855,940
RMB	122,112	4.1946	512,216

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 658,407	30.0300	\$ 19,771,957
EUR	18,401	33.6700	619,571
HKD	228,234	3.8595	880,868
JPY	6,262,272	0.2766	1,732,130
CNY	425,343	4.3048	1,831,012

Financial liabilities

Monetary items			
USD	2,480,896	30.0300	74,501,305
EUR	7,638	33.6700	257,155
HKD	74,651	3.8595	288,117
JPY	6,584,434	0.2766	1,821,237
CNY	153,196	4.3048	659,478

June 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 425,683	31.0559	\$ 13,219,981
EUR	16,504	35.3357	583,163
HKD	221,531	3.9777	881,173
JPY	4,897,518	0.2886	1,413,443
RMB	293,157	4.5188	1,324,713
<u>Financial liabilities</u>			
Monetary items			
USD	2,471,781	31.0559	76,763,374
EUR	7,043	35.3357	248,875
HKD	87,968	3.9777	349,517
JPY	6,481,054	0.2886	1,870,466
RMB	150,199	4.5188	678,716

For the three months ended June 30, 2020 and 2019, net foreign exchange gains and (losses) were \$103,072 thousand and \$(119,984) thousand, respectively; and for the six months ended June 30, 2020 and 2019, net foreign exchange gains (losses) were \$50,958 thousand and \$(146,884) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

38. ADDITIONAL DISCLOSURES

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

- 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 5 (attached)
- 10) Trading in derivative instruments (Notes 7 and 33)
- b. Investments in mainland China: Table 6 (attached)
- c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 7 (attached)

39. SEGMENT INFORMATION

Segment Information

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

For the six months ended June 30, 2020 and 2019, financial information of segments is listed below:

	For the Six Months Ended June 30, 2020			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	<u>\$ 56,970,659</u>	<u>\$ 3,647,999</u>	<u>\$ (1,746,006)</u>	<u>\$ 58,872,652</u>
Operating profit and loss	<u>\$ 166,729</u>	<u>\$ (347,162)</u>	<u>\$ (42,657)</u>	\$ (223,090)
Interest revenue				180,111
Investment income accounted for using the equity method				(119,222)
Revenue				271,990
Finance costs				(1,617,165)
Expenses				<u>(159,185)</u>
Loss before income tax				<u>\$ (1,666,561)</u>
Identifiable assets	<u>\$ 197,620,322</u>	<u>\$ 15,553,415</u>	<u>\$ (6,269,524)</u>	\$ 206,904,213
Investments accounted for using the equity method				2,056,661
Assets				<u>75,753,286</u>
Total assets				<u>\$ 284,714,160</u>

For the Six Months Ended June 30, 2019

	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	<u>\$ 81,335,439</u>	<u>\$ 5,426,472</u>	<u>\$ (3,464,251)</u>	<u>\$ 83,297,660</u>
Operating profit and loss	<u>\$ 642,017</u>	<u>\$ 735,562</u>	<u>\$ (43,586)</u>	\$ 1,333,993
Interest revenue				194,430
Investment income accounted for using the equity method				157,799
Revenue				174,038
Finance costs				(1,720,248)
Expenses				<u>(279,464)</u>
Loss before income tax				<u>\$ (139,452)</u>
Identifiable assets	<u>\$ 223,221,443</u>	<u>\$ 16,250,947</u>	<u>\$ (6,472,900)</u>	\$ 232,999,490
Investments accounted for using the equity method				2,367,567
Assets				<u>57,754,490</u>
Total assets				<u>\$ 293,121,547</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	China Airlines (the "Company")	Cal Park Tigerair Taiwan Ltd.	100% subsidiary 77.17% subsidiary by direct and indirect holdings	\$ 11,089,696 11,089,696	\$ 3,850,000 3,038,197	\$ 3,850,000 2,774,837	\$ 2,024,250 473,735	\$ - -	6.94 5.00	\$ 27,724,241 27,724,241	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% subsidiary	11,089,696	2,000,000	2,000,000	1,301,327	-	3.61	27,724,241	Yes	No	No

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

JUNE 30, 2020

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

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	June 30, 2020				Note
				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 fair value through other comprehensive income - non-current	1,359,368	\$ 73,225	13.59	\$ 80,548	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at fair value through other comprehensive income - non-current	135,937	7,323	-	-	
	Chung Hua Express Co.	-	Financial assets at fair value through other comprehensive income - non-current	1,100,000	22,351	11.00	22,351	
	Jardine Air Terminal Services	-	Financial assets at fair value through profit or loss - current	12,000,000	-	15.00	-	
	The Grand Hi Lai Hotel	-	Financial assets at fair value through profit or loss - current	3,216	-	0.02	-	
Mandarin Airlines	<u>Shares</u> China Airlines	Parent company	Financial assets at fair value through other comprehensive income - non-current	2,074,628	17,012	-	17,012	-
Cal-Asia Investment	<u>Shares</u> Taikoo (Xiamen) Landing Gear Services	-	Financial assets at fair value through profit or loss - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang)	-	Financial assets at fair value through other comprehensive income - non-current	-	30,470	5.45	30,470	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficial certificates</u> Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,528,078.80	78,340	-	78,340	-
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	308,093.69	55,313	-	55,313	-
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,464,064.80	88,718	-	88,718	-
	Allianz Global Investors Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,951,265.07	100,271	-	100,271	-
Taiwan Airport Services	<u>Shares</u> TransAsia Airways	-	Financial assets at fair value through profit or loss - current	2,277,786	-	0.40	-	-
Dynasty Aerotech International Corp.	<u>Beneficial certificates</u> Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	349,523	4,760	-	4,760	-
Kaohsiung Catering Services	<u>Beneficial certificates</u> Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,407,832	85,887	-	85,887	-
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss - current	4,493,628	70,422	-	70,422	-
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,106,807	15,035	-	15,035	-
Tigerair Taiwan Co., Ltd.	<u>Government bond</u> Philippines government bond	-	Amortized cost financial assets	-	301	Not applicable	301	-

(Continued)

Note 1: The subsidiary's net equity value was \$80,548 thousand for the six months ended June 30, 2020, which included ordinary shares and preference shares.

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

Note 3: The table only listed financial assets that are IFRS 9 regulated.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Taiwan Air Cargo Terminal	Subsidiary	Purchase	\$ 282,803	0.58	30 days	\$ -	-	\$ (44,518)	(2.26)	-
	Cal Park	Subsidiary	Purchase	110,247	0.23	2 months	-	-	(64)	-	-
	China Pacific Catering Services	Equity-method investee	Purchase	346,179	0.71	90 days	-	-	(44,442)	(2.26)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	488,635	1.00	40 days	-	-	(175,482)	(8.91)	-
	Dynasty Aerotech International Corp.	Subsidiary	Purchase	175,069	0.36	2 months	-	-	(47,208)	(2.40)	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(126,888)	(0.24)	1 months	-	-	16,525	0.19	-
	Eastern United International Logistics (Holdings) Ltd.	Equity-method investee	Purchase	182,318	0.37	2 months	-	-	(38,148)	(1.94)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

JUNE 30, 2020

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Taoyuan International Airport Service	China Airlines	Parent company	\$ 175,482	3.75	\$ -	-	\$ 112,989	\$ -

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of June 30, 2020			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				June 30, 2020	December 31, 2019	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	150,000,000	100.00	\$ 1,578,413	\$ 4,674	\$ 27,150	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	1,179,060	(335,885)	(315,698)	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,459,435	131,598	71,089	-
	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	1,251,963	(10,259)	(9,516)	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	729,181	(140,960)	(71,890)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	638,118	(202,301)	(99,127)	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	439,545	12,554	12,554	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	246,649	(33,151)	(31,139)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	20.00	377,985	(306,159)	(61,232)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	189,274	(83,841)	(39,699)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	519,586	(2,420)	(1,299)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	415,940	(63,355)	(63,319)	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	152,976	(16,233)	(8,928)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	108,366	13,205	13,199	Note 4
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	18,388	(6,928)	(6,881)	Note 4
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 20,400	160	20.00	8,397	(8,219)	(1,644)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,243	2,196	549	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	1,272,063	1,272,063	138,906,275	69.45	1,275,406	(569,136)	(395,295)	Note 4
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	135,000,000	100.00	815,164	(106,839)	(106,825)	-	
NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	2,450	3,797,500	49.00	37,821	16	8	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	7.72	141,702	(569,136)	(43,917)	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	4,305	(83,841)	(903)	-
Cal-Asia Investment	Eastern United International Logistics	Hong Kong	Forwarding and storage of air cargo	HK\$ 3,329	HK\$ 3,329	1,050,000	35.00	43,047	4,142	1,450	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	349,685	11,203	11,203	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,868	-	-	-

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

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

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

Note 4: Difference caused by lease arrangement between consolidated entities.

Note 5: Difference caused by acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

China Airlines

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment Flows		Accumulated Outflow of Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of June 30, 2020	Accumulated Inward Remittance of Earnings as of June 30, 2020
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,067,450 (RMB 254,480)	Indirect (Note 1)	\$ 124,213 (US\$ 4,186)	\$ -	\$ -	\$ 124,213 (US\$ 4,186)	\$ 51,677 (RMB 12,082)	14.00	\$ 6,665 (RMB 1,691)	\$ 225,013 (RMB 53,644)	\$ 104,942 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	58,725 (RMB 14,000)	Indirect (Note 1)	57,788 (US\$ 1,947)	-	-	57,788 (US\$ 1,947)	33,313 (RMB 7,789)	14.00	4,450 (RMB 1,090)	125,469 (RMB 29,912)	46,307 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,465,579 (US\$ 83,090)	Indirect (Note 1)	63,834 (US\$ 2,151)	-	-	63,834 (US\$ 2,151)	-	2.589	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	346,083 (US\$ 11,663)	Indirect (Note 1)	18,872 (US\$ 636)	-	-	18,872 (US\$ 636)	-	5.45	-	30,470 (RMB 7,264)	10,579 (US\$ 357)

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$264,707 (US\$8,920)	\$642,662 (Note 3)	\$35,042,826 (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, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of June 30, 2020	Accumulated Repatriation of Investment Income as of June 30, 2020
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,067,450 (RMB 254,480)	Indirect (Note 5)	\$ 119,239 (US\$ 4,018)	\$ -	\$ -	\$ 119,239 (US\$ 4,018)	\$ 51,677 (RMB 12,082)	14%	\$ 7,235 (RMB 1,691)	\$ 223,451 (RMB 53,271)	\$ 134,752 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	58,725 (RMB 14,000)	Indirect (Note 5)	57,174 (US\$ 1,927)	-	-	57,174 (US\$ 1,927)	33,313 (RMB 7,789)	14%	4,664 (RMB 1,090)	125,453 (RMB 29,908)	62,071 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$176,413 (US\$5,945)	\$176,413 (US\$5,945)	\$239,840 (Note 6)

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

Note 2: As of June 30, 2020, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

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

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

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousand New Taiwan Dollars)**

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Transaction Criteria	% to Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Tigerair Taiwan Ltd.	a	Other operating income	\$ 126,888	The same as ordinary transactions	0.22
		Taoyuan International Airport Service	a	Terminal and landing fees	488,635	The same as ordinary transactions	0.83
		Dynasty Aerotech International Corp.	a	Terminal and landing fees	175,069	The same as ordinary transactions	0.30
		Taiwan Air Cargo Terminal	a	Other operating cost	282,803	The same as ordinary transactions	0.48
		Cal Park	a	Other operating cost	110,247	The same as ordinary transactions	0.19
		Taoyuan International Airport Services	a	Accounts payable - related parties	175,482	The same as ordinary transactions	0.06
		Mandarin Airlines	a	Bonds payable - non-current	125,000	The same as ordinary transactions	0.04
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	282,803	The same as ordinary transactions	0.48
2	Mandarin Airlines	China Airlines, Ltd.	b	Financial assets at amortized cost	125,000	The same as ordinary transactions	0.04
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	488,635	The same as ordinary transactions	0.83
		China Airlines, Ltd.	b	Accounts receivable - related parties	175,482	The same as ordinary transactions	0.06
4	Dynasty Aerotech International Corp	China Airlines, Ltd.	b	Operating revenue	175,069	The same as ordinary transactions	0.30
5	Cal Park	China Airlines, Ltd.	b	Operating revenue	110,247	The same as ordinary transactions	0.19
6	Tigerair Taiwan Ltd.	China Airlines, Ltd.	b	Operating expense	126,888	The same as ordinary transactions	0.22

Note 1: Three kinds of business relationships between China Airlines, Ltd. and its subsidiaries were as follows:

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

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

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

(Concluded)

TABLE 8**CHINA AIRLINES, LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR STOCKHOLDERS
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	34.44
National Development Fund (NDF)	519,750,519	9.59

Note 1: The table presents information provided by the Taiwan Depository & Clearing Corporation on shareholders holding greater than 5% of the Company's ordinary shares that have completed the process of dematerialized registration and delivery as of the last business day for the current quarter. Number of shares in the consolidated financial report may differ from actual number of dematerialized securities that have completed the process of registration and delivery due to different basis of computation.

Note 2: If the shareholders transferred shares for trust, the accounts are disclosed separately by the principal who opened a trust account for the subcontractor. Insiders' shares of shareholders who held more than 10% of shares based on the laws and regulations of securities transaction include those held by the shareholders plus the shares for trust while the shareholders have controlling interest over trusted property. For the shareholder's rights in filing information of insiders, please refer to the Market Observation Post System website.