

China Airlines, Ltd. and Subsidiaries

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2022 and 2021 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2022 and 2021, the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

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\$14,412,306 thousand and NT\$14,102,966 thousand, representing 5.08% and 5.11% of the consolidated total assets as of September 30, 2022 and 2021, respectively; and for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the total revenue of these subsidiaries were NT\$15,012 thousand, NT\$44,914 thousand, NT\$51,840 thousand and NT\$71,470 thousand, representing 0.04%, 0.13%, 0.05% and 0.08% 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 Standard 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 and investments accounted for using the equity method were not reviewed. As of September 30, 2022 and 2021, the combined total assets of these non-significant subsidiaries were NT\$21,404,409 thousand and NT\$20,132,953 thousand, respectively, representing 7.55% and 7.30%, respectively, of the consolidated total assets, and the combined total liabilities of these non-significant subsidiaries were NT\$12,216,657 thousand and NT\$11,194,422 thousand, respectively, representing 5.78% and 5.34%, respectively, of the consolidated total liabilities; for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the amounts of the combined comprehensive income (loss) of these non-significant subsidiaries were NT\$64,439 thousand, NT\$4,506 thousand, NT\$97,660 thousand and NT\$(228,649) thousand, respectively, representing (3.03%), 0.17%, (8.28%) and (19.58%), respectively, of the consolidated total comprehensive income. As of September 30, 2022 and 2021, the aforementioned investments accounted for using the equity method were NT\$1,470,236 thousand and NT\$1,576,556 thousand, respectively; for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT\$(23,593) thousand, NT\$(85,146) thousand, NT\$(107,647) thousand and NT\$(382,599) 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 using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2022 and 2021, and its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 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 Kuan-Hao Lee and Shiuh-Ran Cheng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 9, 2022

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 31)	\$ 37,623,078	13	\$ 45,269,866	15	\$ 36,894,146	13
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	131,292	-	155,780	-	169,479	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	1,349,341	1	13,028,521	5	1,390,573	1
Financial assets for hedging - current (Notes 4, 6 and 31)	1,572,219	1	3,563,319	1	2,248,631	1
Notes and accounts receivable, net (Notes 4, 5, 10 and 31)	11,864,041	4	13,473,493	5	11,917,344	4
Notes and accounts receivable - related parties (Notes 31 and 32)	4,356	-	2,348	-	2,401	-
Other receivables (Note 31)	1,074,266	-	752,764	-	616,732	-
Current tax assets (Notes 4 and 28)	22,900	-	59,341	-	58,957	-
Inventories, net (Notes 4 and 11)	10,228,901	4	8,814,975	3	8,815,952	3
Non-current assets held for sale (Notes 4, 5 and 12)	116,213	-	36,719	-	89,956	-
Other current assets (Note 18)	1,214,787	-	692,464	-	1,053,770	1
Total current assets	<u>65,201,394</u>	<u>23</u>	<u>85,849,590</u>	<u>29</u>	<u>63,257,941</u>	<u>23</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	70,897	-	67,884	-	91,180	-
Financial assets at amortized cost (Notes 4, 9 and 31)	244,997	-	70,596	-	515,504	-
Investments accounted for using the equity method (Notes 4 and 14)	1,470,236	1	1,555,016	1	1,576,556	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	126,107,320	44	129,632,046	44	132,002,259	48
Right-of-use assets (Notes 4, 21 and 33)	58,168,590	21	56,061,967	19	56,761,245	21
Investment properties (Notes 4 and 16)	2,074,332	1	2,074,531	1	2,074,597	1
Other intangible assets (Notes 4 and 17)	909,743	-	1,008,992	-	1,155,876	-
Deferred tax asset (Notes 4, 5 and 28)	8,509,314	3	6,930,978	2	6,646,240	2
Other non-current assets (Notes 18, 21, 31 and 33)	20,726,543	7	11,469,481	4	11,805,438	4
Total non-current assets	<u>218,281,972</u>	<u>77</u>	<u>208,871,491</u>	<u>71</u>	<u>212,628,895</u>	<u>77</u>
TOTAL	<u>\$ 283,483,366</u>	<u>100</u>	<u>\$ 294,721,081</u>	<u>100</u>	<u>\$ 275,886,836</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 31)	\$ 1,782,000	1	\$ 1,932,000	1	\$ 1,952,000	1
Financial liabilities for hedging - current (Notes 4, 21 and 31)	10,172,917	4	8,438,097	3	8,405,330	3
Contract liabilities - current (Notes 4, 5 and 23)	8,507,579	3	3,868,712	1	3,271,347	1
Notes and accounts payable (Note 31)	1,397,567	-	1,115,600	-	1,280,033	-
Accounts payable - related parties (Notes 31 and 32)	219,840	-	130,572	-	112,507	-
Other payables (Notes 22 and 31)	12,999,112	5	14,661,347	5	9,981,557	4
Current tax liabilities (Notes 4 and 28)	552,325	-	3,054,287	1	903,585	-
Lease liabilities - current (Notes 4 and 21)	2,978,850	1	2,533,452	1	2,640,078	1
Provisions - current (Notes 4, 24 and 31)	3,597,866	1	3,247,236	1	2,775,946	1
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20 and 31)	3,650,000	1	2,525,000	1	1,300,000	-
Current portion of long-term borrowings (Notes 19, 31 and 33)	12,849,453	5	9,324,318	3	13,808,717	5
Other current liabilities (Note 31)	2,628,886	1	2,408,484	1	1,633,453	1
Total current liabilities	<u>61,336,395</u>	<u>22</u>	<u>53,239,105</u>	<u>18</u>	<u>48,064,553</u>	<u>17</u>
NON-CURRENT LIABILITIES						
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	32,846,991	12	27,839,847	10	27,728,396	10
Bonds payable - non-current (Notes 4, 20 and 31)	8,869,852	3	11,125,026	4	16,566,263	6
Long-term borrowings - non-current (Notes 19, 31 and 33)	62,481,708	22	85,069,285	29	76,614,499	28
Contract liabilities - non-current (Notes 4 and 23)	1,103,333	-	635,633	-	916,379	-
Provisions - non-current (Notes 4, 24 and 31)	17,773,633	6	15,406,987	5	14,962,826	6
Current tax liabilities - non-current (Notes 4 and 28)	-	-	-	-	43,590	-
Deferred tax liabilities (Notes 4 and 28)	167,603	-	1,021,553	1	960,631	-
Lease liabilities - non-current (Notes 4 and 21)	15,574,735	6	12,758,050	4	13,267,766	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	9,564,946	3	9,814,737	3	9,735,660	4
Other non-current liabilities (Note 31)	1,568,724	1	605,840	-	590,122	-
Total non-current liabilities	<u>149,951,525</u>	<u>53</u>	<u>164,276,958</u>	<u>56</u>	<u>161,386,132</u>	<u>59</u>
Total liabilities	<u>211,287,920</u>	<u>75</u>	<u>217,516,063</u>	<u>74</u>	<u>209,450,685</u>	<u>76</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)						
Share capital	60,135,374	21	59,412,243	20	57,404,844	21
Capital surplus	3,120,311	1	2,694,529	1	1,772,185	1
Retained earnings						
Legal reserve	925,385	-	-	-	-	-
Unappropriated retained earnings	6,946,913	3	9,253,848	3	1,450,737	-
Total retained earnings	7,872,298	3	9,253,848	3	1,450,737	-
Other equity	(1,389,828)	(1)	2,713,828	1	2,694,122	1
Treasury shares	(30,875)	-	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	<u>69,707,280</u>	<u>24</u>	<u>74,043,573</u>	<u>25</u>	<u>63,291,013</u>	<u>23</u>
NON-CONTROLLING INTERESTS (Note 26)						
Total equity	<u>72,195,446</u>	<u>25</u>	<u>77,205,018</u>	<u>26</u>	<u>66,436,151</u>	<u>24</u>
TOTAL	<u>\$ 283,483,366</u>	<u>100</u>	<u>\$ 294,721,081</u>	<u>100</u>	<u>\$ 275,886,836</u>	<u>100</u>

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

(With Deloitte & Touche auditors' review report dated November 9, 2022)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	\$ 37,697,760	100	\$ 34,474,002	100	\$ 111,783,277	100	\$ 91,674,640	100
OPERATING COSTS (Notes 4, 11, 17, 21, 24, 25, 27 and 32)	<u>36,017,635</u>	<u>96</u>	<u>28,907,108</u>	<u>84</u>	<u>101,906,124</u>	<u>91</u>	<u>81,606,537</u>	<u>89</u>
GROSS PROFIT	1,680,125	4	5,566,894	16	9,877,153	9	10,068,103	11
OPERATING EXPENSES (Notes 4, 25 and 27)	<u>2,017,350</u>	<u>5</u>	<u>1,581,796</u>	<u>5</u>	<u>5,628,194</u>	<u>5</u>	<u>5,345,976</u>	<u>6</u>
OPERATING PROFIT (LOSS)	<u>(337,225)</u>	<u>(1)</u>	<u>3,985,098</u>	<u>11</u>	<u>4,248,959</u>	<u>4</u>	<u>4,722,127</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 27)	640,070	2	139,193	1	1,173,156	1	389,739	-
Other gains and losses (Notes 13, 15, 21 and 27)	217,705	1	(314,415)	(1)	374,044	-	(1,608,211)	(2)
Finance costs (Notes 27 and 31)	(635,110)	(2)	(572,520)	(2)	(1,846,599)	(1)	(1,850,981)	(2)
Share of the profit of associates and joint ventures (Note 14)	<u>(23,593)</u>	<u>-</u>	<u>(85,146)</u>	<u>-</u>	<u>(107,647)</u>	<u>-</u>	<u>(382,599)</u>	<u>-</u>
Total non-operating income and expenses	<u>199,072</u>	<u>1</u>	<u>(832,888)</u>	<u>(2)</u>	<u>(407,046)</u>	<u>-</u>	<u>(3,452,052)</u>	<u>(4)</u>
PROFIT (LOSS) BEFORE INCOME TAX	(138,153)	-	3,152,210	9	3,841,913	4	1,270,075	1
INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 28)	<u>(126,668)</u>	<u>-</u>	<u>351,690</u>	<u>1</u>	<u>700,293</u>	<u>1</u>	<u>171,768</u>	<u>-</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>(11,485)</u>	<u>-</u>	<u>2,800,520</u>	<u>8</u>	<u>3,141,620</u>	<u>3</u>	<u>1,098,307</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Gain (loss) on hedging instruments subject to basis adjustment	109,670	-	(8,005)	-	245,064	-	(55,461)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	6,182	-	(60,447)	-	2,698	-	(72,433)	-
Income tax related to items that will not be reclassified subsequently to profit or loss (Note 28)	<u>(358)</u>	<u>-</u>	<u>12,386</u>	<u>-</u>	<u>(52,131)</u>	<u>-</u>	<u>25,075</u>	<u>-</u>
	<u>115,494</u>	<u>-</u>	<u>(56,066)</u>	<u>-</u>	<u>195,631</u>	<u>-</u>	<u>(102,819)</u>	<u>-</u>

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	\$ 89,986	-	\$ (1,610)	-	\$ 196,377	-	\$ (34,560)	-
Gain (loss) on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 31)	(2,878,392)	(8)	(189,870)	-	(5,844,088)	(5)	250,906	-
Income tax related to items that may be reclassified subsequently to profit or loss (Note 28)	<u>557,964</u>	<u>2</u>	<u>38,185</u>	<u>-</u>	<u>1,131,253</u>	<u>1</u>	<u>(43,812)</u>	<u>-</u>
	<u>(2,230,442)</u>	<u>(6)</u>	<u>(153,295)</u>	<u>-</u>	<u>(4,516,458)</u>	<u>(4)</u>	<u>172,534</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(2,114,948)</u>	<u>(6)</u>	<u>(209,361)</u>	<u>-</u>	<u>(4,320,827)</u>	<u>(4)</u>	<u>69,715</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ (2,126,433)</u>	<u>(6)</u>	<u>\$ 2,591,159</u>	<u>8</u>	<u>\$ (1,179,207)</u>	<u>(1)</u>	<u>\$ 1,168,022</u>	<u>1</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ 125,956	-	\$ 2,917,304	8	\$ 3,618,450	3	\$ 1,555,376	2
Non-controlling interests	<u>(137,441)</u>	<u>-</u>	<u>(116,784)</u>	<u>-</u>	<u>(476,830)</u>	<u>-</u>	<u>(457,069)</u>	<u>(1)</u>
	<u>\$ (11,485)</u>	<u>-</u>	<u>\$ 2,800,520</u>	<u>8</u>	<u>\$ 3,141,620</u>	<u>3</u>	<u>\$ 1,098,307</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	\$ (1,989,661)	(5)	\$ 2,708,171	8	\$ (708,576)	(1)	\$ 1,626,126	2
Non-controlling interests	<u>(136,772)</u>	<u>(1)</u>	<u>(117,012)</u>	<u>-</u>	<u>(470,631)</u>	<u>-</u>	<u>(458,104)</u>	<u>(1)</u>
	<u>\$ (2,126,433)</u>	<u>(6)</u>	<u>\$ 2,591,159</u>	<u>8</u>	<u>\$ (1,179,207)</u>	<u>(1)</u>	<u>\$ 1,168,022</u>	<u>1</u>
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)								
Basic	<u>\$ 0.02</u>		<u>\$ 0.51</u>		<u>\$ 0.60</u>		<u>\$ 0.28</u>	
Diluted	<u>\$ 0.02</u>		<u>\$ 0.48</u>		<u>\$ 0.59</u>		<u>\$ 0.26</u>	

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

(With Deloitte & Touche auditors' review report dated November 9, 2022)

(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 Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income						
BALANCE AT JANUARY 1, 2021	\$ 54,209,846	\$ 1,187,327	\$ -	\$ (350,581)	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ (30,875)	\$ 57,559,483	\$ 3,152,090	\$ 60,711,573	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	79,606	-	79,606	-	79,606	
Appropriation of 2020 earnings												
Capital surplus used to cover accumulated deficit	-	(350,581)	-	350,581	-	-	-	-	-	-	-	
Issuance of employee share options by the subsidiaries	-	540	-	-	-	-	-	-	540	126	666	
Change in percentage of ownership interests in subsidiaries	-	-	-	(104,639)	-	-	-	-	(104,639)	575,753	471,114	
Net income (loss) for the nine months ended September 30, 2021	-	-	-	1,555,376	-	-	-	-	1,555,376	(457,069)	1,098,307	
Other comprehensive income (loss) for the nine months ended September 30, 2021, net of income tax	-	-	-	-	(26,788)	(58,451)	155,989	-	70,750	(1,035)	69,715	
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	1,555,376	(26,788)	(58,451)	155,989	-	1,626,126	(458,104)	1,168,022	
Equity component of convertible bonds issued by the Company	-	188,862	-	-	-	-	-	-	188,862	-	188,862	
Convertible bonds converted to ordinary shares	3,194,998	746,037	-	-	-	-	-	-	3,941,035	-	3,941,035	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(124,727)	(124,727)	
BALANCE AT SEPTEMBER 30, 2021	\$ 57,404,844	\$ 1,772,185	\$ -	\$ 1,450,737	\$ (161,040)	\$ 12,908	\$ 2,842,254	\$ (30,875)	\$ 63,291,013	\$ 3,145,138	\$ 66,436,151	
BALANCE AT JANUARY 1, 2022	\$ 59,412,243	\$ 2,694,529	\$ -	\$ 9,253,848	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ (30,875)	\$ 74,043,573	\$ 3,161,445	\$ 77,205,018	
Basis adjustment to gain (loss) on hedging instruments	-	-	-	-	-	-	223,370	-	223,370	-	223,370	
Appropriation of 2021 earnings												
Legal reserve	-	-	925,385	(925,385)	-	-	-	-	-	-	-	
Cash dividends - \$0.83145736 per share	-	-	-	(5,000,000)	-	-	-	-	(5,000,000)	-	(5,000,000)	
Changes in capital surplus from dividends distributed to subsidiaries	-	1,725	-	-	-	-	-	-	1,725	-	1,725	
Net income (loss) for the nine months ended September 30, 2022	-	-	-	3,618,450	-	-	-	-	3,618,450	(476,830)	3,141,620	
Other comprehensive income (loss) for the nine months ended September 30, 2022, net of income tax	-	-	-	-	154,403	4,013	(4,485,442)	-	(4,327,026)	6,199	(4,320,827)	
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	3,618,450	154,403	4,013	(4,485,442)	-	(708,576)	(470,631)	(1,179,207)	
Convertible bonds converted to ordinary shares	723,131	424,050	-	-	-	-	-	-	1,147,181	-	1,147,181	
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(202,650)	(202,650)	
Others	-	7	-	-	-	-	-	-	7	2	9	
BALANCE AT SEPTEMBER 30, 2022	\$ 60,135,374	\$ 3,120,311	\$ 925,385	\$ 6,946,913	\$ 34,324	\$ (1,499)	\$ (1,422,653)	\$ (30,875)	\$ 69,707,280	\$ 2,488,166	\$ 72,195,446	

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

(With Deloitte & Touche auditors' review report dated November 9, 2022)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 3,841,913	\$ 1,270,075
Adjustments for:		
Depreciation expense	22,384,863	22,528,432
Amortization expense	167,959	165,970
Expected credit loss recognized on trade receivables	28,855	28,606
Net gain on fair value changes of financial assets at fair value through profit or loss	(384)	(13)
Interest income	(307,186)	(97,677)
Dividend income	(850)	(11,607)
Share of loss of associates and joint ventures	107,647	382,599
(Gain) loss on disposal of property, plant and equipment	(16,747)	1,023,694
Gain on disposal of non-current assets held for sale	(116,676)	-
Loss on disposal of investments	-	540
Loss on inventory and property, plant and equipment	611,103	850,684
Impairment loss recognized on property, plant, equipment	1,641	-
Compensation costs of employee share options	-	666
Finance costs	1,846,599	1,850,981
Net loss (gain) on foreign currency exchange	1,381,550	(829,452)
Loss on sale and leaseback transactions	-	342,080
Recognition of provisions	3,994,333	4,575,939
Others	(9,569)	(3,538)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	24,872	105,643
Notes and accounts receivable	1,865,559	(2,301,224)
Accounts receivable - related parties	124,367	(68,763)
Other receivables	(235,940)	305,753
Inventories	(1,997,163)	43,362
Other current assets	(547,155)	(129,676)
Notes and accounts payable	67,963	(111,976)
Accounts payable - related parties	(45,818)	31,311
Other payables	(1,902,600)	1,617,657
Contract liabilities	5,106,567	(1,142,865)
Provisions	(3,157,305)	(1,142,874)
Other current liabilities	280,455	670,404
Defined benefit liabilities	(249,828)	(2,080)
Other non-current liabilities	27,847	5,556
Cash generated from operations	33,276,872	29,958,207
Interest received	232,858	90,811

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
Dividends received	\$ 850	\$ 11,607
Interest paid	(1,835,719)	(1,707,710)
Income tax paid	<u>(4,629,711)</u>	<u>(257,444)</u>
Net cash generated from operating activities	<u>27,045,150</u>	<u>28,095,471</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(8,985,310)	(2,505,043)
Proceeds from disposal of financial assets at amortized cost	20,545,777	7,646,697
Purchase of financial assets for hedging	(5,342,055)	(3,566,844)
Proceeds from disposal of financial assets for hedging	7,603,306	8,888,275
Proceeds from disposal of non-current assets held for sale	130,144	-
Payments for property, plant and equipment	(1,965,232)	(1,635,174)
Proceeds from disposal of property, plant and equipment	23,755	394,747
Increase in refundable deposits	(102,395)	(84,030)
Decrease in refundable deposits	212,490	92,839
Increase in prepayments for equipment	(15,093,029)	(11,860,667)
Payments for intangible assets	(123,469)	(125,483)
Increase in restricted assets	(69,100)	(282,691)
Net cash inflow on disposal of subsidiary	<u>-</u>	<u>942</u>
Net cash used in investing activities	<u>(3,165,118)</u>	<u>(3,036,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in short-term borrowings	(150,000)	20,000
Decrease in short-term bills payable	-	(8,088,882)
Proceeds from issuance of bonds payable	-	4,500,000
Repayments of bonds payable	(200)	(5,000,000)
Proceeds from long-term borrowings	2,559,673	8,023,590
Repayments of long-term borrowings	(21,622,115)	(10,268,775)
Repayments of the principal portion of lease liabilities	(8,687,337)	(7,754,584)
Proceeds from guarantee deposits received	75,421	266,221
Refund of guarantee deposits received	(8,703)	(201,638)
Proceeds from sale and leaseback transactions	-	2,810,098
Proceeds from issuance of ordinary shares of subsidiaries	-	471,114
Cash dividends	(4,998,275)	-
Cash dividends paid to non-controlling interests	(202,650)	(124,727)
Others	<u>9</u>	<u>-</u>
Net cash used in financing activities	<u>(33,034,177)</u>	<u>(15,347,583)</u>

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	\$ <u>1,507,357</u>	\$ <u>56,753</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,646,788)	9,768,209
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>45,269,866</u>	<u>27,125,937</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 37,623,078</u>	<u>\$ 36,894,146</u>

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

(With Deloitte & Touche auditors' review report dated November 9, 2022)

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021 (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 China Aviation Development Foundation (“CADF”) and National Development Fund (“NDF”), Executive Yuan. As of September 30, 2022, December 31, 2021 and September 30, 2021, CADF and NDF held a combined 39.69%, 40.17% and 41.58%, respectively of the Company’s shares.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) were approved by the Company’s board of directors on November 9, 2022.

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

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

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

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 "Leases Liability in a Sale and leaseback"	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 "Initial Application of IFRS 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1 "Non-current Liabilities with Covenants"	January 1, 2024

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those of for the consolidated financial statements for the year ended December 31, 2021.

Statement of Compliance

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

Basis of Preparation

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

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

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

Basis of Consolidation

The consolidated financial statements reporting principles are the same as those in the consolidated financial statements for the year ended December 31, 2021.

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.

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, 2022, 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, 2021.

6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand and revolving funds	\$ 696,713	\$ 294,026	\$ 384,002
Checking accounts and demand deposits	8,640,786	28,507,427	18,447,813
Cash equivalents			
Time deposits with original maturities of less than three months	26,535,852	11,347,326	14,887,299
Repurchase agreements collateralized by bonds	<u>1,749,727</u>	<u>5,121,087</u>	<u>3,175,032</u>
	<u>\$ 37,623,078</u>	<u>\$ 45,269,866</u>	<u>\$ 36,894,146</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Bank balance	0%-3%	0%-1.9%	0%-1.9%
Time deposits with original maturities of less than three months	0.1%-4.05%	0.07%-0.41%	0.07%-0.53%
Repurchase agreements collateralized by bonds	0.23%-3.05%	0.2%-0.45%	0.2%-0.41%

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

	Maturity Date	Subject	Carrying Value
September 30, 2022	2022.10.4-2022.10.6	Financial assets for hedging - current	\$ 1,523,810
December 31, 2021	2022.2.7-2022.2.14	Financial assets for hedging - current	3,545,706
September 30, 2021	2021.10.6-2021.11.4	Financial assets for hedging - current	2,228,412

Impact on other comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the nine months ended September 30, 2022	\$ 229,535
For the three months ended September 30, 2022	95,238
For the nine months ended September 30, 2021	(55,461)
For the three months ended September 30, 2021	(8,005)

For the nine months ended September 30, 2022 and 2021, the amount of hedge instrument settlements recognized as prepayments for equipment were \$224,456 thousand and \$79,606 thousand, respectively.

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

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Beneficial certificates	<u>\$ 131,292</u>	<u>\$ 155,780</u>	<u>\$ 169,479</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Non-current</u>			
Foreign investments			
Unlisted shares	\$ 32,819	\$ 39,080	\$ 63,999
Domestic investments			
Unlisted shares	<u>38,078</u>	<u>28,804</u>	<u>27,181</u>
	<u>\$ 70,897</u>	<u>\$ 67,884</u>	<u>\$ 91,180</u>

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Time deposits with original maturities of more than 3 months			
	\$ 1,348,790	\$ 13,027,969	\$ 1,389,023
Government bonds	<u>551</u>	<u>552</u>	<u>1,550</u>
	<u>\$ 1,349,341</u>	<u>\$ 13,028,521</u>	<u>\$ 1,390,573</u>
<u>Non-current</u>			
Time deposits with original maturities of more than 1 year			
	<u>\$ 244,997</u>	<u>\$ 70,596</u>	<u>\$ 515,504</u>

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.21%-1.35%, 0.21%-1.05% and 0.21%-1.10% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>	<u>\$ 15,132</u>	<u>\$ 1,547</u>	<u>\$ 3,031</u>
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	12,113,320	13,707,506	12,140,066
Less: Allowance for impairment loss	<u>(264,411)</u>	<u>(235,560)</u>	<u>(225,753)</u>
	<u>11,848,909</u>	<u>13,471,946</u>	<u>11,914,313</u>
	<u>\$ 11,864,041</u>	<u>\$ 13,473,493</u>	<u>\$ 11,917,344</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 receivables since the date credit was initially granted to the end of the reporting period, and any allowance for impairment loss was based on the estimated irrecoverable amounts determined by reference to the Group's past default experience with the counterparty and an analysis of the counterparty's current financial position. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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

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

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

September 30, 2022

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

December 31, 2021

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.56%	6.79%	20.75%	99.92%	99.99%	
Gross carrying amount	\$ 13,481,446	\$ 61,988	\$ 9,884	\$ 2,499	\$ 151,689	\$ 13,707,506
Loss allowance (lifetime ECLs)	<u>(75,114)</u>	<u>(4,211)</u>	<u>(2,051)</u>	<u>(2,497)</u>	<u>(151,687)</u>	<u>(235,560)</u>
Amortized cost	<u>\$ 13,406,332</u>	<u>\$ 57,777</u>	<u>\$ 7,833</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 13,471,946</u>

September 30, 2021

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.67%	2.98%	0.95%	0.00%	89.63%	
Gross carrying amount	\$ 11,915,147	\$ 56,648	\$ 6,501	\$ 941	\$ 160,829	\$ 12,140,066
Loss allowance (lifetime ECLs)	<u>(79,853)</u>	<u>(1,689)</u>	<u>(62)</u>	<u>-</u>	<u>(144,149)</u>	<u>(225,753)</u>
Amortized cost	<u>\$ 11,835,294</u>	<u>\$ 54,959</u>	<u>\$ 6,439</u>	<u>\$ 941</u>	<u>\$ 16,680</u>	<u>\$ 11,914,313</u>

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

	For the Nine Months Ended September 30	
	2022	2021
Balance at January 1	\$ 235,560	\$ 206,152
Add: Net remeasurement of loss allowance	28,855	28,606
Add: Amounts recovered	190	234
Less: Amounts written off	(215)	(9,237)
Foreign exchange gains and losses	<u>21</u>	<u>(2)</u>
Balance at September 30	<u>\$ 264,411</u>	<u>\$ 225,753</u>

11. INVENTORIES, NET

	September 30, 2022	December 31, 2021	September 30, 2021
Aircraft spare parts	\$ 9,091,971	\$ 7,603,809	\$ 7,771,779
Items for in-flight sale	631,756	621,181	618,107
Work in process - maintenance services	412,943	534,073	370,645
Others	<u>92,231</u>	<u>55,912</u>	<u>55,421</u>
	<u>\$ 10,228,901</u>	<u>\$ 8,814,975</u>	<u>\$ 8,815,952</u>

The operating costs recognized for the nine months ended September 30, 2022 and 2021 included losses from inventory write-downs of \$246,648 thousand and \$279,354 thousand, respectively. And the operating costs recognized for the three months ended September 30, 2022 and 2021 included losses from inventory write-downs of \$84,598 thousand and \$2,379 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

	September 30, 2022	December 31, 2021	September 30, 2021
Aircraft held for sale	<u>\$ 116,213</u>	<u>\$ 36,719</u>	<u>\$ 89,956</u>

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

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

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			September 30, 2022	December 31, 2021	September 30, 2021
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	82	82	82
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investing	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Cal Park	Real estate 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	97	97	97
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Kaohsiung Catering Service, Ltd.	In-flight catering	54	54	54
	Taoyuan International Airport Services	Airport services	49	49	49
	Taiwan Airport Services (Note)	Airport services	48	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25	25

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%)		
			September 30, 2022	December 31, 2021	September 30, 2021
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 perspective of the Group.

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50% and for the other subsidiaries, the Company had control and more than 50% of their voting shares. The above financial information of the subsidiaries for the nine months ended September 30, 2022 and 2021 was reported according to financial statements that were not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

Tigerair Taiwan Co., Ltd. planned to issue ordinary shares for cash to meet the needs for funds. The board of directors of the Company approved the plan to issue ordinary shares for cash at \$25 per share on August 5, 2021. The Company subscribed for 101,212 thousand shares in September 2021. The proportion of ownership of the Group increased to 82%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$54,449 thousand.

To strengthen the capital structure of Mandarin Airlines, the board of directors of the Company approved the plan to issue ordinary shares for cash at \$10 per share on August 26, 2021. The Company subscribed for 199,677 thousand shares in September 2021. The proportion of ownership of the Group increased to 97%. Because the shares were subscribed at a percentage different from its existing ownership percentage, the Company's retained earnings decreased by \$50,190 thousand.

The liquidation of Yestrip Co., Ltd. was completed on April 22, 2021, and the Company recognized a liquidation loss of \$540 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2022	December 31, 2021	September 30, 2021
Investments in associates	\$ 939,668	\$ 864,178	\$ 880,464
Investments in joint ventures	<u>530,568</u>	<u>690,838</u>	<u>696,092</u>
	<u>\$ 1,470,236</u>	<u>\$ 1,555,016</u>	<u>\$ 1,576,556</u>

a. Investments in associates

The investments in associates were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Unlisted companies</u>			
China Aircraft Services	\$ -	\$ -	\$ 28,174
Dynasty Holidays	-	-	3,493
Airport Air Cargo Terminal (Xiamen)	543,010	513,059	501,171
Airport Air Cargo Service (Xiamen)	332,439	298,971	288,006
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>64,219</u>	<u>52,148</u>	<u>59,620</u>
	<u>\$ 939,668</u>	<u>\$ 864,178</u>	<u>\$ 880,464</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		
	September 30, 2022	December 31, 2021	September 30, 2021
China Aircraft Services	-	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. (Hong Kong)	35%	35%	35%

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
China Aircraft Services	\$ -	\$ (27,075)	\$ -	\$ (244,985)
Dynasty Holidays	-	(422)	-	(1,302)
Airport Air Cargo Terminal (Xiamen)	4,245	5,391	16,519	29,200
Airport Air Cargo Service (Xiamen)	5,611	7,019	25,485	20,366
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	<u>3,704</u>	<u>3,051</u>	<u>10,619</u>	<u>8,980</u>
	<u>\$ 13,560</u>	<u>\$ (12,036)</u>	<u>\$ 52,623</u>	<u>\$ (187,741)</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 had these investee's financial statements been independently reviewed.

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

Dynasty Holidays was classified as associate accounted for using the equity method. On May 31, 2022, the provisional shareholders' meeting was held and the shareholders resolved to dissolve Dynasty Holidays and the liquidation process is in progress in accordance with Japanese regulations.

b. Investments in joint ventures

The investments in joint ventures were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
China Pacific Catering Services	\$ 416,852	\$ 533,251	\$ 533,279
China Pacific Laundry Services	91,977	120,876	121,458
NORDAM Asia Ltd.	13,864	28,836	33,484
Delica International Co., Ltd.	<u>7,875</u>	<u>7,875</u>	<u>7,871</u>
	<u>\$ 530,568</u>	<u>\$ 690,838</u>	<u>\$ 696,092</u>

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

	Proportion of Ownership and Voting Rights		
	September 30, 2022	December 31, 2021	September 30, 2021
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 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 expand the Group's catering business, Kaohsiung Catering entered into a joint venture agreement with a Japanese brand company to invest in Delica International Co, Ltd., with the Japanese brand company having the right to make decisions on operations, and therefore, the Group does not have control.

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
China Pacific Catering Services	\$ (24,127)	\$ (60,084)	\$ (116,399)	\$ (162,680)
China Pacific Laundry Services	(6,248)	(11,299)	(28,900)	(27,895)
NORDAM Asia Ltd.	(6,778)	(1,727)	(14,971)	(4,283)
Delica International Co., Ltd.	-	-	-	-
	<u>\$ (37,153)</u>	<u>\$ (73,110)</u>	<u>\$ (160,270)</u>	<u>\$ (194,858)</u>

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Cost</u>					
Balance at January 1, 2021	\$ 955,823	\$ 15,705,635	\$ 282,007,135	\$ 17,058,648	\$ 315,727,241
Additions	-	220,425	866,095	548,654	1,635,174
Disposals	-	(17,311)	(44,511,895)	(136,391)	(44,665,597)
Reclassification	-	-	9,198,342	15,754	9,214,096
Net exchange differences	(9,790)	(18,061)	-	(1,907)	(29,758)
Balance at September 30, 2021	<u>\$ 946,033</u>	<u>\$ 15,890,688</u>	<u>\$ 247,559,677</u>	<u>\$ 17,484,758</u>	<u>\$ 281,881,156</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2021	\$ -	\$ (7,121,637)	\$ (155,376,265)	\$ (11,747,645)	\$ (174,245,547)
Depreciation expenses	-	(367,719)	(12,648,680)	(660,556)	(13,676,955)
Disposals	-	17,311	37,878,024	133,414	38,028,749
Reclassification	-	-	987	2,708	3,695
Net exchange differences	-	9,586	-	1,575	11,161
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ (7,462,459)</u>	<u>\$ (130,145,934)</u>	<u>\$ (12,270,504)</u>	<u>\$ (149,878,897)</u>
Balance at September 30, 2021, net value	<u>\$ 946,033</u>	<u>\$ 8,428,229</u>	<u>\$ 117,413,743</u>	<u>\$ 5,214,254</u>	<u>\$ 132,002,259</u>
<u>Cost</u>					
Balance at January 1, 2022	\$ 943,305	\$ 15,921,862	\$ 247,842,073	\$ 17,625,366	\$ 282,332,606
Additions	-	62,621	1,193,232	709,379	1,965,232
Disposals	-	(1,563)	(2,043,319)	(220,132)	(2,265,014)
Reclassification	-	6,191	3,958,072	64,258	4,028,521
Net exchange differences	71,496	132,390	-	14,259	218,145
Balance at September 30, 2022	<u>\$ 1,014,801</u>	<u>\$ 16,121,501</u>	<u>\$ 250,950,058</u>	<u>\$ 18,193,130</u>	<u>\$ 286,279,490</u>

(Continued)

	Freehold Land	Buildings	Flight Equipment	Others	Total
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2022	\$ -	\$ (7,582,813)	\$ (132,691,333)	\$ (12,426,414)	\$ (152,700,560)
Depreciation expenses	-	(376,154)	(11,563,463)	(707,676)	(12,647,293)
Disposals	-	1,560	1,777,142	215,416	1,994,118
Reclassification	-	-	3,268,802	(110)	3,268,692
Net exchange differences	-	(74,844)	-	(12,283)	(87,127)
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ (8,032,251)</u>	<u>\$ (139,208,852)</u>	<u>\$ (12,931,067)</u>	<u>\$ (160,172,170)</u>
Balance at September 30, 2022, net value	<u>\$ 1,014,801</u>	<u>\$ 8,089,250</u>	<u>\$ 111,741,206</u>	<u>\$ 5,262,063</u>	<u>\$ 126,107,320</u>

(Concluded)

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

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

Buildings	
Main buildings	45-55 years
Others	10-25 years
Machinery equipment	
Electro-mechanical equipment	25 years
Others	3-13 years
Office equipment	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Assets leased to others	3-5 years
Flight equipment and equipment under finance leases	
Airframes	15-25 years
Aircraft cabins	7-20 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 33 for the carrying amounts of property, plant and equipment and leased asset 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.

The Group disposed of a portion of flight equipment and recognized a loss of \$950,980 thousand for the three months ended June 30, 2021.

16. INVESTMENT PROPERTIES

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount			
Investment properties	<u>\$ 2,074,332</u>	<u>\$ 2,074,531</u>	<u>\$ 2,074,597</u>

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

The fair values of the investment properties held by the Group were all \$2,488,931 thousand as of September 30, 2022, December 31, 2021 and September 30, 2021, 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	Others	Accumulated Amortization	Net Value
Balance at January 1, 2021	\$ 1,763,644	\$ 186,197	\$ (873,490)	\$ 1,076,351
Additions	52,508	168,280	-	220,788
Reclassification	24,710	-	-	24,710
Amortization expenses	-	-	(165,970)	(165,970)
Effects of exchange rate changes	-	-	(3)	(3)
Balance at September 30, 2021	<u>\$ 1,840,862</u>	<u>\$ 354,477</u>	<u>\$ (1,039,463)</u>	<u>\$ 1,155,876</u>
Balance at January 1, 2022	\$ 1,880,049	\$ 168,280	\$ (1,039,337)	\$ 1,008,992
Additions	57,069	-	-	57,069
Reclassification	(43,630)	-	55,258	11,628
Amortization expenses	-	-	(167,959)	(167,959)
Disposals	(4,029)	-	4,029	-
Effects of exchange rate changes	-	-	13	13
Balance at September 30, 2022	<u>\$ 1,889,459</u>	<u>\$ 168,280</u>	<u>\$ (1,147,996)</u>	<u>\$ 909,743</u>

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

18. OTHER ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Temporary payments	\$ 156,490	\$ 138,688	\$ 213,088
Prepayments	623,866	327,140	432,040
Restricted assets	11,139	9,562	10,009
Others	<u>423,292</u>	<u>217,074</u>	<u>398,633</u>
	<u>\$ 1,214,787</u>	<u>\$ 692,464</u>	<u>\$ 1,053,770</u>

(Continued)

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Non-current</u>			
Prepayments for aircraft	\$ 16,302,107	\$ 8,624,307	\$ 8,616,451
Prepayments - long-term	1,910,022	1,249,389	1,524,002
Refundable deposits	967,251	1,000,457	1,070,646
Restricted assets	680,634	568,247	562,623
Other financial assets	18,033	18,497	18,141
Others	<u>848,496</u>	<u>8,584</u>	<u>13,575</u>
	<u>\$ 20,726,543</u>	<u>\$ 11,469,481</u>	<u>\$ 11,805,438</u>
			(Concluded)

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

19. BORROWINGS

a. Short-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Bank loans - unsecured	<u>\$ 1,782,000</u>	<u>\$ 1,932,000</u>	<u>\$ 1,952,000</u>
Interest rates	1.25%-1.55%	0.90%-1.26%	0.90%-1.27%

b. Long-term borrowings

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans	\$ 19,943,552	\$ 33,248,892	\$ 22,399,892
Secured bank loans	34,698,235	35,721,925	37,592,547
Commercial papers			
Proceeds from issuance	20,720,000	25,450,000	30,460,000
Less: Unamortized discounts	<u>30,626</u>	<u>27,214</u>	<u>29,223</u>
	75,331,161	94,393,603	90,423,216
Less: Current portion	<u>12,849,453</u>	<u>9,324,318</u>	<u>13,808,717</u>
	<u>\$ 62,481,708</u>	<u>\$ 85,069,285</u>	<u>\$ 76,614,499</u>
Interest rates	0.90%-1.73%	0.81%-1.22%	0.83%-1.60%

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Periods	2009.2.4- 2032.6.30	2009.2.4- 2032.6.30	2009.2.4- 2032.6.30

The Group has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until September 2026, were used by the Group to guarantee the commercial paper issued. As of September 30, 2022, December 31, 2021 and September 30, 2021, such commercial papers were issued at discount rates of 1.4398%-1.5335%, 0.985%-1.097% and 0.9787%-1.0907%, respectively.

In accordance with the “Regulations on Relief and Revitalization Measures for Industries and Enterprises Affected by Severe Pneumonia with Novel Pathogens” endorsed by the Ministry of Transportation and Communications and the “Operational Guides on Relief Loan Guarantees for Ailing Aviation Industry Affected by Severe Pneumonia with Novel Pathogens”, the Group applied for a special loan project to maintain its operation, and the fund along with subsidized interest rates was provided by the government. The total amount of the loan is \$35,480 million, which shall be repaid within 2 years to 4 years from the date of initial drawdown. As of September 30, 2021, the Group had made a drawdown in the amount of \$34,800 million and repaid \$11,830 million of the drawdown.

20. BONDS PAYABLE

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured corporate bonds first-time issued in 2017	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Unsecured corporate bonds second-time issued in 2017	1,300,000	1,300,000	2,600,000
Unsecured corporate bonds first-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 sixth-time issued	-	379,284	1,939,234
Convertible bonds seventh-time issued	<u>2,219,852</u>	<u>2,970,742</u>	<u>4,327,029</u>
	12,519,852	13,650,026	17,866,263
Less: Current portion and put option of convertible bonds	<u>3,650,000</u>	<u>2,525,000</u>	<u>1,300,000</u>
	<u>\$ 8,869,852</u>	<u>\$ 11,125,026</u>	<u>\$ 16,566,263</u>

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually	2017.5.19-2020.5.19	Principal repayable on due date; indicator rate; payable annually	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.5.19-2024.5.19	Principal repayable on due date; indicator rate; payable annually	1.75
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 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 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 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 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 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.	-
Five-year convertible bonds-issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.04.28-2026.04.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April 2026; 0.8612 discount rate p.a.	-

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. The Company resolved to exercise the right of redemption on January 14, 2022. The reference date of redemption of the bonds was March 9, 2022 and the actual face value of redemption was \$200 thousand.
- d. Between April 30, 2018 and January 30, 2023 (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. As of the reference date of redemption of the bonds which was on March 9, 2022, a total face value of NT\$5,999,800 thousand of convertible bonds was converted into 476,174 thousand ordinary shares of the Company.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - options. The effective interest rate of the liability component was 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 Company issued the seventh 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 April 28, 2024.
- c. The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.
- d. Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to the Company's ordinary shares. The initial conversion price was set at NT\$19 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 12, 2022, the conversion price was adjusted to \$18.3. As of September 30, 2022, a total face value of NT\$2,211,200 thousand of convertible bonds was converted into 116,379 thousand ordinary shares of the Company.

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

Proceeds from issuance	\$ 4,500,000
Equity component	<u>(188,862)</u>
Liability component at the date of issuance	<u>\$ 4,311,138</u>

21. LEASE AGREEMENTS

- a. Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts			
Land	\$ 5,778,327	\$ 6,064,760	\$ 6,102,246
Buildings	2,744,285	2,289,375	2,427,264
Flight equipment	49,640,657	47,701,558	48,224,332
Other equipment	<u>5,321</u>	<u>6,274</u>	<u>7,403</u>
	<u>\$ 58,168,590</u>	<u>\$ 56,061,967</u>	<u>\$ 56,761,245</u>

	For the Nine Months Ended September 30	
	2022	2021
Additions to right-of-use assets	<u>\$ 12,259,750</u>	<u>\$ 2,661,426</u>
Depreciation for right-of-use assets		
Land	\$ 144,477	\$ 119,727
Buildings	320,865	325,469
Flight equipment	9,271,132	8,396,088
Other equipment	<u>897</u>	<u>9,993</u>
	<u>\$ 9,737,371</u>	<u>\$ 8,851,277</u>

b. Lease liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amounts			
Current	<u>\$ 2,978,850</u>	<u>\$ 2,533,452</u>	<u>\$ 2,640,078</u>
Non-current	<u>\$ 15,574,735</u>	<u>\$ 12,758,050</u>	<u>\$ 13,267,766</u>

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

	September 30, 2022	December 31, 2021	September 30, 2021
Land	0%-2.00%	0.81%-2.00%	0%-1.80%
Buildings	0%-3.35%	0%-2.98%	0%-2.98%
Flight equipment	0.68%-3.34%	0.68%-3.34%	0.68%-3.34%
Other equipment	0%-1.43%	0%-1.43%	0%-1.50%

c. Financial liabilities under hedge accounting

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

	Maturity Date	Subject	Carrying Value
September 30, 2022	2022.11.18-2034.6.29	Financial liabilities for hedging - current	\$ 10,006,169
		Financial liabilities for hedging - non-current	32,840,372
December 31, 2021	2022.2.9-2033.12.12	Financial liabilities for hedging - current	8,434,893
		Financial liabilities for hedging - non-current	27,839,847
September 2021	2022.2.9-2028.5.15	Financial liabilities for hedging - current	8,403,826
		Financial liabilities for hedging - non-current	27,728,396

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the nine months ended September 30, 2022	\$ (5,699,011)	\$ 244,231
For the three months ended September 30, 2022	(2,697,053)	(3,003)
For the nine months ended September 30, 2021	231,217	501,418
For the three months ended September 30, 2021	(190,986)	188,207

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, nineteen A330-300 planes, twelve 737-800 planes, eight A321neo planes, ten A320-200 planes, four A320neo planes, one ERJ190 planes, and three ART72-600 planes for operation, lease period are 4 to 16 years from February 2007 to June 2034. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lessee does not have purchase rights.

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

	September 30, 2022	December 31, 2021	September 30, 2021
Refundable deposits	\$ 388,836	\$ 682,376	\$ 748,518
Credit guarantees	1,915,152	1,699,376	1,842,845

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, please refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by \$906,307 thousand, \$897,264 thousand and \$894,584 thousand on September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

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

e. Lease agreement signed but not yet delivered

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

In February 2020, Tigerair Taiwan Co., Ltd. signed a rental contract for eight A320neo with ICBC Lease Corporation, which is expected to be introduced between 2021 and 2024. As of September 30, 2022, four A320neo have been delivered.

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

f. Sale and leaseback

In order to revitalize assets and strengthen financial structure, the Company signed a sale and leaseback agreement for five A330-300 with CALC Lease Corporation in June 2021 and September 2021. Those aircraft were sold for \$2,810,098 thousand and the Company recognized a loss of \$342,080 thousand. The lease term is 4 years without renewal option or right of first refusal and the annual lease payments for each aircraft are US\$4,200 thousand to US\$4,823 thousand.

g. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F with US Cargo Company in August 2021 and September 2021. One of them had been leased on July 15, 2022.

h. Other lease information

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Short-term leases and low-value asset leases	<u>\$ 22,999</u>	<u>\$ 9,203</u>	<u>\$ 73,354</u>	<u>\$ 22,846</u>
Total cash outflow for leases	<u>\$ (3,610,175)</u>	<u>\$ (2,961,296)</u>	<u>\$ (9,846,621)</u>	<u>\$ (8,889,159)</u>

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

22. OTHER PAYABLES

	September 30, 2022	December 31, 2021	September 30, 2021
Fuel costs	\$ 3,837,408	\$ 3,049,812	\$ 2,393,587
Short-term employee benefits	3,313,778	5,848,866	2,687,129
Repair expenses	1,456,019	1,580,899	1,023,532
Terminal surcharges	859,153	716,531	726,684
Ground service expenses	698,692	778,546	872,152
Interest expenses	132,191	83,250	159,529
Commission expenses	61,571	149,296	114,160
Others	<u>2,640,300</u>	<u>2,454,147</u>	<u>2,004,784</u>
	<u>\$ 12,999,112</u>	<u>\$ 14,661,347</u>	<u>\$ 9,981,557</u>

23. CONTRACT LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
Frequent flyer program	\$ 3,108,360	\$ 2,810,482	\$ 2,691,031
Advance ticket sales	6,460,394	1,693,863	1,496,695
Others	<u>42,158</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,610,912</u>	<u>\$ 4,504,345</u>	<u>\$ 4,187,726</u>
Current	\$ 8,507,579	\$ 3,868,712	\$ 3,271,347
Non-current	<u>1,103,333</u>	<u>635,633</u>	<u>916,379</u>
	<u>\$ 9,610,912</u>	<u>\$ 4,504,345</u>	<u>\$ 4,187,726</u>

24. PROVISIONS

	September 30, 2022	December 31, 2021	September 30, 2021
Operating leases - aircraft	<u>\$ 21,371,499</u>	<u>\$ 18,654,223</u>	<u>\$ 17,738,772</u>
Current	\$ 3,597,866	\$ 3,247,236	\$ 2,775,946
Non-current	<u>17,773,633</u>	<u>15,406,987</u>	<u>14,962,826</u>
	<u>\$ 21,371,499</u>	<u>\$ 18,654,223</u>	<u>\$ 17,738,772</u>

Aircraft Lease Contracts

Balance at January 1, 2021	\$ 14,534,286
Additional provisions recognized	4,575,939
Usage	(1,142,874)
Effects of foreign currency exchange differences	<u>(228,579)</u>
Balance at September 30, 2021	<u>\$ 17,738,772</u>
Balance at January 1, 2022	\$ 18,654,223
Additional provisions recognized	3,994,333
Usage	(3,157,305)
Effects of foreign currency exchange differences	<u>1,880,248</u>
Balance at September 30, 2022	<u>\$ 21,371,499</u>

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

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plan was calculated using the actuarially determined pension cost discount rate as of December 31, 2021 and 2020.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Operating costs	\$ 234,370	\$ 242,394	\$ 691,530	\$ 739,235
Operating expenses	<u>86,515</u>	<u>99,462</u>	<u>261,487</u>	<u>279,185</u>
	<u>\$ 320,885</u>	<u>\$ 341,856</u>	<u>\$ 953,017</u>	<u>\$ 1,018,420</u>

26. EQUITY

a. Share capital

Ordinary shares

	September 30, 2022	December 31, 2021	September 30, 2021
Number of shares authorized (in thousands of shares)	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Amount of shares authorized	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>	<u>\$ 70,000,000</u>
Amount of shares issued	<u>\$ 60,135,374</u>	<u>\$ 59,412,243</u>	<u>\$ 57,404,844</u>

The Company issued the 6th and the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of \$1,178,600 thousand and \$3,154,200 thousand, respectively, for the nine months ended September 30, 2022 and 2021. The number of ordinary shares exchanged was 72,313 thousand and 250,333 thousand, respectively, and completed the registration of the change in equity after the issuance of new shares.

b. Capital surplus

	September 30, 2022	December 31, 2021	September 30, 2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of convertible bonds in excess of par value and conversion premium	\$ 2,092,431	\$ 1,668,381	\$ 746,037
Dividend distributed to subsidiaries	1,725	-	-
Expired equity component of convertible bonds	929,548	869,932	701,842

(Continued)

	September 30, 2022	December 31, 2021	September 30, 2021
<u>May only be used to offset a deficit (2)</u>			
Long-term investments	\$ 547	\$ 540	\$ 540
<u>May not be used for any purpose</u>			
Equity component of convertible bonds	<u>96,060</u>	<u>155,676</u>	<u>323,766</u>
	<u>\$ 3,120,311</u>	<u>\$ 2,694,529</u>	<u>\$ 1,772,185</u> (Concluded)

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

c. Appropriation of earnings and dividend policy

Under the Company Act, where the Company 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. 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 Company 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.

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

1) Offsetting deficit in 2020

On August 12, 2021, the offsetting of deficit in 2020 was resolved and recognized in the shareholders' meeting. The deficit included a net income of \$140,000 thousand and negative adjustment of other retained earnings of \$490,581 thousand; thus, the remaining amount of accumulated deficit was \$350,581 thousand. The deficit was offset by the capital reserve of \$350,581 thousand.

2) Appropriation of earnings in 2021

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

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

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2021	\$ (134,252)	\$ 71,359	\$ 2,606,659	\$ 2,543,766
Exchange differences on the translation of the financial statements of foreign operations	(33,157)	-	-	(33,157)
Cumulative gain (loss) on changes in fair value of hedging instruments	-	-	687,829	687,829
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(492,844)	(492,844)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	(72,433)	-	(72,433)
Effects of income tax	6,369	13,982	(38,996)	(18,645)
Other comprehensive income (loss) recognized in the period	(26,788)	(58,451)	155,989	70,750
Transferred to initial carrying amount of hedged items	-	-	79,606	79,606
Balance on September 30, 2021	<u>\$ (161,040)</u>	<u>\$ 12,908</u>	<u>\$ 2,842,254</u>	<u>\$ 2,694,122</u>
Balance on January 1, 2022	\$ (120,079)	\$ (5,512)	\$ 2,839,419	\$ 2,713,828
Exchange differences on the translation of the financial statements of foreign operations	191,970	-	-	191,970
Cumulative gain (loss) on change in fair value of hedging instruments	-	-	(5,260,899)	(5,260,899)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(340,365)	(340,365)
Unrealized gain (loss) on financial assets at fair value through other comprehensive income	-	2,698	-	2,698
Effects of income tax	(37,567)	1,315	1,115,822	1,079,570
Other comprehensive income (loss) recognized in the period	154,403	4,013	(4,485,442)	(4,327,026)
Transferred to initial carrying amount of hedged items	-	-	223,370	223,370
Balance on September 30, 2022	<u>\$ 34,324</u>	<u>\$ (1,499)</u>	<u>\$ (1,422,653)</u>	<u>\$ (1,389,828)</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2022	2021
Beginning balance	\$ 3,161,445	\$ 3,152,090
Net (loss) income attributable to non-controlling interests	(476,830)	(457,069)
Exchange differences on translating the financial statements of foreign entities	4,407	(1,403)
Cumulative gain (loss) on changes in fair value of hedging instruments	(1,533)	(325)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	3,773	785
Effects of income tax	<u>(448)</u>	<u>(92)</u>
	<u>6,199</u>	<u>(1,035)</u>
Change in subsidiaries' equity	-	575,753
Share options held by the employees of subsidiaries	-	126
Dividends paid by subsidiaries	(202,650)	(124,727)
Others	<u>2</u>	<u>-</u>
Ending balance	<u>\$ 2,488,166</u>	<u>\$ 3,145,138</u>

f. Treasury shares

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

(In Thousands of Shares)

	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the nine months ended September 30, 2022	<u>2,075</u>	<u>-</u>	<u>2,075</u>
For the nine months ended September 30, 2021	<u>2,075</u>	<u>-</u>	<u>2,075</u>

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
<u>September 30, 2022</u>			
Mandarin Airlines	2,075	<u>\$ 40,766</u>	<u>\$ 40,766</u>
<u>December 31, 2021</u>			
Mandarin Airlines	2,075	<u>\$ 57,156</u>	<u>\$ 57,156</u>
<u>September 30, 2021</u>			
Mandarin Airlines	2,075	<u>\$ 35,684</u>	<u>\$ 35,684</u>

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

27. NET INCOME

a. Revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Passenger	\$ 7,104,062	\$ 1,189,331	\$ 12,280,795	\$ 4,569,176
Cargo	28,387,825	31,247,067	92,808,065	81,309,658
Others	<u>2,205,873</u>	<u>2,037,604</u>	<u>6,694,417</u>	<u>5,795,806</u>
	<u>\$ 37,697,760</u>	<u>\$ 34,474,002</u>	<u>\$ 111,783,277</u>	<u>\$ 91,674,640</u>

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest income	\$ 168,447	\$ 22,988	\$ 307,186	\$ 97,677
Dividend income	-	11,607	850	11,607
Others	<u>471,623</u>	<u>104,598</u>	<u>865,120</u>	<u>280,455</u>
	<u>\$ 640,070</u>	<u>\$ 139,193</u>	<u>\$ 1,173,156</u>	<u>\$ 389,739</u>

In 2002, CAA terminated the leasing of six aircraft with the Company on a unilateral basis, which arose from several litigation between the Company and CAA. Because the aircraft leases were terminated in advance, the property of aircraft leasing from financial lease turns to operating lease. The accounting basis is different between these which caused the situation of overpaid rental. Therefore, in 2016, the Company sued CAA for an approximate amount of \$1,200 million. The Company lost the case in the first and second instances, and won the part of the case after remanding in the third instance.

Supreme court dismissed the appeal and affirmed the conviction that CAA should pay back the principal amount with interest.

CAA had paid the abovementioned payment in October 2022. As of September 30, 2022, the Company recognized \$282 million.

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Gain (loss) on disposal of property, plant and equipment	\$ 12,869	\$ (33,839)	\$ 16,747	\$ (1,023,694)
Gain on sale of non-current assets held for sale	116,676	-	116,676	-
Loss arising from sale and leaseback transactions	-	(202,383)	-	(342,080)
Gain on financial assets mandatorily classified as at FVTPL	178	238	384	13
Impairment loss recognized on aircraft equipment	(1,641)	-	(1,641)	-
Loss on disposal of investments	-	-	-	(540)
Net foreign exchange gains (losses)	259,989	(17,152)	464,940	(19,211)
Others	<u>(170,366)</u>	<u>(61,279)</u>	<u>(223,062)</u>	<u>(222,699)</u>
	<u>\$ 217,705</u>	<u>\$ (314,415)</u>	<u>\$ 374,044</u>	<u>\$ (1,608,211)</u>

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Interest expense				
Bonds payable	\$ 40,015	\$ 37,978	\$ 121,669	\$ 187,102
Bank loans	199,225	162,900	636,257	552,150
Interest on lease liabilities	394,302	371,642	1,085,930	1,111,729
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	<u>1,568</u>	<u>-</u>	<u>2,743</u>	<u>-</u>
	<u>\$ 635,110</u>	<u>\$ 572,520</u>	<u>\$ 1,846,599</u>	<u>\$ 1,850,981</u>
Capitalization rate	1.39%-1.45%	0.55%-1.11%	0.85%-1.45%	0.55%-1.11%
Capitalization interest	<u>\$ 63,548</u>	<u>\$ 11,619</u>	<u>\$ 105,911</u>	<u>\$ 30,735</u>

e. Depreciation and amortization expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Property, plant, equipment	\$ 4,281,599	\$ 4,107,786	\$ 12,647,293	\$ 13,676,955
Right-of-use assets	3,327,109	2,977,451	9,737,371	8,851,277
Investment properties	66	66	199	200
Intangible assets	<u>55,847</u>	<u>56,769</u>	<u>167,959</u>	<u>165,970</u>
Depreciation and amortization expenses	<u>\$ 7,664,621</u>	<u>\$ 7,142,072</u>	<u>\$ 22,552,822</u>	<u>\$ 22,694,402</u>
An analysis of depreciation by function				
Operating costs	\$ 7,316,903	\$ 6,899,689	\$ 21,540,482	\$ 21,700,767
Operating expenses	<u>291,871</u>	<u>185,614</u>	<u>844,381</u>	<u>827,665</u>
	<u>\$ 7,608,774</u>	<u>\$ 7,085,303</u>	<u>\$ 22,384,863</u>	<u>\$ 22,528,432</u>
An analysis of amortization by function				
Operating costs	\$ 1,274	\$ 3,010	\$ 3,860	\$ 9,032
Operating expenses	<u>54,573</u>	<u>53,759</u>	<u>164,099</u>	<u>156,938</u>
	<u>\$ 55,847</u>	<u>\$ 56,769</u>	<u>\$ 167,959</u>	<u>\$ 165,970</u>

f. Employment benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Post-employment benefits				
Defined contribution plan	\$ 124,656	\$ 126,607	\$ 382,600	\$ 387,783
Defined benefit plan	<u>320,885</u>	<u>341,856</u>	<u>953,017</u>	<u>1,018,420</u>
	<u>\$ 445,541</u>	<u>\$ 468,463</u>	<u>\$ 1,335,617</u>	<u>\$ 1,406,203</u>
Other employee benefits				
Salary expenses	\$ 4,260,709	\$ 4,847,369	\$ 14,750,859	\$ 13,538,648
Personnel service expenses	<u>1,190,492</u>	<u>1,158,472</u>	<u>3,823,181</u>	<u>3,743,412</u>
	<u>\$ 5,451,201</u>	<u>\$ 6,005,841</u>	<u>\$ 18,574,040</u>	<u>\$ 17,282,060</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 4,837,842	\$ 5,346,128	\$ 16,450,483	\$ 15,336,479
Operating expenses	<u>1,058,900</u>	<u>1,128,176</u>	<u>3,459,174</u>	<u>3,351,784</u>
	<u>\$ 5,896,742</u>	<u>\$ 6,474,304</u>	<u>\$ 19,909,657</u>	<u>\$ 18,688,263</u>

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. For the nine months ended September 30, 2022 and 2021, the estimated compensation of employees was \$149,767 thousand and \$53,321 thousand, respectively.

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

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

28. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Current tax				
Current year	\$ 284,285	\$ 766,443	\$ 2,043,465	\$ 847,840
Adjustments for prior periods	-	-	24,171	7,785
Deferred tax				
Current year	<u>(410,953)</u>	<u>(414,753)</u>	<u>(1,367,343)</u>	<u>(683,857)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ (126,668)</u>	<u>\$ 351,690</u>	<u>\$ 700,293</u>	<u>\$ 171,768</u>

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
<u>Deferred tax</u>				
Recognized in other comprehensive income				
Translation of foreign operations	\$ (17,716)	\$ 211	\$ (37,567)	\$ 6,369
Fair value changes of financial assets at FVTOCI	(358)	10,783	1,315	13,982
Fair value change of hedging instruments for cash flow hedging	<u>575,680</u>	<u>39,577</u>	<u>1,115,374</u>	<u>(39,088)</u>
Total income tax recognized in other comprehensive income	<u>\$ 557,606</u>	<u>\$ 50,571</u>	<u>\$ 1,079,122</u>	<u>\$ (18,737)</u>

c. Income tax assessments

The income tax returns of the Company and its subsidiaries through 2019 have been examined by the tax authorities.

29. EARNINGS PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Basic earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ 0.51</u>	<u>\$ 0.60</u>	<u>\$ 0.28</u>
Diluted earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ 0.48</u>	<u>\$ 0.59</u>	<u>\$ 0.26</u>
Earnings (loss) used in the computation of basic earnings (loss) per share	\$ 125,956	\$ 2,917,304	\$ 3,618,450	\$ 1,555,376
Effect of potentially dilutive ordinary shares:				
Interest on convertible bonds (after tax)	<u> -</u>	<u>16,615</u>	<u>16,628</u>	<u>60,635</u>
Earnings (loss) used in the computation of diluted earnings (loss) per share	<u>\$ 125,956</u>	<u>\$ 2,933,919</u>	<u>\$ 3,635,078</u>	<u>\$ 1,616,011</u>
<u>In thousands of shares</u>				
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	6,011,463	5,724,826	5,991,331	5,540,441
Effect of potentially dilutive ordinary shares:				
Compensation of employees or bonuses issued to employees	7,622	3,100	11,399	3,100
Convertible bonds	<u> -</u>	<u>407,116</u>	<u>141,966</u>	<u>591,501</u>
Weighted average number of ordinary shares used in the computation of diluted earnings (loss) per share	<u>6,019,085</u>	<u>6,135,042</u>	<u>6,144,696</u>	<u>6,135,042</u>

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

30. CAPITAL MANAGEMENT

The goal, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 30 to the Group's consolidated financial statements for the year ended December 31, 2021.

31. FINANCIAL INSTRUMENTS

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

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

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Bonds payable	\$ 12,519,852	\$ 12,895,470	\$ 13,650,026	\$ 14,557,830	\$ 17,866,263	\$ 19,076,962

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

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

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

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

September 30, 2022

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

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 155,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,780</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 28,804	\$ 28,804
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>39,080</u>	<u>39,080</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,884</u>	<u>\$ 67,884</u>
Financial assets for hedging	<u>\$ 3,545,706</u>	<u>\$ -</u>	<u>\$ 17,613</u>	<u>\$ 3,563,319</u>
Financial liabilities for hedging	<u>\$ 36,274,740</u>	<u>\$ 449</u>	<u>\$ 2,755</u>	<u>\$ 36,277,944</u>

September 30, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	<u>\$ 169,479</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,479</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	\$ -	\$ -	\$ 27,181	\$ 27,181
Unlisted shares - foreign	<u>-</u>	<u>-</u>	<u>63,999</u>	<u>63,999</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,180</u>	<u>\$ 91,180</u>
Financial assets for hedging	<u>\$ 2,228,412</u>	<u>\$ -</u>	<u>\$ 20,219</u>	<u>\$ 2,248,631</u>
Financial liabilities for hedging	<u>\$ 36,132,222</u>	<u>\$ 1,080</u>	<u>\$ 424</u>	<u>\$ 36,133,726</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

Financial Instrument	Valuation Techniques and Inputs
Derivative	The fair values of derivatives (except for 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 currency options and fuel options are determined using option pricing models where the significant unobservable inputs are the implied fluctuation. Changes in the implied fluctuations used in isolation would result in an increase or decrease in the fair value of the currency options and fuel options.

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

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

	Multiplier	Liquidity Discount
September 30, 2022	0.74-14.31	80%
December 31, 2021	0.74-14.31	80%
September 30, 2021	0.79-16.32	80%

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

	Derivative Instruments	Equity Instruments
Balance at January 1, 2022	\$ 6,124	\$ 67,884
Recognized in other comprehensive income	<u>(151,004)</u>	<u>3,013</u>
Balance at September 30, 2022	<u>\$ (144,880)</u>	<u>\$ 70,897</u>
Balance at January 1, 2021	\$ -	\$ 163,746
Recognized in other comprehensive income	<u>11,463</u>	<u>(72,566)</u>
Balance at September 30, 2021	<u>\$ 11,463</u>	<u>\$ 91,180</u>

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

c. Categories of financial instruments

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets</u>			
Financial assets at FVTPL	\$ 131,292	\$ 155,780	\$ 169,479
Financial assets for hedging	1,572,219	3,563,319	2,248,631
Financial assets at amortized cost (Note 1)	53,837,136	74,194,351	52,998,119
Financial assets at FVTOCI - investments in equity instruments	70,897	67,884	91,180
<u>Financial liabilities</u>			
Financial liabilities for hedging	43,019,908	36,277,944	36,133,726
Financial liabilities at amortized cost (Note 2)	144,758,086	160,383,305	155,822,412

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

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

d. Financial risk management objectives and policies

The Group has risk management and hedging strategies to respond to changes in the economic and financial environment and in the fuel market. To reduce the financial risks from changes in interest, exchange rates and in fuel prices, the Group has its operating costs stay within a specified range by using appropriate financial hedging instruments and hedging percentages in accordance with the "Processing Program of Derivative Financial Instrument Transactions" approved by the Group's shareholders to reduce the impact of market price changes on earnings. These risks include market risk (including 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 foreign exchange forward contracts, foreign currency option contracts, and interest rate swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

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

Sensitivity analysis

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

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

When New Taiwan dollars increased one dollar against U.S. dollars and all other variables were held constant, there would be a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the nine months ended September 30, 2022 of \$105,082 thousand and \$1,236,941 thousand, respectively, and an increase in pre-tax profit and increase in pre-tax other comprehensive income for the nine months ended September 30, 2021 of \$165,618 thousand and \$1,212,126 thousand, respectively.

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

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

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

Please refer to Note 21 for rental contract for hedging.

September 30, 2022

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

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

December 31, 2021

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line-Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedge							
Aircraft prepayment - forward exchange contracts	NTD/USD	NTD215,651/ USD7,785	2022.4.29- 2022.12.23	27.6-27.9	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 449

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$(449) thousand.

September 30, 2021

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	NTD42,503/ USD1,486	2021.10.6- 2021.11.9	28.5-28.9	Financial assets for hedging - current/ liabilities for hedging - current	\$ -	\$ 1,080

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft rentals in U.S. dollars) was \$(1,080) thousand.

For the nine months ended September 30, 2022

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	\$ 12,546	\$ (16,904)	(Note)
Aircraft prepayments	<u>15,529</u>	<u>-</u>	
	<u>\$ 28,075</u>	<u>\$ (16,904)</u>	

Note: Increase in operating costs or foreign exchange loss.

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

For the three months ended September 30, 2022

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

Note: Increase in operating costs or foreign exchange loss.

For the nine months ended September 30, 2021

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	\$ 2,432	\$ (4,144)	(Note)
Aviation fuel	<u>5,794</u>	<u>(6,844)</u>	
	<u>\$ 8,226</u>	<u>\$ (10,988)</u>	

Note: Increase in operating costs or foreign exchange loss.

For the three months ended September 30, 2021

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	\$ 405	\$ (356)	(Note)
Aviation fuel	<u>-</u>	<u>-</u>	
	<u>\$ 405</u>	<u>\$ (356)</u>	

Note: Increase in operating costs or foreign exchange loss.

b) Interest rate risk

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

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

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value interest rate risk	\$ 63,974,480	\$ 56,279,341	\$ 60,769,474
Cash flow interest rate risk	87,058,658	105,262,530	101,512,073

Sensitivity analysis

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

Had interest rates increased one yard (25 basis points) and all other variables been held constant, the Group's pretax profit for the nine months ended September 30, 2022 would have decreased by \$163,235 thousand.

Had interest rates increased one yard (25 basis points) and all other variables been held constant, the Group's pretax losses for the nine months ended September 30, 2021 would have decreased by \$190,335 thousand.

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

September 30, 2022

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

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

For the nine months ended September 30, 2022

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

Note: Increase in financial costs or other losses.

For the three months ended September 30, 2022

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

Note: Increase in financial costs or other loss.

c) Other price risk

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

September 30, 2022

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

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

December 31, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD6,124	2022.1.31-2022.9.30	USD62-USD122	Financial assets for hedging - current/ liabilities for hedging - current	\$ 17,613	\$ 2,755

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$6,124 thousand.

September 30, 2021

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount	
						Asset	Liability
Cash flow hedges - fuel options	USD	NTD11,463	2021.12.31-2022.6.30	USD65-USD99	Financial assets for hedging - current/ liabilities for hedging - current	\$ 20,219	\$ 424

Hedge accounting is continued to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was \$11,463 thousand.

For the nine months ended September 30, 2022

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

Note: Increasing in operating costs.

For the three months ended September 30, 2022

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

Note: Decreasing in operating costs.

For the nine months ended September 30, 2021

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	\$ 11,463	\$ 1,629	(Note)

Note: Increasing in operating costs.

For the three months ended September 30, 2021

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	\$ 710	\$ 2,472	(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 Nine Months Ended September 30			
	2022		2021	
	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Comprehensive Income Increase (Decrease)
Fuel price increase 5%	\$ 1,375	\$ 7,244	\$ 1,040	\$ 573
Fuel price decrease 5%	(3,854)	(7,244)	(1,040)	(573)

2) Credit risk

The objective, policies and procedure of credit risk management are the same as the consolidated financial statements for the year ended December 31, 2021. Related illustration can be referred in Note 31.

3) Liquidity risk

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

	Unused Bank Loan Limit (Unsecured)
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	\$ 25,558,021

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

September 30, 2022

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

December 31, 2021

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.4651	\$ 3,440,414	\$ 9,119,294	\$ 7,314,114
Floating interest rate liabilities	0.9005	12,123,745	71,980,918	13,979,191
Hedging instruments	2.9022	9,375,841	28,118,375	1,532,555
Bonds payable	1.4686	<u>2,740,146</u>	<u>12,303,090</u>	<u>-</u>
		<u>\$ 27,680,146</u>	<u>\$ 121,521,677</u>	<u>\$ 22,825,860</u>

September 30, 2021

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	2.3213	\$ 3,383,178	\$ 9,320,267	\$ 7,124,893
Floating interest rate liabilities	1.0412	16,712,067	63,586,972	14,010,034
Hedging instruments	2.9120	11,559,260	26,837,567	310,856
Bonds payable	0.8872	<u>1,458,515</u>	<u>16,713,244</u>	<u>-</u>
		<u>\$ 33,113,020</u>	<u>\$ 116,458,050</u>	<u>\$ 21,445,783</u>

32. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and relationships

<u>Related Party Name</u>	<u>Relationship with the Company</u>
China Aircraft Service	Associate (became not related party since March 2022)
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
Dynasty Holidays	Associate
China Pacific Catering Services	Joint venture
China Pacific Laundry Services	Joint venture

(Continued)

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

(Concluded)

b. Operating income

Account Items	Related Party Type	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
		2022	2021	2022	2021
Other income	Major shareholders of the Company	<u>\$ 1,646</u>	<u>\$ 2,040</u>	<u>\$ 5,614</u>	<u>\$ 10,075</u>
	Associate	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>
	Joint venture	<u>\$ 11,303</u>	<u>\$ 4,959</u>	<u>\$ 35,310</u>	<u>\$ 14,554</u>

c. Purchases

Related Party Type	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Major shareholders of the Company	<u>\$ 3,418</u>	<u>\$ 4,714</u>	<u>\$ 11,701</u>	<u>\$ 23,286</u>
Associate	<u>\$ 93,251</u>	<u>\$ 143,994</u>	<u>\$ 308,816</u>	<u>\$ 350,512</u>
Joint venture	<u>\$ 187,518</u>	<u>\$ 51,472</u>	<u>\$ 348,713</u>	<u>\$ 160,833</u>

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

Related Party Type	September 30, 2022	December 31, 2021	September 30, 2021
Major shareholders of the Company	\$ 625	\$ 785	\$ 718
Joint venture	<u>3,731</u>	<u>1,563</u>	<u>1,683</u>
	<u>\$ 4,356</u>	<u>\$ 2,348</u>	<u>\$ 2,401</u>

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

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

Related Party Type	September 30, 2022	December 31, 2021	September 30, 2021
Major shareholders of the Company	\$ 1,039	\$ 1,816	\$ 1,657
Associates	34,754	68,826	59,738
Joint venture	<u>184,047</u>	<u>59,930</u>	<u>51,112</u>
	<u>\$ 219,840</u>	<u>\$ 130,572</u>	<u>\$ 112,507</u>

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

f. Lease arrangements

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, and the Company paid the rental based on usage hours. For the nine months ended September 30, 2022 and 2021, the Company paid rentals of \$11,701 thousand and \$23,286 thousand, respectively; for the three months ended September 30, 2022 and 2021, the Company paid rentals of \$3,418 thousand and \$4,714 thousand, respectively.

g. Endorsements and guarantees

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
<u>The Company</u>						
Cal Park	\$ 3,850,000	\$ 1,444,200	\$ 3,850,000	\$ 1,663,320	\$ 3,850,000	\$ 1,663,320
Tigerair Taiwan Co., Ltd.	2,968,635	296,197	2,590,360	258,454	2,671,771	259,894
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,517,000	2,000,000	1,459,000	2,000,000	1,400,000

h. Remuneration of key management personnel

	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	2022	2021	2022	2021
Short-term employee benefits	\$ 11,811	\$ 11,459	\$ 47,211	\$ 30,126
Post-employment benefits	<u>198</u>	<u>516</u>	<u>13,368</u>	<u>41,654</u>
	<u>\$ 12,009</u>	<u>\$ 11,975</u>	<u>\$ 60,579</u>	<u>\$ 71,780</u>

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2022	December 31, 2021	September 30, 2021
Property, plant and equipment	\$ 30,047,303	\$ 31,823,285	\$ 32,399,027
Right-of-use assets	58,168,590	56,061,967	56,761,245
Restricted assets	<u>691,773</u>	<u>577,809</u>	<u>572,632</u>
	<u>\$ 88,907,666</u>	<u>\$ 88,463,061</u>	<u>\$ 89,732,904</u>

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

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at September 30, 2022 were as follows:

- a. 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 in 2012 to revise the total amount of expenditure to \$6,840,000 thousand. As of September 30, 2022, 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	\$ 192,000
HTS Construction Co., Ltd.	Waterproof landside terminal walkway construction project	11,200

As of September 30, 2022, the accumulated payments of construction in process for construction equipment were \$4,799 thousand (VAT included). The amounts were recognized as 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 CAA during the chartered operation period. The calculation is based on annual sales (including operating and non-operating revenue but excluding the rental revenue from specific districts), and Taoyuan Airport Corporation and CAA have the option to adjust the royalty rates every 3 years starting from the date of transfer of the chartered operation rights on the basis of actual revenue and expenditures. The current royalty rate is 6%.

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

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

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

- c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US\$1,676,413 thousand, and the list price of the option to purchase five aircraft is US\$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of September 30, 2022, the list price has been paid in the amount of US\$41,496 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. As of September 30, 2022, two out of the four backup engines have been delivered. The Group also signed related aircraft lease agreement, please refer to Note 21.
- d. In July and August 2019, the Company signed a contract with Boeing Company to purchase three 777F aircraft and exercised the option to purchase three 777F aircraft. In January 2022, the Company signed an additional contract with Boeing Company to purchase another four 777F aircraft. The expected delivery periods are from 2023 to 2024. The total list price of the ten aircraft is US\$3,905,142 thousand. As of September 30, 2022, four out of the ten aircraft have been delivered. The total list price of the remaining six aircraft is US\$2,411,351 thousand, and the list price has been paid in the amount of US\$482,270 thousand (recognized as prepayments for aircraft).
- e. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircraft and the option to purchase eight 787-9 aircraft. The expected delivery periods are from 2025 to 2027. The total list price of the sixteen aircraft is US\$5,868,695 thousand, and the list price of the option to purchase eight aircraft is US\$3,039,894 thousand. As of September 30, 2022, the Company has not yet paid the above amounts.

- f. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US\$729,746 thousand, and the list price of the option to purchase two aircraft is US\$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2027. As of September 30, 2022, the list price has been paid in the amount of US\$18,549 thousand (recognized as prepayments for aircraft). In addition, in December 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US\$27,345 thousand. As of September 30, 2022, one out of the two backup engines has been delivered, and the other engine was expected to be delivered in 2025. The Group also signed related aircraft lease agreement, please refer to Note 21.

35. IMPACT OF COVID-19

Since the outbreak of the COVID-19 in January 2020, the coronavirus has become a pandemic. The pandemic has now spread around the world and most countries have travel restrictions. Because the number of inbound and outbound passengers has decreased significantly, the Group adjusts the proportion between passenger aircraft and cargo aircraft used in operations to comply with the government's epidemic prevention policy and cater to market demand. The Company reduces the frequency of passenger air services that have been severely affected, uses the passenger aircraft to support the cargo flight arrangement and expands the function of all-cargo aircraft to maximize the opportunities from air cargo business. Since March 2020, cargo has become the main source of revenue for the Group.

In mid-June 2022, under the situation of government to ease the limits, the peak season of summer vacation, and most countries gradually removed their travel restrictions, the demand in passenger aircraft continues to recover.

The Group continues to adjust the response measures according to the situation. In addition, to ensure the adequate liquidity, the Group also implements measures for human resource management such as postponing the hiring of newcomers, relaxing the application of special leave, loosening the restrictions on leave without pay, encouraging employees to take leave, adjusting working hours and salaries, etc. The Group's policies to control spending include suspension of non-urgent capital expenditures, reduction in and postponement of payments.

For the nine months ended September 30, 2022 and 2021, because of the COVID-19 pandemic, the Group received subsidies of \$936,141 thousand and \$1,195,340 thousand, respectively, for airport landing fees and parking fees, etc. The subsidies for housing and land rental, and salary and interest expenses were \$692,160 thousand and \$823,449 thousand, respectively. These subsidies were recognized as other income or deduction from other expenses. The Group has obtained relief loan from the government. Refer to Note 19 for details on the amount of loan and its allocation.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(In Thousands of Foreign Currencies)

September 30, 2022

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,073,683	31.7460	\$ 34,085,183
EUR	34,955	31.1526	1,088,930
HKD	279,602	4.0453	1,131,078
JPY	5,159,772	0.2195	1,132,348
RMB	421,825	4.4583	1,880,631

Financial liabilities

Monetary items			
USD	2,270,267	31.7460	72,071,972
EUR	6,091	31.1526	189,757
HKD	47,062	4.0453	190,381
JPY	2,584,753	0.2195	567,242
RMB	101,177	4.4583	451,078

December 31, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,123,112	27.7008	\$ 31,111,094
EUR	24,700	31.4465	776,718
HKD	551,856	3.5499	1,959,032
JPY	5,082,118	0.2407	1,223,259
RMB	768,075	4.3459	3,337,976

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 2,116,761	27.7008	\$ 58,635,978
EUR	3,724	31.4465	117,119
HKD	65,641	3.5499	233,020
JPY	2,810,820	0.2407	676,564
RMB	112,025	4.3459	486,852
			(Concluded)

September 30, 2021

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 778,458	27.8552	\$ 21,684,068
EUR	19,749	32.3625	639,136
HKD	455,844	3.5778	1,630,927
JPY	3,845,893	0.2490	957,665
RMB	599,672	4.3066	2,582,565

Financial liabilities

Monetary items			
USD	2,157,688	27.8552	60,102,740
EUR	4,912	32.3625	158,955
HKD	69,559	3.5778	248,869
JPY	4,341,156	0.2490	1,080,992
RMB	109,383	4.3066	471,074

For the three months ended September 30, 2022 and 2021, the Group's net foreign exchange gains (losses) were \$259,989 thousand and \$(17,152) thousand, respectively, and for the nine months ended September 30, 2022 and 2021, the Group's net foreign exchange gains (losses) were \$464,940 thousand and \$(19,211) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

37. ADDITIONAL DISCLOSURES

- a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its investees:
 - 1) Financing provided to others: Table 1 (attached)
 - 2) Endorsements/guarantees provided: Table 2 (attached)

- 3) Marketable securities held: Table 3 (attached)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: None
 - 5) Acquisitions of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 6) Disposals of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 5 (attached)
 - 9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 6 (attached)
 - 10) Trading in derivative instruments (Notes 31)
- b. Investments on investments in mainland China: Table 7 (attached)
 - c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 8 (attached)
 - d. Information of major shareholders: Table 9 (attached)

38. SEGMENT INFORMATION

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

For the nine months ended September 30, 2022 and 2021, financial information of reportable segments is listed below:

	For the Nine Months Ended September 30, 2022			
	Air Transportation	Others	Adjustments and Elimination	Total
Operating revenue	<u>\$ 108,769,786</u>	<u>\$ 6,492,770</u>	<u>\$ (3,479,279)</u>	<u>\$ 111,783,277</u>
Operation profit and loss	<u>\$ 4,264,129</u>	<u>\$ 36,841</u>	<u>\$ (52,011)</u>	\$ 4,248,959
Interest income				307,186
Investment income (loss) accounted for using the equity method				(107,647)
Revenue				1,463,075
Financial costs				(1,846,599)
Expenses				<u>(223,061)</u>
Profit before income tax				<u>\$ 3,841,913</u>
Identifiable assets	<u>\$ 177,722,422</u>	<u>\$ 14,611,892</u>	<u>\$ (5,984,072)</u>	\$ 186,350,242
Investments accounted for using the equity method				1,470,236
Assets				<u>95,662,888</u>
Total assets				<u>\$ 283,483,366</u>

	For the Nine Months Ended September 30, 2021			
	Air Transportation	Others	Adjustments and Elimination	Total
Operating revenue	<u>\$ 88,752,596</u>	<u>\$ 5,469,501</u>	<u>\$ (2,547,457)</u>	<u>\$ 91,674,640</u>
Operation profit and loss	<u>\$ 5,052,803</u>	<u>\$ (268,245)</u>	<u>\$ (62,431)</u>	\$ 4,722,127
Interest income				97,677
Investment income (loss) accounted for using the equity method				(382,599)
Revenue				445,413
Financial costs				(1,850,981)
Expenses				<u>(1,761,562)</u>
Profit before income tax				<u>\$ 1,270,075</u>
Identifiable assets	<u>\$ 182,480,080</u>	<u>\$ 14,621,616</u>	<u>\$ (6,263,595)</u>	\$ 190,838,101
Investments accounted for using the equity method				1,576,556
Assets				<u>83,472,179</u>
Total assets				<u>\$ 275,886,836</u>

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Yes	\$ 111,111	\$ 111,111	\$ 111,111	2.25	Short-term financing facility is necessary	\$ -	Operating cycle capital expenditure	\$ -		\$ -	\$ 161,895	\$ 323,790	

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

**ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guarantee at the End of the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	China Airlines (the "Company")	Cal Park Tigerair Taiwan Ltd.	100% owned subsidiary 82.27% owned subsidiary by direct and indirect holdings	\$ 13,941,456 13,941,456	\$ 3,850,000 2,968,635	\$ 3,850,000 2,968,635	\$ 1,444,200 296,197	\$ - -	5.52 4.26	\$ 34,853,640 34,853,640	Yes Yes	No No	No No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	13,941,456	2,000,000	2,000,000	1,517,000	-	2.87	34,853,640	Yes	No	No

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2022

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

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2022				Note
				Number of Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
China Airlines (the "Company")	<u>Shares</u>							
	Everest Investment Holdings Ltd. - ordinary shares	-	Financial assets at FVTOCI - non-current	1,359,368	\$ 18,776	13.59	\$ 20,653	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at FVTOCI - non-current	135,937	1,878	-	-	-
	Chung Hua Express Co.	-	Financial assets at FVTOCI - non-current	1,100,000	38,078	11.00	38,078	-
	China Aircraft Services Limited	-	Financial assets at FVTOCI - non-current	28,400,000	-	4.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at FVTPL - current	4,021	-	0.02	-	-
Mandarin Airlines	<u>Shares</u>							
	China Airlines	Parent company	Financial assets at FVTOCI - non-current	2,074,628	40,766	-	40,766	-
Cal-Asia Investment	<u>Shares</u>							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at FVTPL - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at FVTOCI - non-current	-	12,166	5.45	12,166	Note 2
Sabre Travel Network (Taiwan)	<u>Beneficiary certificates</u>							
	FSITC Money Market Fund	-	Financial assets at FVTPL - current	136,067	24,588	-	24,588	-
Taiwan Airport Services	<u>Shares</u>							
	TransAsia Airways	-	Financial assets at FVTPL - current	2,277,786	-	0.40	-	-
Dynasty Aerotech International Corp.	<u>Beneficiary certificates</u>							
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	349,523	4,798	-	4,798	-
Kaohsiung Catering Services	<u>Beneficiary certificates</u>							
	Prudential Financial Money Market Fund	-	Financial assets at FVTPL - current	5,407,832	86,713	-	86,713	-
	Taishin 1699 Money Market Fund	-	Financial assets at FVTPL - current	1,106,807	15,193	-	15,193	-
Tiger Taiwan Co., Ltd.	<u>Government bond</u>							
	Treasury Bill (Philippines government bond)	-	Financial assets at amortized cost - current	-	551	Not applicable	551	-

Note 1: The subsidiary's net asset value was \$20,653 thousand, which included ordinary shares and preference shares as of September 30, 2022.

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(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.	Taiwan Air Cargo Terminal	Subsidiary	Purchase	\$ 463,639	0.49	30 days	\$ -	-	\$ (42,686)	(2.51)	-
	Cal Park	Subsidiary	Purchase	173,495	0.18	2 months	-	-	-	-	-
	China Pacific Catering Services	Equity-method investee	Purchase	307,573	0.33	90 days	-	-	(160,118)	(9.43)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	833,443	0.89	40 days	-	-	(203,873)	(12.01)	-
	Dynasty Aerotech International Corp.	Subsidiary	Purchase	271,959	0.29	2 months	-	-	(53,937)	(3.18)	-
	Eastern United International Logistics (Holdings) Ltd.	Equity-method investee	Purchase	296,165	0.32	2 months	-	-	(34,017)	(2.00)	-
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	147,676	0.16	2 months	-	-	(1,451)	(0.09)	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	182,688	0.19	1 months	-	-	(10,627)	(0.63)	-
	Mandarin Airlines	Subsidiary	Sales	(160,490)	(0.15)	2 months	-	-	83,607	0.68	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sales	(178,491)	(0.17)	1 months	-	-	22,156	0.19	-
Global Sky Express	Subsidiary	Sales	(148,428)	(0.14)	15 days	-	-	5,831	0.05	-	
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Same parent company	Purchase	399,149	12.50	1 months	-	-	(45,175)	(8.44)	-
	Taiwan Airport Services	Same parent company	Purchase	154,824	4.85	1 months	-	-	(19,896)	(3.72)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

SEPTEMBER 30, 2022

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

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Taoyuan International Airport Service	China Airlines	Parent company	\$ 203,873	4.89	\$ -	-	\$ 122,257	\$ -
China Pacific Catering Services	China Airlines	Parent company	160,118	3.78	-	-	46,899	-

Note: Account receivable and revenue were not directly correlated because of the particular industry characteristics, and therefore, the turnover rate was not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2022	December 31, 2021	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	\$ 1,710,137	\$ 23,747	\$ 53,970	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	1,200,247	(606,060)	(589,298)	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	1,729,048	548,859	296,396	-
	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	1,382,414	38,812	38,698	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	416,852	(228,232)	(116,399)	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	441,171	(352,093)	(172,525)	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US\$ 7,172	US\$ 7,172	7,172,346	100.00	560,063	32,055	32,055	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	172,853	(18,994)	(17,841)	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK\$ 58,000	HK\$ 58,000	28,400,000	4.00	-	-	-	Note 6
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	94,792	(98,482)	(46,631)	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	355,348	(41,840)	(25,801)	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	326,647	(9,419)	(8,595)	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	91,977	(52,545)	(28,900)	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	131,794	28,577	28,576	Note 4
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 8,000	160	20.00	-	-	-	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,902	8,889	2,222	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,640,197	5,640,197	313,631,656	78.41	1,034,804	(2,460,221)	(1,928,982)	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	70,000,000	100.00	486,923	(70,995)	(70,995)	-
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	37,975	37,975	3,797,500	49.00	13,864	(30,554)	(14,971)	-
	Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	154,330	154,330	15,433,000	3.86	50,919	(2,460,221)	(94,921)
Taiwan Airport Services		Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	2,156	(98,482)	(1,061)	-
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	64,219	30,340	10,619	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US\$ 5,877	US\$ 5,877	-	100.00	437,795	20,776	20,776	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd.	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,875	-	-	-

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

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

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

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

Note 5: The difference is due to acquisition.

Note 6: The Group lost significant influence over it during the year.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

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

China Airlines

Investee Company Name	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,134,552 (RMB 254,480)	Indirect (Note 1)	\$ 132,888 (US\$ 4,186)	\$ -	\$ -	\$ 132,888 (US\$ 4,186)	\$ 60,668 (RMB 13,740)	14.00	\$ 8,025 (RMB 1,924)	\$ 272,344 (RMB 61,086)	\$ 112,272 (US\$ 3,537) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,416 (RMB 14,000)	Indirect (Note 1)	61,824 (US\$ 1,947)	-	-	61,824 (US\$ 1,947)	91,137 (RMB 20,640)	14.00	12,726 (RMB 2,890)	166,171 (RMB 37,271)	49,541 (US\$ 1,561) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,637,778 (US\$ 83,090)	Indirect (Note 1)	68,292 (US\$ 2,151)	-	-	68,292 (US\$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	370,254 (US\$ 11,663)	Indirect (Note 1)	20,190 (US\$ 636)	-	-	20,190 (US\$ 636)	-	5.45	-	12,166 (RMB 2,729)	11,318 (US\$ 357)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$283,194 (US\$8,920)	\$684,862 (Note 3)	\$43,317,267 (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, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of September 30, 2022	Accumulated Repatriation of Investment Income as of September 30, 2022
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	\$ 1,134,552 (RMB 254,480)	Indirect (Note 5)	\$ 127,567 (US\$ 4,018)	\$ -	\$ -	\$ 127,567 (US\$ 4,018)	\$ 60,668 (RMB 13,740)	14	\$ 8,494 (RMB 1,924)	\$ 270,666 (RMB 60,710)	\$ 144,163 (US\$ 4,541)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,416 (RMB 14,000)	Indirect (Note 5)	61,167 (US\$ 1,927)	-	-	61,167 (US\$ 1,927)	91,137 (RMB 20,640)	14	12,759 (RMB 2,890)	166,268 (RMB 37,294)	66,407 (US\$ 2,092)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$188,734 (US\$5,945)	\$188,734 (US\$5,945)	\$120,117 (Note 4)

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

Note 2: As of September 30, 2022, the inward remittance of earnings amounted to US\$3,536,561 and US\$1,560,538.

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

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

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

Note 6: The RMB and U.S. dollar amounts of assets are translated at period-end rates and the gains (losses) are converted 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 NINE MONTHS ENDED SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Cal Hotel Co., Ltd.	a	Other operating cost	\$ 147,676	The same as ordinary transactions	0.13
		Global Sky Express	a	Cargo revenue	146,690	The same as ordinary transactions	0.13
		Mandarin Airlines	a	Other operating revenue	129,353	The same as ordinary transactions	0.12
		Tigerair Taiwan Co., Ltd.	a	Other operating revenue	178,491	The same as ordinary transactions	0.16
		Taoyuan International Airport Services	a	Airport service cost	833,443	The same as ordinary transactions	0.75
		Dynasty Aerotech International Corp.	a	Airport service cost	271,959	The same as ordinary transactions	0.24
		Taiwan Air Cargo Terminal	a	Other operating cost	463,639	The same as ordinary transactions	0.41
		Cal Park	a	Other operating cost	173,495	The same as ordinary transactions	0.16
		Taoyuan International Airport Service	a	Accounts payable - related parties	203,873	The same as ordinary transactions	0.07
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	a	Operating cost	182,688	The same as ordinary transactions	0.16
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	463,639	The same as ordinary transactions	0.41
2	Mandarin Airlines	China Airlines, Ltd.	b	Operating expense	129,353	The same as ordinary transactions	0.12
		Taiwan Airport Services	c	Airport service cost	154,824	The same as ordinary transactions	0.14
		Tigerair Taiwan Co., Ltd.	c	Operating expense	397,879	The same as ordinary transactions	0.36
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	833,443	The same as ordinary transactions	0.75
		China Airlines, Ltd.	b	Accounts receivable - related parties	203,873	The same as ordinary transactions	0.07
4	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	271,959	The same as ordinary transactions	0.24
5	Cal Park	China Airlines, Ltd.	b	Operating revenue	173,495	The same as ordinary transactions	0.16
6	Global Sky Express	China Airlines, Ltd.	b	Operating cost	146,690	The same as ordinary transactions	0.13
7	Tigerair Taiwan Co., Ltd.	China Airlines, Ltd.	b	Operating expense	178,491	The same as ordinary transactions	0.16
		Mandarin Airlines	c	Operating revenue	397,879	The same as ordinary transactions	0.36
8	Taiwan Airport Services	Mandarin Airlines	c	Operating revenue	154,824	The same as ordinary transactions	0.14
9	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	147,676	The same as ordinary transactions	0.13
10	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	182,688	The same as ordinary transactions	0.16

(Continued)

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

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

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

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

(Concluded)

TABLE 9**CHINA AIRLINES, LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR STOCKHOLDERS
SEPTEMBER 30, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
China Aviation Development Foundation (CADF)	1,867,341,935	31.05
National Development Fund (NDF)	519,750,519	8.64

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

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