China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2014 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 "Consolidated and Separate Financial Statements." Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA AIRLINES, LTD.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of China Airlines, Ltd. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Airlines, Ltd. and subsidiaries as of December 31, 2014 and 2013 the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, Interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission of the Republic of China with effective date.

We have also audited financial statements of the parent company, China Airlines, Ltd., as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

March 27, 2015

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

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 17)	$ 20,468,151	9	$ 19,007,649	9
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 31)	235,814	-	215,673	-
Available-for-sale financial assets - current (Notes 4, 8 and 31)	-	-	75,504	-
Derivative financial assets for hedging - current (Notes 4, 5, 9 and 31)	42,850	-	135,003	-
Receivables:				
Notes and accounts, net (Notes 4, 5 and 11)	9,460,468	4	7,774,730	4
Notes and accounts - related parties (Note 32)	6,615	-	14,517	-
Other receivables	817,841	1	587,665	-
Current tax assets (Notes 4 and 27)	8,714	-	16,959	-
Inventories, net (Notes 4 and 12)	7,226,063	3	6,791,453	3
Other assets - current (Notes 6 and 17)	2,643,974	1	2,465,919	1
Total current assets	40,910,490	18	37,085,072	17
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent, net of current portion (Notes 4, 8 and 31)	28,881	-	28,768	-
Derivative financial assets for hedging - noncurrent (Notes 4, 5, 9 and 31)	727	-	5,617	-
Financial assets carried at cost - noncurrent, net of current portion (Notes 10 and 31)	469,317	-	468,476	-
Investments accounted for by the equity method (Notes 4 and 13)	2,806,823	1	2,687,755	1
Property, plant and equipment (Notes 4, 5, 14 and 33)	142,655,066	62	149,662,068	68
Investment properties (Notes 4 and 15)	2,076,461	1	2,076,740	1
Other intangible assets (Notes 4 and 16)	670,997	-	489,412	-
Deferred income tax asset (Notes 4, 5 and 27)	8,521,770	4	9,127,014	4
Other assets - noncurrent (Notes 17, 33 and 34)	30,931,222	14	19,344,977	9
Total noncurrent assets	188,161,264	82	183,890,827	83
TOTAL	$ 229,071,754	100	$ 220,975,899	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Note 18)	$ 4,361,628	2	$ 204,036	-
Short-term bills payable (Note 18)	2,088,113	1	-	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 5, 7 and 31)	-	-	2,799	-
Derivative financial liabilities for hedging - current (Notes 4, 5, 9 and 31)	2,460,000	1	22,853	-
Notes and accounts payable	411,804	-	779,176	-
Notes and accounts payable - related parties (Note 32)	435,384	-	432,535	-
Other payable (Notes 21 and 26)	11,096,311	5	14,339,082	7
Current tax liabilities (Notes 4 and 27)	75,940	-	88,927	-
Provisions - current (Notes 4, 5 and 23)	6,744	-	-	-
Deferred revenue - current (Notes 4, 5 and 22)	11,163,756	5	8,850,384	4
Bonds payable - current portion (Notes 19, 31 and 32)	8,585,000	4	4,780,000	2
Loans and debts - current portion (Notes 18, 31 and 33)	14,218,482	6	25,265,961	12
Capital lease obligations - current portion (Note 4, 20, 31 and 33)	2,758,433	1	4,399,039	2
Other current liabilities (Note 26)	3,696,400	2	2,741,236	1
Total current liabilities	61,357,995	27	61,906,028	28
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4, 5, 9 and 31)	5,150	-	2,026	-
Bonds payable - noncurrent (Notes 19, 31 and 32)	18,323,836	8	27,368,023	12
Loans and debts - noncurrent (Notes 18, 31 and 33)	73,192,954	32	53,239,582	24
Provisions - noncurrent (Notes 4, 5 and 23)	4,297,036	2	3,302,484	2
Deferred tax liabilities (Notes 4 and 27)	423,589	-	628,820	-
Capital lease obligations - noncurrent (Notes 4, 20, 31 and 33)	7,100,289	3	8,641,834	4
Deferred revenue - noncurrent (Notes 4, 5 and 22)	1,805,315	1	1,909,749	1
Accrued pension costs (Notes 4, 5 and 24)	10,179,539	4	10,410,907	5
Other noncurrent liabilities (Note 26)	1,388,943	1	676,086	-
Total noncurrent liabilities	116,716,651	51	106,179,511	48
Total liabilities	178,074,646	78	168,085,539	76
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 19 and 25)				
Capital stock	52,491,666	23	52,000,000	23
Capital surplus	1,992,415	1	1,924,015	1
Retained earnings				
Legal reserve	-	-	321,891	-
Special reserve	-	-	3,926,293	2
Accumulated deficit	(3,864,876)	(2)	(7,409,299)	(3)
Total retained earnings	(3,864,876)	(2)	(3,161,115)	(1)
Other equity	(1,905,698)	(1)	86,936	-
Treasury shares	(43,372)	-	(43,372)	-
Total equity attributable to owners of the Company	48,670,135	21	50,806,464	23
NONCONTROLLING INTERESTS (Note 25)	2,326,973	1	2,083,896	1
Total equity	50,997,108	22	52,890,360	24
TOTAL	$ 229,071,754	100	$ 220,975,899	100

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
REVENUES (Notes 4, 26 and 32)	$ 150,581,742	100	$ 141,702,545	100
COSTS (Notes 9, 12, 24, 26 and 32)	136,954,265	91	130,675,160	92
GROSS PROFIT	13,627,477	9	11,027,385	8
OPERATING EXPENSES (Notes 24 and 26)	11,113,447	7	10,301,117	7
OPERATING PROFIT	2,514,030	2	726,268	1
NONOPERATING INCOME				
Other income (Notes 15 and 26)	1,094,416	1	1,603,573	1
Other gains and losses (Notes 9 and 26)	(1,740,965)	(1)	(1,019,056)	(1)
Finance cost (Notes 9, 26 and 32)	(2,019,124)	(2)	(2,122,326)	(1)
Share of the profit of associates and joint ventures (Note 13)	509,352	-	450,361	-
Total nonoperating income	(2,156,321)	(2)	(1,087,448)	(1)
PRETAX PROFIT (LOSS)	357,709	-	(361,180)	-
INCOME TAX EXPENSE (Notes 4, 5 and 27)	959,113	1	587,700	1
NET LOSS	(601,404)	(1)	(948,880)	(1)
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations (Notes 4 and 25)	119,945	-	81,030	-
Unrealized gain (loss) on available-for-sale financial assets (Notes 4 and 25)	17,467	-	4,108	-
Cash flow hedges (Notes 4 and 25)	(2,537,524)	(1)	96,500	-
Share of other comprehensive loss of associates and joint ventures (Notes 4 and 25)	(15,590)	-	(6,082)	-
Actuarial gains (losses) on defined benefit plans (Note 24)	74,083	-	(23,940)	-
Income tax relating to components of other comprehensive income (Note 27)	393,641	-	(29,893)	-
Other comprehensive income (loss) for the year, net of income tax	(1,947,978)	(1)	121,723	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (2,549,382)	(2)	$ (827,157)	(1)

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2014		2013	
	Amount	**%**	**Amount**	**%**
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	$ (751,232)	-	$ (1,274,046)	(1)
Non-controlling interests	149,828	-	325,166	-
	$ (601,404)	-	$ (948,880)	(1)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner of the Company	$ (2,696,395)	(2)	$ (1,171,929)	(1)
Non-controlling interests	147,013	-	344,772	-
	$ (2,549,382)	(2)	$ (827,157)	(1)
LOSS PER SHARE (NEW TAIWAN DOLLARS; Note 28)				
Basic and diluted	$ (0.14)		$ (0.25)	

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
						Other Equity						
			Retained Earnings									
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2013	$ 52,000,000	$ 1,405,394	$ 316,010	$ 3,873,369	$ (6,031,067)	$ (60,381)	$ (16,666)	$ 16,485	$ (43,372)	$ 51,459,772	$ 1,831,137	$ 53,290,909
Appropriation of 2012 the earnings												
Legal reserve	-	-	5,881	-	(5,881)	-	-	-	-	-	-	-
Special reserve	-	-	-	52,924	(52,924)	-	-	-	-	-	-	-
Other changes in capital surplus												
Issue of convertible bonds arising on equity component	-	518,621	-	-	-	-	-	-	-	518,621	-	518,621
Net income (loss) for the year ended December 31, 2013	-	-	-	-	(1,274,046)	-	-	-	-	(1,274,046)	325,166	(948,880)
Other comprehensive income (loss) for the year ended December 31, 2013, net of income tax	-	-	-	-	(45,381)	62,224	5,180	80,094	-	102,117	19,606	121,723
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	-	(1,319,427)	62,224	5,180	80,094	-	(1,171,929)	344,772	(827,157)
Cash dividend from subsidiaries paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(92,013)	(92,013)
BALANCE AT DECEMBER 31, 2013	52,000,000	1,924,015	321,891	3,926,293	(7,409,299)	1,843	(11,486)	96,579	(43,372)	50,806,464	2,083,896	52,890,360
Compensation of 2013 deficit												
Legal reserve	-	-	(321,891)	-	321,891	-	-	-	-	-	-	-
Special reserve	-	-	-	(3,926,293)	3,926,293	-	-	-	-	-	-	-
Convertible bonds converted to ordinary shares	491,666	68,400	-	-	-	-	-	-	-	560,066	-	560,066
Net income (loss) for the year ended December 31, 2014	-	-	-	-	(751,232)	-	-	-	-	(751,232)	149,828	(601,404)
Other comprehensive income (loss) for the year ended December 31, 2014, net of income tax	-	-	-	-	47,471	98,009	15,501	(2,106,144)	-	(1,945,163)	(2,815)	(1,947,978)
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(703,761)	98,009	15,501	(2,106,144)	-	(2,696,395)	147,013	(2,549,382)
Issue of common shares for cash	-	-	-	-	-	-	-	-	-	-	200,000	200,000
Cash dividend from subsidiaries paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(103,936)	(103,936)
BALANCE AT DECEMBER 31, 2014	$ 52,491,666	$ 1,992,415	$ -	$ -	$ (3,864,876)	$ 99,852	$ 4,015	$ (2,009,565)	$ (43,372)	$ 48,670,135	$ 2,326,973	$ 50,997,108

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Pretax profit (loss)	$ 357,709	$ (361,180)
Adjustments to reconcile pretax profit (loss) to net cash generated from (used in) operating activities:		
Depreciation expenses	17,460,725	17,244,851
Amortization expenses	55,422	50,723
Bad-debt expense	30,021	79
Net gain on fair value change of financial assets and liabilities held for trading	(78,742)	(132,701)
Interest income	(441,968)	(361,433)
Dividend income	(29,522)	(65,631)
Share of profit of associates and joint ventures	(509,352)	(450,361)
Gain on disposal of property, plant and equipment	(52,340)	(6,008)
Net gain on disposal of available-for-sale financial assets	(6,557)	-
Gain on disposal of associate	-	(742,286)
Loss on inventories and property, plant and equipment	521,473	318,255
Net loss on foreign currency exchange	436,912	209,433
Finance costs	2,019,124	2,122,326
Recognition of provisions	1,530,536	301,008
Amortization of unrealized gain on sale-leaseback	(14,512)	(14,512)
Amortization of deferred credits	(2,862)	(48,986)
Reversal of impairment on investment properties	-	(579,015)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	55,802	1,411,176
Increase in notes and accounts receivable	(1,513,216)	(214,653)
Increase in accounts receivable - related parties	(114,621)	(171,326)
Increase in other receivables	(200,822)	(133,314)
Decrease (increase) in inventories	(412,261)	4,080
Decrease (increase) in other current assets	(342,329)	1,262,215
Increase (decrease) in notes and accounts payable	(443,447)	382,372
Increase in accounts payable - related parties	119,499	177,602
Increase (decrease) in other payables	(1,755,706)	2,592,128
Increase in deferred revenue	2,208,926	555,208
Decrease in provisions	(579,081)	(426,740)
Increase in other current liabilities	9,333	20,784
Decrease in accrued pension liabilities	(157,437)	(164,684)
Increase in other liabilities	59,112	85,907
Cash generated from operations	18,209,819	22,865,317
Interest received	454,403	339,814
Dividend received	411,683	402,805
Interest paid	(2,061,008)	(1,976,580)
Income tax paid	(106,302)	(145,454)
Net cash generated from operating activities	16,908,595	21,485,902

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	2014	**2013**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	96,862	-
Proceeds on share redemption of financial assets measured at cost	4,616	-
Disposal of affiliates	-	742,286
Payment for property, plant and equipment	(9,920,198)	(5,966,226)
Proceeds from disposal of property, plant and equipment	82,451	37,458
Increase in refundable deposits	(498,599)	(134,518)
Decrease in refundable deposits	330,518	394,101
Increase in prepayment for equipment	(12,337,340)	(7,396,503)
Increase in computer software cost	(230,392)	(115,135)
Decrease in restricted assets	129,169	56,306
Net cash used in investing activities	(22,342,913)	(12,382,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	4,213,633	(1,466,964)
Increase in short-term bills payable	2,088,138	-
Issue of bonds payable	-	16,900,000
Repayments of bonds payable	(4,780,000)	(5,460,000)
Proceeds of long-term debts	39,440,000	15,211,898
Repayments of long-term debts and capital lease obligations	(34,284,523)	(26,182,916)
Proceeds of guarantee deposits received	146,335	204,648
Refund of guarantee deposits received	(183,913)	(179,459)
Proceeds of issue of ordinary shares from non-controlling interest	200,000	-
Cash dividend paid to non-controlling interest	(103,936)	(92,013)
Net cash generated from (used in) financing activities	6,735,734	(1,064,806)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	159,086	137,653
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,460,502	8,176,518
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	19,007,649	10,831,131
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 20,468,151	$ 19,007,649

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

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

1. GENERAL INFORMATION

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

The major stockholders of the Company are the China Aviation Development Foundation (CADF) and the National Development Fund (NDF), Executive Yuan. As of December 31, 2014 and 2013, CADF and NDF held 45.5% and 45.9% of the Company's shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statement were approved by the board of directors and authorized for issue on March 27, 2015.

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

a. The amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013

(Continued)

The New IFRSs Included in the 2013 IFRSs Version Not Yet Endorsed by the FSC	Effective Date Announced by IASB (Note)
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

Except for the following, the initial application of the above 2013 version of IFRSs is not expected to have any material impact on the Group's accounting policies:

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

IFRS 12 is a new disclosure standard that applies to entities with interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The disclosure requirements in IFRS 12 are more extensive than those required in the current standards.

2) IFRS 13 "Fair Value Measurement"

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

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

3) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"
The amendments to IAS 1 requires the grouping of items of other comprehensive income (OCI) into those that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on OCI items are grouped on the same basis. Under

the current IAS 1, there are no such requirements.

The Company will apply the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of the defined benefit plans of associates and joint ventures accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (losses) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method.

4) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the immediate recognition of all changes in defined benefit obligations and in the fair value of plan assets in the period these changes occur, thus eliminating the “corridor approach” permitted under the current IAS 19. In addition, all past service costs are recognized immediately in the period of plan amendment. The revision requires all remeasurements of the defined benefit plans to be recognized immediately in other comprehensive income so that the net pension asset or liability will reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the current IAS 19 are replaced with net interest on the net defined liability or asset, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The anticipated impact of the initial application of the revised IAS 19 is detailed as follows:

Impact on Assets, Liabilities and Equity	**Carrying Amount**	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount**
January 1, 2014			
Deferred tax assets	$ 9,127,104	$ 3,259	$ 9,130,363
Accrued pension liabilities	$ 10,410,907	$ 19,172	$ 10,430,079
Retained earnings	$ (3,161,115)	$ (8,444)	$ (3,169,559)
Non-controlling interests	2,083,896	(7,468)	2,076,428
Total effect on equity	$ (1,077,219)	$ (15,912)	$ (1,093,131)
December 31, 2014			
Deferred tax assets	$ 8,521,770	$ 2,273	$ 8,524,043
Accrued pension liabilities	$ 10,179,539	$ 13,369	$ 10,192,908
Retained earnings	$ (3,864,876)	$ (5,860)	$ (3,870,736)
Non-controlling interests	2,326,973	(5,236)	2,321,737
Total effect on equity	$ (1,537,903)	$ (11,096)	$ (1,548,999)

Impact on Total Comprehensive Income	Carrying Amount	Adjustments Arising from Initial Application	Adjusted Carrying Amount
Operating cost	$136,954,265	$ (3,893)	$ 136,950,372
Operating expense	11,113,447	(824)	11,112,623
Income tax expense	959,113	801	959,914
Total effect on net profit for the year		$ (3,916)	
Items not being reclassified to profit or loss:			
Remeasurements of the defined benefit plans	$ 74,083	$ 1,085	$ 75,168
Income taxes relating to items that will not be reclassified	393,641	(185)	393,456
Impact on other comprehensive income for the year (net of income tax)		$ 900	

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

The New IFRSs Not Included in the 2013 IFRSs Version	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28“‘Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “ Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount	January 1, 2014

Disclosures for Non-financial Assets"	
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

<u>Recognition and measurement of financial assets</u>

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

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

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

As of the date the accompanying consolidated financial statements were authorized for issue, the Group was continuing to assess the possible impact that the application of other standards and except for IAS 19 interpretations will have on the Company's financial position and operating result, and will disclose the possible impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Current and Noncurrent Assets and Liabilities

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

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

   When necessary, adjustments are made to the financial statements of subsidiaries, subsidiaries' accounting policies are consistent with the Company.

   All intra-group transactions, balances, income and expenses are written of in consolidation financial statement.

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

b. Subsidiary included in consolidated financial statements

			Percent of Shareholding	
Investor Company	**Investee Company**	**Main Businesses and Products**	**December 31, 2014**	**December 31, 2013**
China Airlines, Ltd.	Cal-Dynasty International	A holding company, real estate and hotel services	100	100
	Cal-Asia Investment	General investment	100	100
	Hwa Hsia	Cleaning of aircraft and maintenance of machine and equipment	100	100
	Yestrip	Travel business	100	100
	Cal Park	Real estate lease and international trade	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100
	Abacus Distribution System (Taiwan)	Sale and maintenance of hardware and software	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	94	94
	Taiwan Air Cargo Terminal(Note)	Air cargo and storage	59	59
	Dynasty Holdings	Travel business	51	51
	Taoyuan International Airport Services	Airport services	49	49
	Taiwan Airport Services	Airport services	47	47
	Global Sky Express	Forwarding and storage of air cargo	25	25

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Percent of Shareholding December 31, 2014	December 31, 2013
	Freighter Princess Ltd.	Aircraft lease	100	100
	Freighter Prince Ltd.	Aircraft lease	100	100
	Freighter Queen Ltd.	Aircraft lease	-	100
	Tigerair Taiwan Co., Ltd.(Note)	Air transpotation	90	-
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100
Hwa Hsia	Hwa Shin Building Safeguard	Building security and maintenance services	100	100

(Concluded)

Note: Shareholding is held combinedly by The Group.

Freighter Queen Ltd. was liquidated on 17 April, 2014.

In order to provide the customers with more diverse options, the board of directors has reached an agreement to establish a Low Cost Carrier, named Tigerair Taiwan Co., Ltd., with Tiger Airways Singapore Pte. Ltd. in the form of joint venture. The capital stock of Tigerair Taiwan Co., Ltd. is 2,000,000 thousand, which contains 1,600,000 thousand(80%) from the company and 200,000 thousand (10%) from Mandarin Airlines Co., Ltd. respectively. Tigerair Taiwan Co., Ltd was established on April 21, 2014 and started operating on September 26, 2014. The financial information of Tigerair Taiwan Co., Ltd. has been consolidated into the Group's financial statement since the day it was established.

The Company's holdings of the issued share capital of Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express did not each exceed 50%, but since the Company had control over these investees, they were listed as subsidiaries. The financial information of the subsidiaries above on 2014 and 2013 has been reported into the correspondent period as investees after auditing.

The Company's holding of the issued share capital of China Pacific Catering Services and China Pacific Laundry Services exceeded 50% , yet The Company didn't not have control over the investees. Please refer to Note 13.

Foreign Currencies

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

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

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

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

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

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

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

Cash Equivalents

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

Inventories

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

Investments in associates

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

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

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

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

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate. According to IAS 36 "Impairment Loss", the impairment loss recognized by the impairment test comparing the recoverable amount (using the higher of value in use or fair value minus costs of sale) and the book value is part of the book value of the investment. Any reversal in the impairment loss, if being in the additional range of the recoverable amount, is recognized under IAS 36 "Impairment Loss".

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in jointly controlled entity is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the jointly controlled entity. The Group also recognizes the changes in the company's share of equity of jointly controlled entity attributable to the Group.The accounting treatment in assessing impairment test and recognized reversal of impairment loss are consistent with investments in associates.

Property, Plant and Equipment

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

Freehold land is not depreciated.

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

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

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

Investment Properties

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

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

Depreciation is recognized using the straight-line method. The estimated useful life residual value are reviewed at the end of each reporting period.

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

Intangible Assets

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

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

Financial Instruments

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

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

a. Financial assets

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

   1) Measurement category

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

a) Financial assets at fair value through profit or loss

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

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

b) Available-for-sale financial assets

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

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

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

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

c) Loans and receivables

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

2) Impairment of financial assets

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

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

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

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

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

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

a) Significant financial difficulty of the issuer or counterparty;

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

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

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

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

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

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

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

3) Derecognition of financial assets

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

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

b. Equity instruments

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

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

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

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

d. Convertible bonds

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

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

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

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

e. Derivative financial instruments

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

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

Hedge Accounting

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

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

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

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

Provisions

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

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

a. Onerous contracts

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

b. Aircraft lease contracts

When the aircraft lease contracts expire and will be returned to lessor, should assess if existing obligations exist and required to recognize as provision when signing of the lease contract.

Revenue Recognition

a. Rendering of services

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

b. Dividend and interest income

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

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

Leasing

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

a. Financial lease

<u>The Group as lessee</u>

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

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

b. Operating lease

1) The Group as lessor

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

2) The Group as lessee

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

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

c. Sale and leaseback

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

1) Financial lease

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

2) Operating lease

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

Retirement Benefit Costs

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

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

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

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

Borrowing Costs

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

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

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

Frequent Flyer Program

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

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

Share-based Payment Arrangements

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

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

Taxation

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

a. Current tax

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

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

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

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

b. Deferred tax

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

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

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

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

c. Current and deferred tax for the year

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

Maintenance and Overhaul Costs

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key Sources of Estimation Uncertainty

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

Income Taxes

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

Estimated Impairment of Trade Receivables

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

Fair Value of Derivatives and Other Financial Instruments

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

Depreciation of Property, Plant and Equipment - Flight Equipment

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

Accrued Pension Costs

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

Maintenance Reserve for Operating Lease Aircraft

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

Frequent Flyer Program

As stated in Note 4 (22), a portion of passenger revenue attributable to the awarding of frequent flyer benefits is deferred until the awards are given out. The deferment of the revenue is estimated on the basis of historical trends of breakage and redemption, which is then used to project the expected claiming of these benefits. Changes in fair value per mileage or redemption rate may have a material impact on deferred revenue.

6. CASH AND CASH EQUIVALENTS

	December 31 2014	December 31 2013
Cash on hand and revolving fund	$ 385,684	$ 350,901
Checking accounts and demand deposits	8,730,325	6,176,842
Cash equivalent		
Time deposits with original maturities less than three months	10,187,695	11,091,301
Repurchase agreements collateralized by bonds	1,164,447	1,388,605
	$ 20,468,151	$ 19,007,649

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

	December 31 2014	December 31 2013
Bank balance	0%-2%	0%-2%
Time deposits with original maturities less than three months	0.85%-4.8%	0.8%-6.5%
Repurchase agreements collateralized by bonds	0.55%-0.65%	0.58-0.6%

The amount of time deposits with original maturities more than three months for the years ended December 31, 2014 and 2013 were $1,145,720 thousand and $793,050 thousand, respectively, and the market rate intervals were 0.2%-4.8% and 0.94%-3.18%, which were recognized as other current assets. (Refer to Note 17)

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

	December 31 2014	December 31 2013
Financial assets held for trading - current		
Derivative financial instruments (not under hedge accounting)		
Foreign exchange forward contracts	$ 46,812	$ 23,254
Non-derivative financial assets		
Beneficiary certificates	189,002	192,419
	$ 235,814	$ 215,673
Financial liabilities held for trading - current		
Derivative financial instruments (not under hedge accounting)		
Foreign exchange forward contracts	$ -	$ 2,799

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

Currency	Maturity Date	Notional Amount (In Thousands)

December 31, 2014			
Buy	NTD/USD	2015.01.02-2015.06.16	NTD1,247,678/USD40,300
December 31, 2013			
Buy	NTD/USD	2014.01.03-2014.07.08	NTD2,085,799/USD70,500

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31			
	2014		2013	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Current				
Foreign marketable equity securities				
France Telecom	$ -	-	$ 75,504	-
Non-current				
Domestic marketable				
Trans Asia Airways	28,881	-	28,768	-
	$ 28,881		$ 104,275	

Net gain on disposal of available-for-sale financial assets in 2014 is $4,007 thousand.

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2014	2013
Derivative financial assets under hedge accounting		
Interest rate swaps	$ 727	$ 5,617
Currency option	32,285	27,033
Fuel swaps	10,565	107,970
	$ 43,577	$ 140,620
Current	$ 42,850	$ 135,003
Non-current	727	5,617
	$ 43,577	$ 140,620
Derivative financial liabilities under hedge accounting		
Interest rate swaps	$ 5,150	$ 2,026
Currency option	3,028	1,255
Fuel swaps	2,456,972	21,598
	$ 2,465,150	$ 24,879

Current	$ 2,460,000	$ 22,853
Non-current	5,150	2,026
	$ 2,465,150	$ 24,879

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

a. Interest rate swaps

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

Notional Amount (In Thousands)	**Maturity Date**	**Range of Interest Rates Paid**	**Range of Interest Rates Received**
December 31, 2014			
NT$4,500,000	2015.05.24-2017.06.22	0.9%-1.14%	TAIBOR rate
December 31, 2013			
NT$5,240,000	2014.08.24-2017.06.22	0.9%-1.14%	6165 page 3M CP rate

The interest rate swaps settle on a quarterly basis. The Company will settle the difference between the fixed and floating interest rates on a net basis.

b. Currency options

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

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

	Currency	**Maturity Date**	**Notional Amount (In Thousands)**
December 31, 2014			
Buy USD call option	JPY/USD	2015.01.08-2015.05.15	JPY2,044,410/USD17,900
Sell USD put option	JPY/USD	2015.01.08-2015.05.15	JPY1,973,570/USD17,900
December 31, 2013			
Buy USD call option	JPY/USD	2014.01.10-2014.04.30	JPY2,440,000/USD24,000
Sell USD put option	JPY/USD	2014.01.10-2014.04.30	JPY2,340,450/USD24,000

c. Fuel options

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

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2014			
Buy fuel call option	USD	2015.03.31-2015.11.30	NTD10,565
Sell fuel put option	USD	2015.03.31-2015.11.30	NTD2,456,972
December 31, 2013			
Buy fuel call option	USD	2014.01.31-2014.11.30	NTD107,970
Sell fuel put option	USD	2014.01.31-2014.11.30	NTD21,598

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

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

	For the Year Ended December 31	
	2014	2013
Decrease(Increase) in operating cost	$ (418,329)	$ 136,089
Increase in finance cost	(7,428)	(9,954)
Other foreign exchange gain	28,333	93,206
	$ (397,424)	$ 219,341

10. FINANCIAL ASSETS CARRIED AT COST

	December 31			
	2014		2013	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Unlisted common stocks				
Abacus International Holdings Ltd.	$ 297,946	14	$ 297,946	14
Jardine Aviation Service	56,023	15	56,023	15
Taikoo (Xiamen) Landing Gear Service Co., Ltd.	75,919	6	73,665	6
Titan V.C. Corp.	-	-	2,066	5
Taikoo Spirt Aerospace Systems (Jin Jiang) Composite Co., Ltd.	22,031	5	21,378	5
Chung Hwa Express Co.	11,000	11	11,000	11
Regal International Advertising	5,925	6	5,925	6
Far Eastern Air Transport	-	-	-	-
	468,844		468,003	
Unlisted preferred stocks				
Abacus International Holdings Ltd.	473	-	473	-
	$ 469,317		$ 468,476	

(Continued)

	December 31			
	2014		2013	
	Carrying Value	% of Owner-ship	Carrying Value	% of Owner-ship
Classified according to financial asset measurement categories				
Available-for-sale financial assets	$ 469,317		$ 468,476	

(Concluded)

Titan V.C. Corp. liquidated and returned its shares in June 27, 2014 and the Group has received the refund of $4,616 thousand and recognized disposal gain of $2,550 thousand recognized as gain on sale of available-for-sale financial asset in company balances).

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

11. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

	December 31	
	2014	2013
Notes receivable	$ 291,420	$ 294,511
Accounts receivable		
Accounts receivable	9,235,179	7,538,081
Less: Allowance for impairment loss	(66,131)	(57,862)
	9,169,048	7,480,219
	$ 9,460,468	$ 7,774,730

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

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

	For the Year Ended December 31	
	2014	2013
Beginning balance	$ 57,862	$ 64,093
Impairment loss recognized on receivables	30,021	85
Amounts written off during current period	(21,387)	(6,712)
Amounts recovered during current period	(272)	(6)
Exchange influence	(93)	402
Ending balance	$ 66,131	$ 57,862

12. INVENTORIES

	December 31	
	2014	2013
Aircraft spare parts	$ 6,593,407	$ 6,359,575
Items for in-flight sale	388,184	403,380
Work in process - maintenance services	243,308	27,043
Others	1,164	1,455
	$ 7,226,063	$ 6,791,453

The cost of inventories recognized as operating costs due to write-downs of inventories was $159,682 thousand and $149,430 thousand.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	December 31	
	2014	2013
Investments in associates	$ 1,896,814	$ 1,838,330
Investments in jointly controlled entities	910,009	849,425
	$ 2,806,823	$ 2,687,755

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

	December 31	
	2014	2013
Unlisted companies		
China Aircraft Services	$ 450,111	$ 407,725
Kaohsiung Catering Services	232,105	225,221
Asian Compressor Technology Services	259,605	244,486
Science Park Logistics	189,019	192,175
Arport air Cargo Terminal (Xiamen)	509,411	518,904
Arport air Cargo Service (Xiamen)	222,974	215,606
Eastern United International Logistics (Holdings) Ltd.	33,589	34,213
	$ 1,896,814	$ 1,838,330

Xiamen International Air Cargo Terminal and Xiamen International Airport Air Cargo Storage renamed to Arport Air Cargo Terminal (Xiamen) Co.,LTD and Arport Air Cargo Service (Xiamen) Co.,LTD, respectively.

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

	December 31	
Name of Associate	2014	2013
China Aircraft Services	20%	20%
Kaohsiung Catering Services	36%	36%
Asian Compressor Technology Services	25%	25%

Science Park Logistics	28%	28%
Arport air Cargo Terminal (Xiamen)	28%	28%
Arport air Cargo Service (Xiamen)	28%	28%
Eastern United International Logistics (Holdings) Ltd.	35%	35%

The financial statements used as basis of the amounts of and related information on the investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 had all been independently audited, except those of Eastern United International Logistics (Holding) Ltd. However, the management determined that there would have been no significant adjustments had this investee's financial statements been independently audited.

The net value of Yangze River Express Airlines has been negative because the continuous operating loss, and investment value has been recognized to 0 in the Group balances as of the end of 2007.

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

The amounts of investment in associated include goodwill arising from the acquisition of associates in previous years and the movements of goodwill were as follows:

	Goodwill
Balance on January 1, 2013	$ 175,286
Exchange influence	6,937
Balance on December 31, 2013	$ 182,223
Balance on January 1, 2014	$ 182,223
Exchange influence	3,908
Balance on December 31, 2014	$ 186,131

The investment revenue of associates recognized under equity method were as follows:

	2014	**2013**
China Aircraft Services	$ 35,664	$ 28,183
Kaohsiung Catering Services	100,716	95,711
Asian Compressor Technology Services	49,086	47,306
Science Park Logistics	23,426	27,562
Arport air Cargo Terminal (Xiamen)	34,365	37,293
Arport air Cargo Service (Xiamen)	19,744	19,923
Eastern United International Logistics (Holdings) Ltd.	4,361	7,093
	$ 267,362	$ 263,071

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	December 31	
	2014	2013
China Pacific Catering Services	$ 743,817	$ 685,797
China Pacific Laundry Services	166,192	163,628
	$ 910,009	$ 849,425

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

	December 31	
	2014	2013
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%

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

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

	December 31	
	2014	2013
Current assets	$ 644,880	$ 594,412
Noncurrent assets	$ 678,995	$ 612,753
Current liabilities	$ 261,049	$ 216,257
Noncurrent liabilities	$ 152,817	$ 141,483

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

	For the Year Ended December 31	
	2014	2013
China Pacific Catering Services	$ 212,571	$ 158,787
China Pacific Laundry Services	29,419	28,503
	$ 241,990	$ 187,290

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

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2014	2013
Cost		
Freehold land	$ 953,614	$ 938,392

Buildings	13,085,921	13,078,656
Flight equipment	232,035,450	222,573,614
Equipment under finance lease	33,985,116	38,691,367
Machinery equipment	9,553,310	8,725,560
Office equipment	1,009,989	968,680
Leased assets	131,786	135,403
Leasehold improvements	3,912,736	2,664,470
Construction in progress	89,425	1,007,237
	$ 294,757,347	$ 288,783,379
Accumulated depreciation		
Buildings	$ 4,794,850	$ 4,298,391
Flight equipment	121,645,204	108,380,142
Equipment under finance lease	16,998,403	18,198,277
Machinery equipment	6,182,237	5,816,956
Office equipment	750,551	689,167
Leased assets	115,489	120,420
Leasehold improvements	1,615,547	1,617,958
	$ 152,102,281	$ 139,121,311
Net value	$ 142,655,066	$ 149,662,068

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Lease	Others	Total
Cost						
Balance at January 1, 2013	$ 926,159	$ 12,968,483	$ 207,516,311	$ 51,940,712	$ 12,576,968	$ 285,928,633
Additions	-	53,401	3,987,410	771,874	1,153,541	5,966,226
Disposals	-	(10,833)	(2,279,769)	(759,287)	(218,867)	(3,268,756)
Discard	-	(396)	(5,682)	-	(69,074)	(75,152)
Reclassification	-	47,243	13,355,344	(13,261,932)	57,387	198,042
Net exchange difference	12,233	20,758	-	-	1,395	34,386
Balance at December 31, 2013	$ 938,392	$ 13,078,656	$ 222,573,614	$ 38,691,367	$ 13,501,350	$ 288,783,379
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ (3,816,200)	$ (90,657,915)	$ (22,693,471)	$ (7,736,704)	$ (124,904,290)
Depreciation expense	-	(392,091)	(12,970,864)	(2,999,325)	(882,267)	(17,244,547)
Disposals	-	10,321	1,981,752	755,335	215,348	2,962,756
Discard	-	391	5,682	-	66,362	72,435
Reclassification	-	(93,451)	(6,738,797)	6,739,184	93,587	523
Net exchange difference	-	(7,361)	-	-	(827)	(8,188)
Balance at December 31, 2013	$ -	$ (4,298,391)	$ (108,380,142)	$ (18,198,277)	$ (8,244,501)	$ (139,121,311)
Cost						
Balance at January 1, 2014	$ 938,392	$ 13,078,656	$ 222,573,614	$ 38,691,367	$ 13,501,350	$ 288,783,379
Additions	-	29,289	7,640,577	1,232,885	1,017,447	9,920,198
Disposals	(17,336)	(308)	(3,522,099)	(1,009,302)	(439,103)	(4,988,148)
Reclassification	-	(77,318)	5,343,358	(4,929,834)	612,719	948,925
Net exchange difference	32,558	55,602	-	-	4,833	92,993
Balance at December 31, 2014	$ 953,614	$ 13,085,921	$ 232,035,450	$ 33,985,116	$ 14,697,246	$ 294,757,347

Accumulated depreciation and impairment						
Balance at January 1, 2014	$ -	$ (4,298,391)	$ (108,380,142)	$ (18,198,277)	$ (8,244,501)	$ (139,121,311)
Depreciation expense	-	(551,789)	(13,670,202)	(2,461,728)	(776,727)	(17,460,446)
Disposals	-	307	3,064,001	999,511	436,566	4,500,385
Reclassification	-	77,588	(2,658,861)	2,662,091	(75,343)	5,475
Net exchange difference	-	(22,565)	-	-	(3,819)	(26,384)
Balance at December 31, 2014	$ -	$ (4,794,850)	$ (121,645,204)	$ (16,998,403)	$ (8,663,824)	$ (152,102,281)

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

Building	
Main buildings	45-55 years
Others	10-25 years
Machinery Equipments	
Electro-mechanical equipment	25 years
Others	3-13 years
Flying equipments and equipment under finance lease	
Airframe	15-25 years
Aircraft cabin	7-13 years
	(Continued)
Engine	10-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	7-10 years
Repairable spare parts	7-15 years
Office equipments	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Assets leased to others	3-5 years
	(Concluded)

Refer to Note33 for the carrying amounts of property, plant and equipment pledged by the Group.

15. INVESTMENT PROPERTIES

	December 31	
	2014	**2013**
Carrying amount		
Investment properties	$ 2,076,461	$ 2,076,740

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

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

The fair value of the investment properties held by the Group is $2,348,759 thousand on both December 31, 2014 and 2013, respectively.

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

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

(Continued)

	Cost	Accumulated Impairment and Depreciation	Net Value
Balance on January 1, 2014	$ 2,082,390	$ (5,650)	$ 2,076,740
Additions	-	(279)	(279)
Balance on December 31, 2014	$ 2,082,390	$ (5,929)	$ 2,076,461

(Concluded)

16. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Accumulated Amortization	Net Value
Balance at January 1, 2013	$ 862,323	$ (437,323)	$ 425,000
Additions	115,135	-	115,135
Amortization expense	-	(50,723)	(50,723)
Balance at December 31, 2013	$ 977,458	$ (488,046)	$ 489,412
Balance at January 1, 2014	$ 977,458	$ (488,046)	$ 489,412
Additions	230,392	-	230,392
Amortization expense	-	(55,422)	(55,422)
Reclassification	6,615	-	6,615
Balance at December 31, 2014	$ 1,214,465	$ (543,468)	$ 670,997

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

17. OTHER ASSETS

	December 31 2014	December 31 2013
Current		
Other financial assets	$ 1,145,720	$ 793,050
Temporary payments	200,545	486,260
Prepayments	861,811	604,163
Restricted assets	904	21,214
Others	434,994	561,232
	$ 2,643,974	$ 2,465,919

(Continued)

	December 31 2014	December 31 2013
Noncurrent		
Prepayments for aircraft	$ 27,585,802	$ 15,397,766
Prepayments - long-term	1,550,942	2,318,009
Refundable deposits	1,328,227	1,106,855
Restricted assets	296,733	507,209
Other financial assets	14,265	14,040
Others	155,253	1,098
	$ 30,931,222	$ 19,344,977

(Continued)

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

18. BORROWINGS

a. Short-term loans

	December 31 2014	December 31 2013
Bank loans - unsecured	$ 4,361,628	$ 204,036
Interest rates	1.18%-1.30%	1.36%-1.60%

b. Short-term and bills payable

	December 31 2014	December 31 2013
Commercial paper	$ 2,090,000	$ -
Less: Unamortized discount on bills payable	1,887	-
	$ 2,088,113	$ -

Annual discount rate	1.108%-1.238%	-

The short-term bills payable remained in the balance of December 31, 2014 will expire on various date starting from March 2015.

c. Long-term debts

	December 31	
	2014	**2013**
Unsecured bank loans	$ 30,553,456	$ 21,368,167
Secured bank loans	32,413,444	36,522,857
		(Continued)

	December 31	
	2014	**2013**
Commercial paper		
Proceeds from issue	$ 24,505,000	$ 20,655,000
Less: Unamortized discount	60,464	40,481
	87,411,436	78,505,543
Less: Current portion	14,218,482	25,265,961
	$ 73,192,954	$ 53,239,582
		(Concluded)

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

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

	Currency		
	New Taiwan Dollars	**U.S. Dollars**	**Japanese Yen**
Original currency			
December 31, 2014	$ 54,477,262	$ 267,902	$ 44,448
December 31, 2013	45,609,666	411,975	71,112
Translated in New Taiwan dollars			
December 31, 2014	54,477,262	8,477,870	11,768
December 31, 2013	45,609,666	12,261,153	20,205
Interest rates			
December 31, 2014	1.277%-2.2074%	0.2311%-4.39%	1.975%
December 31, 2013	1.2830%-3.6%	0.2376%-4.39%	1.975%
Periods			
December 31, 2014	2002.04.11-	2003.07.22-	2013.09.01-

	2029.02.04	2020.02.26	2016.08.01
December 31, 2013	2002.04.11-2024.04.01	2003.07.22-2017.09.21	2013.09.01-2016.08.01

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until November 2017, were used by the Company to guarantee commercial paper it issued. As of December 31, 2014 and 2013, the commercial paper was issued at discount rates 1.3895%-2.086% and 1.302%-2.121%, respectively.

19. BONDS PAYABLE

	December 31	
	2014	**2013**
Privately places corporate bond first-time issued in 2009	$ -	$ 1,100,000
Privately places corporate bond second-time issued in 2009	-	800,000
Secured corporate bond first-time issued in 2010	1,440,000	2,520,000
Secured corporate bond first-time issued in 2011	4,200,000	6,000,000
Unsecured corporate bond first-time issued in 2012	5,345,000	5,345,000
Unsecured corporate bond first-time issued in 2013	10,900,000	10,900,000
Convertible bond issued the fifth time	5,023,836	5,483,023
	26,908,836	32,148,023
Less: Current portion	8,585,000	4,780,000
	$ 18,323,836	$ 27,368,023

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Privately places corporate bond first-time issued in 2009	2009.4.15-2014.4.15	Repayable semi-annually and pay principal on due date	3.60
Privately places corporate bond second-time issued in 2009	2009.6.15-2014.6.15	Repayable semi-annually and pay principal on due date	3.60
Five-year secured domestic bonds - issued at par in January 2010; repayable in January 2013, January 2014 and January 2015; indicator rate plus 1.5% interest p.a., payable quarterly	2010.1.25-2015.1.25	Principal repayable in January and February 2013, 2014 and 2015; indicator rate plus 1.5% interest p.a., payable quarterly	Indicator rate plus 1.50
Five-year secured domestic bonds - issued at par in February 2010; repayable in February 2013, February 2014 and February 2015; indicator rate plus 1.5% interest p.a., payable quarterly	2010.2.1-2015.2.1	Principal repayable in January and February 2013, 2014 and 2015; indicator rate plus 1.5% interest p.a., payable quarterly	Indicator rate plus 1.50
Five-year secured domestic bonds - issued at par in February 2010; repayable in February 2013, February 2014 and February 2015; indicator rate plus 1.5% interest p.a., payable quarterly	2010.2.8-2015.2.8	Principal repayable in January and February 2013, 2014 and 2015; indicator rate plus 1.5% interest p.a., payable quarterly	Indicator rate plus 1.50
Five-year secured domestic bonds - issued at par in May 2011; repayable in May 2014, May 2015 and May 2016; 1.35% interest p.a., payable annually	2011.5.20-2016.5.20	Principal repayable in May of 2014, 2015 and 2016; indicator rate; payable annually	1.35
Five-year secured domestic bonds - issued at par in May 2011; repayable in May 2014, May 2015 and May 2016; 1.35% interest p.a., payable annually	2011.5.20-2016.5.20	Principal repayable in May of 2014, 2015 and 2016; indicator rate; payable annually	1.35
Five-year secured domestic bonds - issued at par in May 2011; repayable in May 2014, May 2015 and May 2016; 1.35% interest p.a., payable annually	2011.5.20-2016.5.20	Principal repayable in May of 2014, 2015 and 2016; indicator rate; payable annually	1.35
Five-year secured domestic bonds - issued at par in May 2011; repayable in May 2014, May 2015 and May 2016; 1.35% interest p.a., payable annually	2011.5.20-2016.5.20	Principal repayable in May of 2014, 2015 and 2016; indicator rate; payable annually	1.35
Three-year secured domestic bonds - issued at par in January 2012; repayable in January 2015; 2% interest p.a., payable semiannually	2012.1.10-2015.1.10	Principal repayable in January 2015; indicator rate; payable semi-annually	2.00
Five-year private unsecured bonds - issued at par in	2013.1.17-2018.1.17	Principal repayable in January of	1.60

January 2013; repayable in January 2017 and 2018; 1.6% interest p.a., payable annually		2017 and 2018; indicator rate; payable annually	
Seven-year private unsecured bonds - issued at par in January 2013; repayable in January 2019 and 2020; 1.85% interest p.a., payable annually	2013.1.17-2020.1.17	Principal repayable in January of 2019 and 2020; indicator rate; payable annually	1.85
Five-year convertible bonds - issued at discount in December 2013; repayable in lump sum upon maturity; 1.8245% discount rate p.a.	2013.12.26-2018.12.26	Except for converting to capital stock or buying back, principal repayable in December of 2018	-

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

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

On December 26, 2013, the Company made the fifth issue of unsecured convertible bonds, and the issue conditions are as follows:

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

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

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

d. Between January 26, 2014 and December 16, 2018 (except for the period between the ex-dividend date and the date of dividend declaration on record), holders may convert the bonds to the Company's common shares. The initial conversion price was set at NT$12.24, subject to adjustment if there is capital injection by cash, stock dividend distribution, the proportion of cash dividend per share in market price exceed 1.5%. As of December 31, 2014, there was no adjustment to the conversion price but face value $601,800 thousand of corporate bond convert into 49,167 thousand of common stock.

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

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

20. CAPITAL LEASE OBLIGATIONS

	December 31	
	2014	2013
Minimum lease payments-flight equipment		
Within one year	$ 2,727,933	$ 4,368,184
Beyond one year and within five years	6,945,200	7,853,000
Beyond five years	-	596,000
Present value of minimum lease payments	$ 9,673,133	$ 12,817,184

Interest rates	1.29%-1.67%	1.31%-2.24%

The Company leased aircraft and engines by sale-leaseback under finance leases. The lease terms are from June 2006 to April 2019. During the lease term, the Company retained all risks and rewards attached to aircraft and engines, and enjoyed the same substantive right prior to the transaction, interest rate underlying all obligation under finance leases were floated. Therefore, the minimum lease payments under sale-leaseback aircraft contract are not inclusive of interest expense.

Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract. As for the contract, please refer to Note 34.

	December 31	
	2014	**2013**
Minimum lease payments – Cargo Terminal		
Within one year	$ 31,786	$ 38,199
Beyond one year and within five years	158,531	132,521
Beyond five years	3,729	62,061
	194,046	232,781
Less: Financial cost	(8,457)	(9,092)
Present value of minimum lease payments	$ 185,589	$ 223,689
Interest rate	1.29%-1.67%	1.31%-2.24%
Present value of minimum lease payments – Cargo Terminal		
Within one year	$ 30,500	$ 30,855
Beyond one year and within five years	153,491	131,991
Beyond five years	1,598	60,843
	$ 185,589	$ 223,689
Discount rate	5.04%	5.04%
Total amount of present value of minimum lease payments		
Current	$ 2,758,433	$ 4,399,039
Noncurrent	7,100,289	8,641,834
	$ 9,858,722	$ 13,040,873

21. OTHER PAYABLES

	December 31	
	2014	**2013**
Fuel cost	$ 3,785,144	$ 4,326,230
Ground service expense	1,406,034	860,275
Repair expense	845,514	468,454
Interest expense	349,544	372,140
Short-term employee benefits	1,322,847	1,300,322
Terminal surcharges	738,526	668,542
Commission expense	607,366	566,609
Others	2,041,336	5,776,510
	$ 11,096,311	$ 14,339,082

22. DEFERRED REVENUE

	December 31	
	2014	2013
Frequent flyer program	$ 2,501,231	$ 2,587,189
Advance ticket sales	10,467,840	8,172,944
	$ 12,969,071	$ 10,760,133
Current	$ 11,163,756	$ 8,850,384
Noncurrent	1,805,315	1,909,749
	$ 12,969,071	$ 10,760,133

23. PROVISIONS

	December 31	
	2014	2013
Operating lease-aircraft	$ 4,303,780	$ 3,302,484
Onerous contract	-	-
	$ 4,303,780	$ 3,302,484
Current	$ 6,744	$ -
Non-current	4,297,036	3,302,484
	$ 4,303,780	$ 3,302,484

Operating Lease-aircraft

The Company and Mandurin Airlines rented flight equipments under operating lease agreements. Under the contracts, when the lease expire to return the lessor, the flight equipment have to be repaired according to the plan use years and flight hours, flight cycle and the engine revolution times the Group had existing obligation to recognize provision when signing the lease or during the lease period. Tigerair Taiwan Co., Ltd. also rented flight equipments under operating lease agreements, in accordance to the contract, Tigerair has to pay the maintenance reverse according to the flying hours.

Onerous Contract

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

	Aircraft Lease Contract	Onerous Contract	Total
Balance at January 1, 2013	$ 2,628,134	$ 780,995	$ 3,409,129
Additional provisions recognized	1,082,003	-	1,082,003
Usage	(426,740)	-	(426,740)
Effect on reversal	-	(780,995)	(780,995)
Effect of exchange rate changes	19,087	-	19,087
Balance at December 31, 2013	$ 3,302,484	$ -	$ 3,302,484
Balance at January 1, 2014	$ 3,302,484	$ -	$ 3,302,484
Additional provisions recognized	1,530,536	-	1,530,536
Usage	(579,080)	-	(579,080)
Effect of exchange rate changes	49,840	-	49,840
Balance at December 31, 2014	$ 4,303,780	$ -	$ 4,303,780

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

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

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees’ pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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

	December 31	
	2014	2013
Discount rates	1.625-2.730%	1.625-2.000%
Expected return on plan assets	1.920-2.730%	1.920-2.000%

Expected rates of salary increase	1.500-3.500%	1.500-2.500%

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

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 448,725	$ 326,537
Interest cost	266,373	218,397
Expected return on plan assets	(78,196)	(69,456)
Current actuarial losses (gains)	-	59,136
Past service cost	5,803	12,184
	$ 642,705	$ 546,798
An analysis by function		
Operating cost	$ 462,298	$ 419,027
Operating expense	180,407	127,771
	$ 642,705	$ 546,798

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was $74,083 thousand and $23,940 thousand, respectively. The cumulative amount of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 was $532,101 thousand and $606,184 thousand, respectively.

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

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 14,073,849	$ 14,902,893
Fair value of plan assets	(3,880,941)	(4,472,814)
Deficit	10,192,908	10,430,079
Unrecognized past service cost	(13,369)	(19,172)
Accrued pension costs	$ 10,179,539	$ 10,410,907

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

	For the Year Ended December 31	
	2014	2013
Defined benefit obligation at the beginning of the year	$ 14,902,893	$ 15,387,523
Current service cost	448,725	326,537
Interest cost	266,373	218,397
Actuarial losses/(gains)	(48,643)	12,838
Benefits paid	(1,495,499)	(1,048,784)
Current vested past service cost	-	6,382
Defined benefit obligation at the end of the year	$ 14,073,849	$ 14,902,893

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

	For the Year Ended December 31	
	2014	2013
Fair value of plan assets at the beginning of the year	$ 4,472,814	$ 4,726,756
Expected return on plan assets	78,196	69,456
Actuarial gains/(losses)	25,440	(11,102)
Contributions from the employer	642,074	635,698
Benefits paid	(1,337,583)	(947,994)
Fair value of plan assets at the end of the year	$ 3,880,941	$ 4,472,814

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

	December 31	
	2014	2013
Equity instruments	51.43%	38.25%
Debt instruments	26.21%	40.69%
Others	22.36%	21.06%
	100.00%	100.00%

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

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 14,073,849	$ 14,902,893	$ 15,387,523	$ 14,073,849
Fair value of plan assets	$ (3,880,941)	$ (4,472,814)	$ (4,726,756)	$ (3,380,941)
Deficit	$ 10,192,908	$ 10,430,079	$ 10,660,767	$ 10,692,908
Experience adjustments on plan liabilities	$ (386,532)	$ 403,568	$ (540,506)	$ -
Experience adjustments on plan assets	$ (22,412)	$ 3,295	$ (41,738)	$ -

The Group expects to make a contribution of $629,653 thousand to the defined benefit plans during the annual period beginning after 2014.

25. EQUITY

a. Share capital

1) Common shares

	December 31	
	2014	2013
Numbers of shares authorized (in thousands)	6,000,000	6,000,000
Amount of shares authorized	$ 60,000,000	$ 60,000,000
Amount of shares issued	$ 52,491,666	$ 52,000,000

The Company issued the 5th domestic unsecured convertible bonds and equal to the amount of $601,800 thousand convertible bonds holders apply for conversion, and the capital shares exchanged more $49,167 thousand and entitled to change registration after issuing new shares.

b. Capital surplus

	December 31	
	2014	2013
Issue of stock in excess of par value and conversion premium	$ 1,511,953	$ 1,391,536
Employee stock options expired	11,747	11,747
Long-term investment	955	955
Gain on sale of treasury shares held by subsidiaries	1,156	1,156
Bonds payable equity component	466,604	518,621
	$ 1,992,415	$ 1,924,015

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

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

c. Appropriation of earnings and dividend policy

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

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

<u>Appropriation of earnings in 2012</u>

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

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

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

The appropriation of the 2012 earnings was approved at the stockholders' meeting on June 25, 2013, as follows:

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

There was no other appropriation of the 2012 earnings after the recognition of the above legal reserve and special reserve.

Appropriation of earnings in 2013

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

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

On June 18, 2014, the stockholders resolved to offset the accumulated deficit in 2013. The deficit, included a net loss of $1,274,046 thousand, negative other retained earning of $45,381 thousand, the unappropriated deficits of $6,089,872 thousand, and reversed the special reserve of $3,926,293 thousand by Corporate charter the remaining amount of accumulated deficit was $3,483,006 thousand.

The Company offset the accumulated deficit against legal reserve of $321,891 thousand. No bonus to employees was appropriated for 2013 because of a net loss in that year.

On March 27, 2015 the board proposed to offset the accumulated deficit against paid-in capital of $1,511,953 thousand. No bonus to employees was a appropriated for 2014 because of a net loss in that year.

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

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

d. Others equity items

The movement of other equity items is as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedge	Total
Balance on January 1, 2014	$ 1,843	$ (11,486)	$ 96,579	$ 86,936
Exchange differences arising on translating the foreign operations	118,083	-	-	118,083
Unrealized gain (loss) on available-for-sale financial assets	-	17,357	-	17,357
Cumulative gain (loss) arising on changes in fair value of hedging instruments	-	-	(2,934,947)	(2,934,947)
Cumulative (gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	-	-	397,424	397,424
Share of exchange difference of associates accounted for using the equity method	-	953	-	953
Effect of income tax	(20,074)	(2,809)	431,379	408,496
Balance on December 31, 2014	$ 99,852	$ 4,015	$ (2,009,565)	$ (1,905,698)

(Continued)

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

(Concluded)

e. Non-controlling interest

	For the Year Ended December 31	
	2014	2013
Beginning balance	$ 2,083,896	$ 1,831,137
Net income attributable to non-controlling interest	149,828	325,166
Foreign exchange difference	1,860	6,062
Unrealized gain or loss on financial instrument	110	(3,136)
Actuarial gains and losses on defined benefit plan	(12,953)	23,839
Effect on income tax	8,168	(7,159)
Issue of common shares by subsidiaries	200,000	-
Dividends paid by subsidiaries	(103,936)	(92,013)
Ending balance	$ 2,326,973	$ 2,083,896

f. Treasury stock

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Reduction During the Year (Note)	Number of Shares, End of Year
Year ended December 31, 2014			
Company's shares held by its subsidiaries reclassified from investment in shares of stock to treasury stock	2,889	-	2,889
Year ended December 31, 2013			
Company's shares held by its subsidiaries reclassified from investment in shares of stock to treasury stock	2,889	-	2,889

The Company's shares held by its subsidiaries as of December 31, 2014 and 2013 were as follows:

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
December 31, 2014			
Mandarin Airlines	2,075	$ 30,082	$ 30,082
Hwa Hsia	814	11,805	11,805
		$ 41,887	$ 41,887
December 31, 2013			
Mandarin Airlines	2,075	$ 22,717	$ 22,717
Hwa Hsia	814	8,915	8,915
		$ 31,632	$ 31,632

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

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

26. NET INCOME

a. Revenue

	For the Year Ended December 31 2014	2013
Passenger	$ 97,137,071	$ 92,183,033
Cargo	43,629,974	39,393,152
Others	9,814,697	10,126,360
	$ 150,581,742	$ 141,702,545

b. Other income

	For the Year Ended December 31	
	2014	**2013**
Interest income	$ 441,968	$ 361,433
Subsidy income	194,671	182,025
Dividend income	29,522	65,631
Others	428,255	994,484
	$ 1,094,416	$ 1,603,573

c. Other gains and losses

	For the Year Ended December 31	
	2014	**2013**
Gain on disposal property, plant and equipment	$ 52,340	$ 6,008
Net gain arising on financial assets classified as held for trading	78,742	132,701
Gain on disposal of available-for-sale financial assets	6,557	-
Litigation settlement	(1,212,121)	(1,488,095)
Gain or loss on foreign exchange, net	(44,366)	160,565
Gain on disposal of equity investments	-	742,286
Others	(622,117)	(572,521)
	$ (1,740,965)	$ (1,019,056)

The Company along with worldwide leading carriers was named as defendants in the civil class action by global airfreight forwarders alleging the 2000-2006 fuel surcharges levied on the shipments to and from the United States in violation of US Antitrust Laws. The board of directors reached the resolution for settlement of US$90,000 thousand in three installments starting from 2014 on annual basis, and US$50,000 thousand of which was recognized as operating cost in the financial report for the year of 2013. For consistency, the company reclassified the said operating cost to non-operating loss and the remaining balances recognized as non-operating loss of 2014 as well.

d. Financial cost

	For the Year Ended December 31	
	2014	2013
Interest expense		
Bonds payable	$ 539,913	$ 553,910
Bank loan	1,299,199	1,361,164
Interest on obligations under financial lease	172,584	197,298
Loss arising on derivatives as designated hedging instruments in cash flow hedge accounting relationship reclassified from equity to profit or loss	7,428	9,954
	$ 2,019,124	$ 2,122,326

Information of interest capitalization was as follows:

	For the Year Ended December 31	
	2014	2013
Capitalization interest	$ 211,409	$ 160,749
Capitalization rate	1.77%-1.82%	1.85%-1.91%

e. Depreciation and amortization expense

	For the Year Ended December 31	
	2014	2013
Property, plant, equipment	$ 17,460,446	$ 17,244,547
Investment property	279	304
Intangible asset	55,422	50,723
Depreciation and amortization expense	$ 17,516,147	$ 17,295,574
An analysis of depreciation by function		
Operating cost	$ 16,671,783	$ 16,523,374
Operating expense	788,942	721,477
	$ 17,460,725	$ 17,244,851
An analysis of amortization by function		
Operating cost	$ 981	$ 967
Operating expense	54,441	49,756
	$ 55,422	$ 50,723

f. Employment benefit expense

	For the Year Ended December 31	
	2014	2013
Post-employment benefit		
Defined contribution plan	$ 332,011	$ 229,456
Defined benefit plan	642,705	546,798
	$ 974,716	$ 776,254
Other employee benefits		
Salary expenses	$ 14,970,181	$ 14,973,410
Personnel service expenses	3,401,097	3,250,309
	$ 18,371,278	$ 18,223,719
An analysis of employee benefit expense by function		
Operating cost	$ 15,564,746	$ 15,359,535
Operating expense	3,781,248	3,640,438
	$ 19,345,994	$ 18,999,973

27. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	For the Year Ended December 31	
	2014	2013
Current tax		
Current year	$ 182,336	$ 186,650
Prior year adjustment	(8,283)	605
Deferred tax		
Current year	785,060	400,445
Income tax expense recognized in profit or loss	$ 959,113	$ 587,700

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

	For the Year Ended December 31	
	2014	2013
Profit (loss) before tax	$ 357,709	$ (361,180)
Income tax expense (benefit) calculated at the statutory rate (17%)	$ 60,811	$ (61,401)
Effect on different tax of subsidiaries govern by other region	3,851	(123,129)
Effect on adjustment to income tax		
Undeductible expenses in determining taxable income	89,660	309,138
Temporary differences	95,589	728,946
Tax-exempt income	(100,580)	(257,461)
Additional income tax under the Alternative Minimun Tax Act	-	41,720
Loss carryforwards – current used	(57,359)	(485,287)

(Continued)

	2014	2013
Loss carryforwards - generated	$ 39,750	$ -
Oversea income tax expense	50,614	34,124
Deferred tax		
Temporary differences	774,862	(253,634)
Investment tax credits - expired	-	165,684
Unrecognized loss carryforwards, investment tax credits and temporary difference	10,198	488,395
Adjustments for prior years' tax	(8,283)	605
Income tax expense recognized in profit or loss	$ 959,113	$ 587,700

(Concluded)

b. Income tax recognized in other comprehensive income

	2014	2013
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ (14,087)	$ (15,909)
Unrealized gain on available-for-sale financial assets	(2,809)	(1,648)
Hedging instruments fair value revaluation for cash flow hedging	431,379	(16,406)
Actuarial gain or loss on defined benefit plan	(20,842)	4,070
Total income tax recognized in other comprehensive income	$ 393,641	$ (29,893)

c. Deferred tax assets and liabilities

For the year ended December 31, 2014

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plan	$ 1,761,886	$ (14,810)	$ (13,995)	$ -	$ 1,733,081
Dynasty flyer program	448,617	(16,421)	-	-	432,196
Depreciation of significant	1,062,237	(1,062,237)	-	-	-
Maintenance reserve	566,127	160,601	-	-	726,728
Depreciation of major spare part	114,947	(114,947)	-	-	-
Allowance for reduction of inventory	329,460	(179,275)	-	-	150,185
Others	532,626	132,530	415,175	(293)	1,080,038
Loss carryforward	4,311,114	88,428	-	-	4,399,542
	$ 9,127,014	$ (1,006,131)	$ 401,180	$ (293)	$ 8,521,770
Deferred tax liabilities					
Temporary differences					
Unrealized foreign exchange gain	$ 241,995	$ (133,092)	$ -	$ -	$ 108,903
Depreciation difference from fixed assets	127,862	(1,374)	-	-	126,488
Defined benefits plan	3,720	(775)	6,847	-	9,792
Others	255,243	(85,830)	692	8,301	178,406
	$ 628,820	$ (221,071)	$ 7,539	$ 8,301	$ 423,589

For the year ended December 31, 2013

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

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

	December 31	
	2014	2013
Loss carryforwards		
2018	$ 57,044	$ 197,226
2019	4,952,493	3,396,913
2020	105,874	120,029
2021	80,080	80,080
2022	125,568	125,604
2023	248,077	214,365
2024	34,048	-
	$ 5,603,184	$ 4,134,217
Investment tax credits		
Automated equipment	$ 24,691	$ 125,487
Difference in depreciation	$ 4,410	$ -

d. As of the year ended in 2014, unused investment tax credits of China Airlines, Ltd. and subsidiaries were as follows:

Laws and Statutes	Tax Credit Source	Total Creditable Amount	Remaining Creditable Amount	Expiry Year
China Airlines, Ltd.				
Article 6 of the Statute for Upgrading Industries	R&D expenses, personnel training expenses and purchases of eligible equipment	$ 24,691	$ 24,691	2015

e. Unused tax loss carryforwards as of December 31, 2014 were as follows:

Expiry Year	Unused Amount
China Airlines, Ltd.	
2018	$ 7,631,747
2019	19,338,075
2021	2,899,496
2022	598,471
	$ 30,467,789
Mandarin Airline Co., Ltd.	
2018	$ 57,044
2019	192,508
2023	223,735
	$ 473,287
Tigerair Taiwan Co., Ltd.	
2024	$ 33,961
Cal Hotel Co., Ltd.	
2019	$ 59,984
2020	101,471
2021	45,157
2022	9,617
	$ 216,229
Cal Park Co., Ltd.	
2020	$ 4,404

(Continued)

Expiry Year	Unused Amount
Taiwan Air Cargo Terminal Limited	
2021	$ 34,923
2022	115,951
2023	102,248
2024	34,048
	$ 287,170

(Concluded)

f. Integrated income tax

	December 31	
	2014	2013
Imputation credits accounts	$ 385,425	$ 225,815

Since the Company had accumulated deficit as of December 31, 2014 and 2013, there were no expected creditable tax ratio.

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

g. Income tax assessment

The income tax returns of the Company and its subsidiaries through 2012, except those of Taiwan Air Cargo Terminal Limited (TACT), have been examined by the tax authorities.

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

TACT was assessed by the tax authorities with an additional income tax liability amounting to $129,350 thousand and an additional fine of on its 2001 income tax filing due to the excessive distribution of ICA to its shareholders. TACT was dissatisfied with this assessment and filed an application for the reexamination of its return and an administrative appeal and also initiated administrative action, which were all dismissed. TACT then appealed to the Supreme Administrative Court, which ruled on December 9, 2010 that the Company should make up for the excessive distribution of ICA but need not pay a fine. Furthermore, the tax authorities were instructed to retry the case. Dissatisfied with the disapproval of the fine, the tax authorities filed a retrial appeal on December 29, 2010. On the other hand, TACT was dissatisfied with the decision to reverse the excessive distribution of ICA and filed a retrial appeal on January 12, 2011. The Supreme Administrative Court dismissed both appeals on December 8, 2011. TACT was still dissatisfied with the additional fine, therefore, TACT filed an administrative appeal with the Ministry of Finance on December 21, 2012. The tax authority amended the fine to 0.8 times on August 1, 2013. However TACT was still dissatisfied with the results of retrial and recheck. Hence, TACT an administrative appeal to the Ministry of Finance again. The administration has revised the fine to 0.6 times on May

20, 2014, while TACT was still unsatisfied with the court decision and filed a retrial appeal on November 20, 2014. The amount of provision recognized by TACT for over-distributed tax and fine was $147,810 thousand.

28. LOSS PER SHARE

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

	For the Year Ended December 31	
	2014	**2013**
Basic and diluted loss per share	$ (0.14)	$ (0.25)

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

Net Loss for the Year

	For the Year Ended December 31	
	2014	**2013**
Net loss used to calculate loss per share	$ (751,232)	$ (1,274,046)

Number of Shares (share in thousands)

	For the Year Ended December 31	
	2014	**2013**
Weighted average number of shares used to calculate loss per share	5,199,401	5,197,111

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

29. OPERATING LEASE ARRANGEMENTS

China Airlines, Ltd., Mandarin Airlines, Tigerair Taiwan and Taiwan Air Cargo Terminal rented planes and hangars under various operating lease contracts expiring on various dates until November 2026. The Group does not have a bargain purchase option to acquire the leased planes and hangar at the expiration of the lease periods.

The rental rates stated in the aircraft lease agreements some are fixed and some are floated. If the agreed-upon rental rate is floating and will be revised monthly or semiannually, subleasing is not allowed for all the lease arrangements. As of December 31, 2014, the Group has rented eleven A330-300 planes, six B737-800 planes, three 777-300ER planes, eight ERJ 190 planes and one A320-200 plans under operating contracts; the lease terms range from 8 to 12 years, with an extension option.

As of December 31, 2014 and 2013, the refundable deposits paid by the Group under operating lease contracts were $606,156 thousand and $716,552 thousand, respectively. Part of the refundable deposits is secured by credit guarantees, and outstanding credit guarantee as of December 31 2014 and 2013 were $357,501 thousand and $249,316 thousand.

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

	December 31	
	2014	2013
Up to 1 year	$ 5,928,038	$ 3,786,257
Over 1 year to 5 years	20,993,092	13,492,847
Over 5 years	18,782,575	14,483,470
	$ 45,703,705	$ 31,762,574

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

	For the Year Ended December 31	
	2014	2013
Minimum lease payment	$ 4,609,857	$ 3,543,880

30. CAPITAL MANAGEMENT

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

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

31. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

1) Financial instruments not evaluated at fair value

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

	December 31			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bonds payable	$ 26,908,836	$ 27,431,520	$ 32,148,023	$ 33,242,397
Loans and debt	87,411,436	87,530,338	78,505,543	78,642,338

Some long-term debts and capital lease obligations are floating-rate financial liabilities, so their carrying values are their fair values. As of December 31, 2014 and 2013, the fair values of long-term debts and private bonds with fixed interest rates are estimated at the present value of expected cash flows discounted at rates of 0.436% and 0.486%, respectively, prevailing in the market for long-term debts.

2) Fair value measurements recognized in the balance sheets

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

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

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

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

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instrument	$ -	$ 46,812	$ -	$ 46,812
Domestic money market fund	189,002	-	-	189,002
	$ 189,002	$ 46,812	$ -	$ 235,814
Available-for-sale financial assets				
Securities listed in domestic	$ 28,881	$ -	$ -	$ 28,881
Derivative financial assets for hedging	$ -	$ 43,577	$ -	$ 43,577
Derivative financial liabilities for hedging	$	$2,465,150	$ -	$2,465,150

December 31, 2013

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

(Continued)

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

(Concluded)

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

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

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

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

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

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

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

b. Categories of financial instruments

	December 31 2014		December 31 2013	
Financial assets				
Financial assets at FVTPL	$	235,814	$	215,673
Available-for-sale financial assets(3)		498,198		572,748
Derivative financial assets for hedging		43,577		140,620
Loans and receivables (1)		33,524,910		29,806,215
	$	34,302,499	$	30,735,256
Financial liabilities				
Financial liabilities at FVTPL	$	-	$	2,799
Derivative financial liabilities for hedging		2,465,150		24,879
Financial liabilities at amortized cost (2)		144,488,117		135,161,328
	$	146,953,267	$	135,189,006

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

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

3) Including the Financial assets measured at cost.

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

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

	December 31	
	2014	**2013**
Assets		
USD	$ 6,657,656	$ 4,640,919
EUR	693,065	713,966
HKD	1,293,753	1,301,084
JPY	418,274	950,527
RMB	10,766,934	11,604,538
Liabilities		
USD	12,882,711	18,331,727
EUR	190,246	306,431
HKD	313,913	314,869
JPY	1,240,089	1,269,617
RMB	791,414	1,709,514

Sensitivity analysis

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

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

When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be an decrease in pre-tax profit in 2014 $174,778 thousand and increase in pre-tax profit in 2013 $23,902 thousand, respectively.

b) Interest rate risk

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

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

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

	December 31	
	2014	2013
Fair value interest rate risk		
Financial liabilities	$ 33,026,655	$ 31,285,991
Cash flow interest rate risk		
Financial liabilities	97,591,031	92,612,484

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Had interest rates been 100 basis points higher and had all other variables been held constant, the Group's pretax profit for the year ended December 31, 2014 would have decreased by $645,000 thousand.

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

c) Other price risk

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

Sensitivity analysis

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

	For the Year Ended December 31			
	2014		2013	
	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)
Fuel price increase 5%	$ 31,646	$316,498	$ 21,417	$ 91,940
Fuel price decrease 5%	(32,545)	(134,513)	(13,132)	(84,966)

2) Credit risk

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

Operation - related credit risk

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

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

Financial credit risk

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

3) Liquidity risk

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

Liquidity and interest risk rate tables

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

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

December 31, 2014

	The Weighted Average Effective Interest Rate (%)	1-3 Months	3 Months to 1 Year	1-2 Years	2-5 Years	5+ Years
Finance lease liabilities	1.4315	$ 533,643	$ 2,226,077	$ 1,665,836	$ 5,437,893	$ 3,729
Floating interest rate liabilities	1.4627	3,377,496	10,224,542	27,603,968	41,817,988	2,160,706
Fixed interest rate liabilities	4.374	152,969	462,498	633,285	818,070	120,197
Derivative instruments		2,504	21,879	394	405	-
		$ 4,066,612	$ 12,934,996	$ 29,903,483	$ 48,074,356	$ 2,284,632

December 31, 2013

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

Loan commitments

	December 31	
	2014	2013
Disposal unsecured bank loan limit	$ 18,202,000	$ 17,354,000

32. RELATED-PARTY TRANSACTIONS

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

a. Operating transactions

	Sales of Goods		Purchases of Goods	
	For the Year Ended December 31		For the Year Ended December 31	
	2014	2013	2014	2013
Associates	$ 4,608	$ 113,392	$ 587,239	$ 531,293
Jointly controlled entities	$ 16,558	$ 13,877	$ 1,439,844	$ 1,278,542
Major stockholder	$ 28,605	$ 26,001	$ 60,913	$ 53,014

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

	December 31	
	2014	2013

	2014	2013
Associates	$ 240	$ 5,447
Jointly controlled entities	1,749	594
Major stockholder	4,626	8,476
	$ 6,615	$ 14,517

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

	December 31	
	2014	**2013**
Associates	$ 65,192	$ 108,889
Jointly controlled entities	365,493	317,284
Major stockholder	4,699	6,362
	$ 435,384	$ 432,535

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

b. Lease of properties

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, the Company paid the rental on usage hours. In 2014 and 2013, the company had paid rentals of about $60,913 thousand and $53,014 thousand, respectively.

c. Endorsements and guarantees

	December 31			
	2014		**2013**	
	Authorized Amount	**Actual Amount Used**	**Authorized Amount**	**Actual Amount Used**
The Company				
Cal Park	$ 3,400,000	$ 2,905,000	$ 3,400,000	$ 3,071,000
Taiwan Air Cargo Terminal	1,080,000	582,671	1,080,000	361,800
Freighter Prince Ltd.	279,497	279,497	285,564	285,564
Cal Hotel	180,000	12,686	180,000	19,029
Tigerair Taiwan	902,278	-	-	-
Cal Asia				
Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	-	16,229	15,323

d. Bonds payable - related parties

China Pacific Catering Services subscribed private unsecured bonds issued by China Airlines, Ltd. in 2010 (refer to Note 19), and had been paid in full in May 2013.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2014	2013
Short-term employee benefits	$ 39,282	$ 35,415
Post-employment benefits	2,595	4,353
	$ 41,877	$ 39,768

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

33. PLEDGED ASSETS

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

	December 31	
	2014	2013
Property, plant and equipment	$ 104,255,700	$ 110,044,021
Restricted assets - noncurrent		
Pledged certificate deposits	17,236	181,209
US treasury bill	279,497	487,649
	$ 104,552,433	$ 110,712,879

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

34. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2014, the Group had commitments and contingent liabilities (except for those mentioned in other notes) as follows:

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

   Prepayments for aircraft purchases were as follows:

December 31	
2014	2013
US$ 449,216 thousand	US$ 315,859 thousand

b. In December 2012, the Company entered into a contract to buy six 777-300ER planes from the Boeing Company, with the option to buy six more 777-300ER planes, at aggregate purchase prices of US$2,067,261 thousand and US$2,213,015 thousand, respectively. Expected delivery slots of aircrafts are from 2015 to 2016. The board of the Company has resolved to transfer the purchase right of the confirm orders for six aircrafts to the aircraft leasing company then lease back.

Prepayments for aircraft purchase were as follows:

	December 31	
	2014	2013
	US$ 418,325 thousand	US$ 163,786 thousand

c. To replace the old aircraft, the Company entered into the four 777-300ER aircrafts lease contract with 12 years term. The expected delivery slot would be from October, 2014. As of December 31, 2014, the Company had received three aircrafts. The Company entered into three 737-800 aircrafts lease contract. The expected delivery slot will be September, 2015. The Tigerair Taiwan entered into the two A320-200 aircrafts lease contract with 10 years term. The expected delivery will be in March and May, 2015.

d. To provide new generation aircrafts maintenance, develop market share in aircrafts maintenance and upgrade the Group’s maintenance qualify, on August 12, 2014 the board resolved to invest a wholly owned new aircraft maintenance company. Total capital of this company will be 1.35 billion and this company is founded in January 2015.

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

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

As of December 31, 2014, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
CECI Engineering Consultant, Inc., Taiwan	Cargo Terminal Expansion Construction Consultant Contract	$ 552,285
Siemens Taiwan	Cargo Terminal Expansion Construction First-Stage And Second-Stage Storage And Transport Facilities Contract	1,892,400

As of December 2014, the cumulated consultant service expense and construction equipment had amounted to 407,756 thousand (VAT included) and 4,046,490(VAT included), respectively. When the projects had been completed and checked, the amounts of $406,361 thousand (VAT included) and $3,932,627 thousand (VAT included) were reclassified to property, plant, and equipment. The remaining cumulative payments were recognized under construction in progress.

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

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

Annual Operating Amount	Royalty Rate
Below 2 billion	6.00%
Above 2 billion but below 4 billion	8.00%
Above 4 billion but below 6 billion	10.00%
Above 6 billion but below 8 billion	12.00%
Above 8 billion but below 10 billion	14.00%
Above 10 billion but below 12 billion	16.00%
Above 12 billion	18.00%

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

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

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

CAL Park should pay construction and operation security deposits of $100,000 thousand (using a refundable certificate deposit recognized under deposits-in). If CAL Park complies with the contract terms within three months amount after the initial operation date, half of the security deposits will be refunded interest free, and the remaining amount will be refunded within three months after the end of the operating period and the completion of asset transfer. In 2014, CAL Park received refunded security deposits of $50,000 thousand with no interest.

In 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 executing proposal. If the sales and business tax declared and filed by a business entity for a single year exceeds 10% of the operating revenue as estimated in the financial plan in its investment execution proposal, CAL Park should pay additional an royalties at 10% of this excess.

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

g. The Company has been named as a defendant, together with other airline members in Association of Asia Pacific Airlines, in the civil class action by some passengers alleging the antitrust violation in US Northern District Court of California. The Company has properly joined the defendants' Joint Defense Group. The litigation is in the pretrial procedure, and none of any evidence supporting Plaintiffs' allegation has been raised so far.

35. ADDITIONAL DISCLOSURES

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

1) Financing provided: None

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

3) Marketable securities held: Table 2 (attached)

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

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

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

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

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

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

10) Derivative financial transactions (Note 7 and 9)

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

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

36. SEGMENT INFORMATION

a. Segment information

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

	For the Year Ended December 31, 2014			
	Air Transportation	**Others**	**Adjustment and Write-off**	**Total**
Operating revenue	$ 148,630,115	$ 7,221,423	$ (5,269,796)	$ 150,581,742
Operation profit and losses	$ 1,712,472	$ 765,058	$ 36,500	$ 2,514,030
Interest revenue				441,968
Investment income accounted for by the equity method				509,352
Revenue				884,877
Financial cost				(2,019,124)
Expense				(1,973,394)
Profit before income tax				$ 357,709
Identifiable assets	$ 134,911,503	$ 9,841,365	$ (21,345)	$ 144,731,523
Investment accounted for by the equity method				2,806,823
Assets				81,533,408
Total assets				$ 229,071,754

	For the Year Ended December 31, 2013			
	Air Transportation	**Others**	**Adjustment and Write-off**	**Total**
Operating revenue	$ 139,170,014	$ 7,594,716	$ (5,062,185)	$ 141,702,545
Operation profit and losses	$ (600,889)	$ 1,290,657	$ 36,500	$ 726,268
Interest revenue				361,433
Investment income accounted for by the equity method				450,361
Revenue				2,200,890
Financial cost				(2,122,326)
Expense				(1,977,806)
Loss before income tax				$ (361,180)
Identifiable assets	$ 142,417,586	$ 9,379,067	$ (57,845)	$ 151,738,808
Investment accounted for by the equity method				2,687,755
Assets				66,549,336
Total assets				$ 220,975,899

b. Geographical segment

The geographical segment information of the Company and its subsidiaries in 2014 and 2013 are listed below:

	For the Year Ended December 31, 2014								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 45,276,734	$ 24,486,986	$ 30,893,375	$ 13,833,545	$ 3,765,684	$ 17,683,332	$ 20,065,876	$ (5,423,790)	$ 150,581,742
Operation profit and losses	$ (2,574,677)	$ 2,357,790	$ (1,184,346)	$ (1,498,771)	$ (7,499)	$ 2,769,568	$ 2,550,794	$ 101,171	$ 2,514,030
Interest revenue									441,968
Investment income accounted for by the equity method									509,352
Revenue									884,877
Interest expense									(2,019,124)
Expense									(1,973,394)
Profit before income tax									$ 357,709
Identifiable assets	$ 1,777,721	$ 111,276	$ 207,083	$ 19,771	$ 7,341	$ 17,100	$ 142,612,576	$ (21,345)	$ 144,731,523
Investment accounted for by the equity method									2,806,823
Assets									81,533,408
Total assets									$ 229,071,754

	For the Year Ended December 31, 2013								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 43,511,399	$ 20,882,502	$ 31,287,675	$ 14,401,584	$ 3,416,981	$ 15,466,867	$ 17,797,722	$ (5,062,185)	$ 141,702,545
Operation profit and losses	$ (4,536,459)	$ 1,786,656	$ (1,300,039)	$ (1,849,477)	$ (103,996)	$ 2,848,642	$ 3,844,441	$ 36,500	$ 726,268
Interest revenue									361,433
Investment income accounted for by the equity method									450,361
Revenue									2,200,890
Interest expense									(2,122,326)
Expense									(1,977,806)
Loss before income tax									$ (361,180)
Identifiable assets	$ 1,752,153	$ 112,281	$ 208,519	$ 19,908	$ 7,391	$ 17,218	$ 149,679,183	$ (57,845)	$ 151,738,808
Investment accounted for by the equity method									2,687,755
Assets									66,549,336
Total assets									$ 220,975,899

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/ Guarantee Amounts (Note 1)	Maximum Balance for the Period	Ending Balance	Actual Borrowing Amount	Value of Collaterals Property, Plant, or Equipment	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement (%)	Maximum Collateral/ Guarantee Amounts Allowable (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	China Airlines (the "Company")	Cal Park	100% subsidiary	$ 9,734,027	$ 3,400,000	$ 3,400,000	$ 2,905,000	$ -	6.99	$ 24,335,068	Y	-	-
		Taiwan Air Cargo Terminal	54% subsidiary	9,734,027	1,080,000	1,080,000	582,671	-	2.22	24,335,068	Y	-	-
		Freighter Prince Ltd.	100% subsidiary	9,734,027	297,057	279,497	279,497	279,497	0.57	24,335,068	Y	-	-
		Cal Hotel	100% subsidiary	9,734,027	180,000	180,000	12,686	-	0.37	24,335,068	Y	-	-
		Tigerair Taiwan Ltd.	80% subsidiary	9,734,027	902,278	902,278	-	-	1.85	24,335,068	Y	-	-
1	Cal-Asia Investment	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	Investments accounted for by the cost method	115,446	16,524	-	-	-	-	288,615	-	-	Y

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

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

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

TABLE 2

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
China Airlines (the "Company")	Stock							
	Abacus International Holdings Ltd. - unlisted common stock	-	Financial assets carried at cost - noncurrent	1,359,368	$ 297,946	13.59	$ 263,526	Note 1
	Abacus International Holdings Ltd. - unlisted preferred stock	-	Financial assets carried at cost - noncurrent	135,937	473	-	-	Note 1
	Chung Hua Express Co.	-	Financial assets carried at cost - noncurrent	1,100,000	11,000	11.00	19,669	-
	Jardine Air Terminal Services	-	Financial assets carried at cost - noncurrent	12,000,000	56,023	15.00	67,311	Note 3
	Regal International Advertising	-	Financial assets carried at cost - noncurrent	559,584	5,925	6.22	679	-
Mandarin Airlines	Stock							
	China Airlines	Parent company	Available-for-sale financial asset - current	2,074,628	30,082	-	30,082	-
	Bond							
	First Issue of Private Unsecured Bonds in 2012, China Airlines	Parent company	Bond investments with no active market - current	280	280,000		280,000	-
Taoyuan International Airport Services	Bond							
	First Issue of Private Unsecured Bonds in 2012 - China Airlines	Parent company	Bond investments with no active market - current	100	100,000	-	100,000	-
Cal-Asia Investment	Stock							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets carried at cost - noncurrent	-	75,919	5.83	18,692	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets carried at cost - noncurrent	-	22,031	5.45	7,240	Note 2
Abacus Distribution Systems (Taiwan)	Beneficial certificates							
	Mirae Asset Solomon Money Market Fund	-	Financial assets at fair value through profit or loss - current	265,726	3,294	-	3,294	-
	Eastspring Inv Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	3,375,063	45,102	-	45,102	-
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	4,221,232	56,081	-	56,081	-
	Mega Diamond Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,142,809	63,289	-	63,289	-
	Yuanta Wan Tai Money Market Fund	-	Financial assets at fair value through profit or loss - current	974,293	14,506	-	14,506	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2014				Note
				Shares/Units	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Bond First Issue of Private Unsecured Bonds in 2012 - China Airlines	Parent company	Bond investments with no active market - current	60	$ 60,000	-	$ 60,000	-
Taiwan Airport Services	Stock TransAsia Airways	-	Available-for-sale financial asset - noncurrent	2,265,182	28,881	0.40	28,881	-
Hwa Hsia	Stock China Airlines	Parent company	Available-for-sale financial asset - current	814,152	11,805	-	11,805	-
	Beneficial certificates Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	506,592	6,730	-	6,730	-

Note 1: The subsidiary’s net asset value was $263,526 thousand, which included common stock and preferred stock as of and for the year ended December 31, 2014.

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

Note 3: The net asset value was calculated using the investee’s unaudited financial statements as of September 30, 2014 because the audited financial statements were not prepared on time.

Note 4: Transaction with subsidiaries have been written off in consolidated financial report.

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Issuer of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
China Airlines (the "Company")	Stock Tigerair Taiwan Ltd.	Investments accounted for using equity method	-	Subsidiaries	-	$ -	-	$ -	-	$ -	$ -	$ -	-	$ -

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
China Airlines, Ltd. ("China Airlines")	Taiwan Air Cargo Terminal	Subsidiary	Purchase	$ 336,731	0.26	30 days	$ -	-	$ (47,918)	5.64	-
	Hwa Hsia	Subsidiary	Purchase	312,259	0.24	2 months	-	-	(33,067)	3.89	-
	Mandarin Airlines	Subsidiary	Sale	(2,038,646)	1.46	2 months	-	-	446,339	4.44	-
			Purchase	313,983	0.24	2 months	-	-	(310,573)	36.58	-
	China Pacific Catering Services	Equity-method investee	Purchase	1,341,017	1.04	60 days	-	-	(349,135)	41.12	-
	Cal Park	Subsidiary	Purchase	217,210	0.17	2 months	-	-	(217,210)	25.58	-
	Taiwan Airport Services	Subsidiary	Purchase	526,599	0.41	40 days	-	-	(77,021)	9.07	-
	Taoyuan International Airport Service	Subsidiary	Purchase	1,084,643	0.84	40 days	-	-	(229,731)	35.30	-
	Global Sky Express	Subsidiary	Sale	(146,658)	0.10	15 days	-	-	9,148	0.09	-
	Kaohsiung Catering Services	Equity-method investee	Purchase	174,607	0.14	60 days	-	-	(29,275)	3.45	-
	China Aircraft Services	Equity-method investee	Purchase	235,661	0.18	30 days	-	-	(20,770)	2.45	-
	Eastern United International Logistics	Equity-method investee	Purchase	108,070	0.08	2 months	-	-	(10,307)	1.21	-

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
China Airlines, Ltd. (“China Airlines”)	Mandarin Airlines	Subsidiary	$ 446,339	4.69	$ -	-	$ 260,768	$ -
Cal Park	China Airlines	Parent company	217,210	1.15	-	-	114,035	-
Mandarin Airlines	China Airlines	Parent company	310,573	1.05	-	-	310,573	-
China Pacific Catering Services	China Airlines	Parent company	349,135	4.11	-	-	115,409	-
Taoyuan International Airport Service	China Airlines	Parent company	299,731	3.57	-	-	298,854	-

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				December 31, 2014	December 31, 2013	Shares	Percentage of Ownership	Carrying Value			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate lease and international trade	$ 1,500,000	$ 1,500,000	150,000,000	100.00	$ 1,496,712	$ 17,093	$ 17,093	-
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	1,278,362	155,584	179,102	Note 1
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,316,457	(67,224)	(36,301)	-
	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	1,160,402	36,865	36,865	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	743,817	416,807	212,571	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	665,127	213,597	104,662	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US$ 47,016	US$ 47,016	47,016,200	100.00	577,230	44,044	44,044	-
	Abacus Distribution System (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	435,744	177,339	166,574	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK$ 58,000	HK$ 58,000	28,400,000	20.00	450,111	178,322	35,664	-
	Asian Compressor Technology Services	Taoyuan, Taiwan	Research, manufacture and maintenance of engines	77,322	77,322	7,732,200	24.50	259,605	411,087	100,716	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	269,401	118,206	55,971	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	140,240	140,240	14,329,759	35.78	232,105	137,187	49,086	-
	Cal Hotel Co., Ltd	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	248,177	37,903	37,903	-
	Science Park Logistics	Tainan, Taiwan	Storage and customs of services	150,654	150,654	13,293,000	28.48	189,019	82,253	23,426	-
	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	166,192	53,488	29,419	-
	Hwa Hsia	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	50,000	50,000	50,000	100.00	81,261	32,765	32,765	Note 1
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	31,826	7,696	7,696	-
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 20,400	JPY 20,400	408	51.00	25,527	(4,163)	(2,123)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	7,325	6,419	1,605	-
	Freighter Princess Ltd.	Cayman Islands	Aircraft lease	US$ 1	US$ 1	1,000	100.00	32	-	-	-
	Freighter Prince Ltd.	Cayman Islands	Aircraft lease	US$ 1	US$ 1	1,000	100.00	32	-	-	-
	Freighter Queen Ltd.	Cayman Islands	Aircraft lease	-	US$ 1	-	-	-	-	-	Note 5
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	1,600,000	-	160,000,000	80.00	1,440,708	(199,115)	(159,292)	-
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	200,000	-	20,000,000	10.00	180,089	(199,115)	(19,911)	-
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	33,589	11,417	4,361	Note 4
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US$ 5,877	US$ 5,877	-	100.00	396,039	27,225	27,225	Note 3
Hwa Hsia	Hwa Shin Building Safeguard	Taoyuan, Taiwan	Building security and maintenance services	10,000	10,000	1,000,000	100.00	20,015	5,989	5,989	-

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

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

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

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

Note 5: Freighter Queen Ltd. was put into liquidation this year.

Note 6: Transaction with subsidiaries have been written off in consolidated financial report.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars/Renminibi/U.S. Dollars, Unless Stated Otherwise)

China Airlines

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2014	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2014	Accumulated Inward Remittance of Earnings as of December 31, 2014
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,138,914 (RMB 224,480)	Indirect (Note 1)	$ 130,316 (US$ 4,118)	$ 2,152 (US$ 68)	$ -	$ 132,468 (US$ 4,186)	$ 122,703 (RMB 24,381)	14.00	$ 16,675 (RMB 3,413)	$ 255,397 (RMB 50,338)	$ 57,405 (US$ 1,814) (Note 4)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	71,030 (RMB 14,000)	Indirect (Note 1)	61,614 (US$ 1,947)	-	-	61,614 (US$ 1,947)	77,242 (RMB 15,348)	14.00	9,872 (RMB 2,149)	111,356 (RMB 21,948)	-
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	1,167,405 (US$ 36,890)	Indirect (Note 1)	68,070 (US$ 2,151)	-	-	68,070 (US$ 2,151)	-	5.83	-	75,907 (RMB 14,961)	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	369,082 (US$ 11,663)	Indirect (Note 1)	20,127 (US$ 636)	-	-	20,127 (US$ 636)	-	5.45	-	22,028 (RMB 4,342)	-
Yangtze River Express Airlines	Forwarding and storage of air cargo	2,536,783 (RMB 500,000)	Indirect (Note 1)	1,227,722 (US$ 38,796)	-	797,437 (US$ 25,199)	-	-	-	-	-	-
Shanghai Eastern Aircraft Maintenance	Aircraft line maintenance	98,101 (US$ 3,100)	Indirect (Note 2)	7,848 (US$ 248)	-	-	7,848 (US$ 248)	-	8.00	-	7,848 (US$ 248)	-
Shanghai Eastern United International	Forwarding of air cargo and ocean freight	31,646 (US$ 1,000)	Indirect (Note 3)	5,443 (US$ 172)	-	-	5,443 (US$ 172)	-	17.15	-	5,427 (US$ 172)	-

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
$723,703 (US$22,869)	$744,403 (Note 5)	$30,598,265 (Note 6)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014	Remittance of Funds: Outward	Remittance of Funds: Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of December 31, 2014	Accumulated Repatriation of Investment Income as of December 31, 2014
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,138,914 (RMB 224,480)	Indirect (Note 7)	$ 125,000 (US$ 3,950)	$ 2,152 (US$ 68)	$ -	$ 127,152 (US$ 4,018)	$ 122,703 (RMB 24,381)	14.00	$ 17,690 (RMB 3,413)	$ 254,014 (RMB 50,058)	$ 79,304 (US$ 2,506)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	71,030 (RMB 14,000)	Indirect (Note 7)	60,981 (US$ 1,927)	-	-	60,981 (US$ 1,927)	77,242 (RMB 15,348)	14.00	9,872 (RMB 2,149)	111,618 (RMB 21,996)	13,449 (US$ 425)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2014	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$188,133 (US$5,945)	$188,133 (US$5,945)	$341,374 (Note 6)

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

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

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

Note 4: The inward remittance of earnings in 2014 amounted to US$1,814,300.

Note 5: The amount comprised US$21,691,103, RMB4,200,000 and NT$36,666,667.

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

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

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

Note 9: Yangtze River Express had been disposed by Cal-Asia Investment and the Company had received the disposed amount.

Note10: Xiamen International Air Cargo Terminal and Xiamen International Airport Air Cargo Storage renamed to Airport Air Cargo Terminal (Xiamen) Co., Ltd. and Airport Air Cargo Service (Xiamen) Co., Ltd., respectively.

(Concluded)

TABLE 8-1

CHINA AIRLINES, LTD. AND SUBSIDIARIES AND SUBSIDIARIES

BUSINESS RELATIONSHIP AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINE, LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
0	China Airlines, Ltd.	Global Sky Express	a	Cargo revenue	$ 146,658	The same as ordinary transactions	0.10
		Cal-Dynasty International	a	Cargo revenue	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Passenger revenue	1,881,024	The same as ordinary transactions	1.25
		Taiwan Air Cargo Terminal	a	Other operating revenue	12,854	The same as ordinary transactions	0.01
		Mandarin Airlines	a	Other operating revenue	157,623	The same as ordinary transactions	0.10
		Taoyuan International Airport Services	a	Other operating revenue	2,417	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Other operating revenue	71	The same as ordinary transactions	-
		Taiwan Airport Services	a	Other operating revenue	17,872	The same as ordinary transactions	0.01
		Cal-Asia Investment	a	Other operating revenue	-	The same as ordinary transactions	-
		Hwa Hsia	a	Other operating revenue	10,011	The same as ordinary transactions	0.01
		Dynasty Holidays	a	Other operating revenue	1,589	The same as ordinary transactions	-
		Global Sky Express	a	Other operating revenue	11,943	The same as ordinary transactions	0.01
		Yestrip	a	Other operating revenue	3,676	The same as ordinary transactions	-
		Cal park	a	Other operating revenue	-	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Other operating revenue	10,344	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	a	Terminal and landing fees	1,084,643	The same as ordinary transactions	0.72
		Taiwan Airport Services	a	Terminal and landing fees	526,599	The same as ordinary transactions	0.35
		Hwa Hsia	a	Terminal and landing fees	312,259	The same as ordinary transactions	0.21
		Mandarin Airlines	a	Passenger costs	313,983	The same as ordinary transactions	0.21
		Taiwan Air Cargo Terminal	a	Other operating costs	336,731	The same as ordinary transactions	0.22
		Dynasty Holidays	a	Other operating costs	33,141	The same as ordinary transactions	-
		Cal-Dynasty International	a	Other operating costs	1,596	The same as ordinary transactions	-
		Cal-Asia Investment	a	Other operating costs	-	The same as ordinary transactions	-
		Yestrip	a	Other operating costs	9,124	The same as ordinary transactions	0.01
		Cal park	a	Other operating costs	217,210	The same as ordinary transactions	0.14
		Cal Hotel Co., Ltd.	a	Other operating costs	75,709	The same as ordinary transactions	0.05
		Abacus Distribution System (Taiwan)	a	Operating expenses	6,900	The same as ordinary transactions	-
		Mandarin Airlines	a	Interest expenses	5,585	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Interest expenses	1,995	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest expenses	1,197	The same as ordinary transactions	-
		Hwa Hsia	a	Interest expenses	-	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts receivable - related parties	1,169	The same as ordinary transactions	-
		Mandarin Airlines	a	Accounts receivable - related parties	446,339	The same as ordinary transactions	0.19
		Abacus Distribution System (Taiwan)	a	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Hwa Hsia	a	Accounts receivable - related parties	239	The same as ordinary transactions	-
		Global Sky Express	a	Accounts receivable - related parties	9,148	The same as ordinary transactions	-
		Yestrip	a	Accounts receivable - related parties	16,594	The same as ordinary transactions	0.01
		Cal Hotel Co., Ltd.	a	Accounts receivable - related parties	435	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
		Global Sky Express	a	Dividends receivable	$ -	The same as ordinary transactions	-
		Hwa Hsia	a	Dividends receivable	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Dividends receivable	-	The same as ordinary transactions	-
		Taiwan Airport Services	a	Dividends receivable	-	The same as ordinary transactions	-
		Yestrip	a	Dividends receivable	-	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts payable - related parties	47,918	The same as ordinary transactions	0.02
		Mandarin Airlines	a	Accounts payable - related parties	228,109	The same as ordinary transactions	0.10
		Taoyuan International Airport Services	a	Accounts payable - related parties	299,731	The same as ordinary transactions	0.13
		Cal-Dynasty International	a	Accounts payable - related parties	-	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Accounts payable - related parties	-	The same as ordinary transactions	-
		Taiwan Airport Services	a	Accounts payable - related parties	77,021	The same as ordinary transactions	0.03
		Hwa Hsia	a	Accounts payable - related parties	33,067	The same as ordinary transactions	0.01
		Yestrip	a	Accounts payable - related parties	-	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Accounts payable - related parties	17,356	The same as ordinary transactions	0.01
		Cal park	a	Accounts payable - related parties	217,210	The same as ordinary transactions	0.09
		Global Sky Express	a	Accounts payable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Interest payable	2,670	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Interest payable	953	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest payable	572	The same as ordinary transactions	-
		Hwa Hsia	a	Interest payable	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Other current liabilities	-	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Other current liabilities	-	The same as ordinary transactions	-
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	336,731	The same as ordinary transactions	0.22
		Taiwan Airport Services	c	Operating costs	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating costs	12,854	The same as ordinary transactions	0.01
		Hwa Hsia	c	Operating costs	12,736	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Operating expenses	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	47,918	The same as ordinary transactions	0.02
		Taiwan Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	1,169	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
2	Mandarin Airlines	China Airlines, Ltd.	b	Passenger revenue	313,983	The same as ordinary transactions	0.21
		China Airlines, Ltd.	b	Passenger costs	1,881,024	The same as ordinary transactions	1.25
		Taiwan Airport Services	c	Terminal and landing fees	100,624	The same as ordinary transactions	0.07
		Taoyuan International Airport Services	c	Terminal and landing fees	32,285	The same as ordinary transactions	0.02
		China Airlines, Ltd.	b	Operating expenses	157,623	The same as ordinary transactions	0.10
		China Airlines, Ltd.	b	Interest revenue	5,585	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	228,109	The same as ordinary transactions	0.10
		China Airlines, Ltd.	b	Other receivables - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	2,670	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Notes and accounts payable - related parties	446,339	The same as ordinary transactions	0.19
		Taiwan Airport Services	c	Notes and accounts payable - related parties	14,041	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
3	Taoyuan International Airport Services	Mandarin Airlines	c	Airport service revenue	$ 32,285	The same as ordinary transactions	0.02
		Taiwan Air Cargo Terminal	c	Airport service revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Airport service revenue	1,084,643	The same as ordinary transactions	0.72
		China Airlines, Ltd.	b	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	2,417	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,995	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	299,731	The same as ordinary transactions	0.13
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	953	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
4	Cal-Dynasty International	China Airlines, Ltd.	b	Operating revenue	1,596	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable	-	The same as ordinary transactions	-
5	Abacus Distribution System (Taiwan)	China Airlines, Ltd.	b	Service revenue	6,900	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	71	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,197	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Other receivables - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	572	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable -related parties	-	The same as ordinary transactions	-
6	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	526,599	The same as ordinary transactions	0.35
		Taiwan Air Cargo Terminal	c	Operating revenue	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Operating revenue	100,624	The same as ordinary transactions	0.07
		China Airlines, Ltd.	b	Operating expenses	17,872	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	77,021	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Accounts receivable - related parties	14,041	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
7	Cal-Asia Investment	China Airlines, Ltd.	b	Operating revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	-	The same as ordinary transactions	-
8	Hwa Hsia	China Airlines, Ltd.	b	Operating revenue	312,259	The same as ordinary transactions	0.21
		Taiwan Air Cargo Terminal	c	Operating revenue	12,736	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	10,011	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Interest revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	33,067	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Interest receivable	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	239	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
9	Dynasty Holidays	China Airlines, Ltd.	b	Operating revenue	33,141	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	1,589	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
10	Global Sky Express	China Airlines, Ltd.	b	Operating costs	$ 146,658	The same as ordinary transactions	0.10
		China Airlines, Ltd.	b	Operating expenses	11,943	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts payable -related parties	9,148	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable	-	The same as ordinary transactions	-
11	Yestrip	China Airlines, Ltd.	b	Operating revenue	9,124	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	3,676	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable -related parties	16,594	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Dividends payable	-	The same as ordinary transactions	-
12	Cal park	China Airlines, Ltd.	b	Operating revenue	217,210	The same as ordinary transactions	0.14
		Cal Hotel Co., Ltd.	c	Operating revenue	20,564	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	217,210	The same as ordinary transactions	0.09
		Cal Hotel Co., Ltd.	c	Accounts receivable - related parties	21,592	The same as ordinary transactions	0.01
13	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	75,709	The same as ordinary transactions	0.05
		China Airlines, Ltd.	b	Operating expenses	10,344	The same as ordinary transactions	0.01
		Cal park	c	Operating costs	20,564	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	17,356	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts payable -related parties	435	The same as ordinary transactions	-
		Cal park	c	Accounts payable -related parties	21,592	The same as ordinary transactions	0.01

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

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES AND SUBSIDIARIES

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

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

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
0	China Airlines, Ltd.	Global Sky Express	a	Accounts receivable - related parties	$ 3,899	The same as ordinary transactions	-
		Yestrip	a	Accounts receivable - related parties	10,163	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Global Sky Express	a	Dividend receivable	-	The same as ordinary transactions	-
		Hwa Hsia	a	Dividend receivable	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Dividend receivable	-	The same as ordinary transactions	-
		Taiwan Airport Services	a	Dividend receivable	-	The same as ordinary transactions	-
		Yestrip	a	Dividend receivable	-	The same as ordinary transactions	-
		Taiwan Air Cargo Terminal	a	Accounts payable - related parties	41,316	The same as ordinary transactions	0.02
		Mandarin Airlines	a	Accounts payable - related parties	286,863	The same as ordinary transactions	0.13
		Taoyuan International Airport Services	a	Accounts payable - related parties	307,188	The same as ordinary transactions	0.14
		Cal-Dynasty International	a	Accounts payable - related parties	1,454	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Accounts payable - related parties	29	The same as ordinary transactions	-
		Taiwan Airport Services	a	Accounts payable - related parties	66,572	The same as ordinary transactions	0.03
		Hwa Hsia	a	Accounts payable - related parties	50,658	The same as ordinary transactions	0.02
		Yestrip	a	Accounts payable - related parties	3,232	The same as ordinary transactions	-
		Cal Hotel Co., Ltd.	a	Accounts payable - related parties	6,221	The same as ordinary transactions	-
		Cal Park	a	Accounts payable - related parties	159,764	The same as ordinary transactions	0.07
		Global Sky Express	a	Accounts payable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Interest payable	2,670	The same as ordinary transactions	-
		Taoyuan International Airport Services	a	Interest payable	953	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Interest payable	572	The same as ordinary transactions	-
		Hwa Hsia	a	Interest payable	-	The same as ordinary transactions	-
		Mandarin Airlines	a	Other current liabilities	-	The same as ordinary transactions	-
		Abacus Distribution System (Taiwan)	a	Other current liabilities	-	The same as ordinary transactions	-
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	268,440	The same as ordinary transactions	0.19
		Taiwan Airport Services	c	Operating costs	13,618	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating costs	13,022	The same as ordinary transactions	0.01
		Hwa Hsia	c	Operating costs	12,552	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	2,556	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Operating expenses	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	41,316	The same as ordinary transactions	0.02
		Taiwan Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
		Taoyuan International Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	1,141	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividend payable	-	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
2	Mandarin Airlines	China Airlines, Ltd.	b	Passenger revenue	$ 303,434	The same as ordinary transactions	0.21
		China Airlines, Ltd.	b	Passenger costs	1,877,736	The same as ordinary transactions	1.33
		Taiwan Airport Services	c	Terminal and landing fees	96,369	The same as ordinary transactions	0.07
		Taoyuan International Airport Services	c	Terminal and landing fees	38,577	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating expenses	165,284	The same as ordinary transactions	0.12
		China Airlines, Ltd.	b	Interest revenue	5,585	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	286,863	The same as ordinary transactions	0.13
		China Airlines, Ltd.	b	Other receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	2,670	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Notes and accounts payable - related parties	422,956	The same as ordinary transactions	0.19
		Taiwan Airport Services	c	Notes and accounts payable - related parties	14,431	The same as ordinary transactions	0.01
		Taoyuan International Airport Services	c	Accounts payable - related parties	-	The same as ordinary transactions	-
3	Taoyuan International Airport Services	Mandarin Airlines	c	Airport service revenue	38,577	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Airport service revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Airport service revenue	996,881	The same as ordinary transactions	0.7
		China Airlines, Ltd.	b	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	2,843	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,995	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	307,188	The same as ordinary transactions	0.14
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	953	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividend payable	-	The same as ordinary transactions	-
4	Cal-Dynasty International	China Airlines, Ltd.	b	Operating revenue	41,425	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating costs	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable	1,454	The same as ordinary transactions	-
5	Abacus Distribution System (Taiwan)	China Airlines, Ltd.	b	Service revenue	2,530	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	6,901	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest revenue	1,197	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	29	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Other receivable - related parties	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Interest receivable	572	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	589	The same as ordinary transactions	-
6	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	376,613	The same as ordinary transactions	0.27
		Taiwan Air Cargo Terminal	c	Operating revenue	13,618	The same as ordinary transactions	0.01
		Mandarin Airlines	c	Operating revenue	96,369	The same as ordinary transactions	0.07
		China Airlines, Ltd.	b	Operating expenses	11,893	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Accounts receivable - related parties	66,572	The same as ordinary transactions	0.03
		Taiwan Air Cargo Terminal	c	Accounts receivable - related parties	-	The same as ordinary transactions	-
		Mandarin Airlines	c	Accounts receivable - related parties	14,431	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Dividend payable	-	The same as ordinary transactions	-

(Continued)

No.	Investee Company	Counter Party	Relationship (Note 1)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Consolidated Revenue or Assets
7	Cal-Asia Investment						
		China Airlines, Ltd.	b	Operating revenue	$ -	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Operating expenses	-	The same as ordinary transactions	-
8	Hwa Hsia	China Airlines, Ltd.	b	Operating revenue	272,415	The same as ordinary transactions	0.19
		Taiwan Air Cargo Terminal	c	Operating revenue	12,552	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	10,242	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Interest revenue	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	50,658	The same as ordinary transactions	0.02
		China Airlines, Ltd.	b	Interest receivable	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	2,953	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividend payable	-	The same as ordinary transactions	-
9	Dynasty Holidays	China Airlines, Ltd.	b	Operating revenue	46,085	The same as ordinary transactions	0.03
		China Airlines, Ltd.	b	Operating expenses	2,884	The same as ordinary transactions	-
10	Global Sky Express	China Airlines, Ltd.	b	Operating costs	97,292	The same as ordinary transactions	0.07
		China Airlines, Ltd.	b	Operating expenses	2,030	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	3,899	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividend payable	-	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable	-	The same as ordinary transactions	-
11	Yestrip	China Airlines, Ltd.	b	Operating revenue	8,683	The same as ordinary transactions	0.01
		China Airlines, Ltd.	b	Operating expenses	2,427	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts receivable - related parties	3,232	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	10,163	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Dividend payable	-	The same as ordinary transactions	-
12	Cal Park	China Airlines, Ltd.	b	Operating revenue	213,019	The same as ordinary transactions	0.15
		Cal Hotel Co., Ltd.	c	Operating revenue	82,188	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Accounts receivable - related parties	159,764	The same as ordinary transactions	0.07
		Cal Hotel Co., Ltd.	c	Accounts receivable - related parties	21,592	The same as ordinary transactions	0.01
13	Cal Hotel	China Airlines, Ltd.	b	Operating revenue	71,210	The same as ordinary transactions	0.05
		China Airlines, Ltd.	b	Operating expenses	4,952	The same as ordinary transactions	-
		Cal Park	c	Operating costs	82,188	The same as ordinary transactions	0.06
		China Airlines, Ltd.	b	Accounts receivable - related parties	6,221	The same as ordinary transactions	-
		China Airlines, Ltd.	b	Accounts payable - related parties	-	The same as ordinary transactions	-
		Cal Park	c	Accounts payable - related parties	21,592	The same as ordinary transactions	0.01

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

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

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

(Concluded)