China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2019 and 2018 and Independent Auditors' Review Report

INDEPENDENT AUDITORS' REVIEW REPORT

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

Introduction

We have reviewed the accompanying consolidated balance sheets of China Airlines, Ltd. and its subsidiaries (the "Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three-month periods ended September 30, 2019 and 2018 and for the nine-month periods ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine-month periods then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements"). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

We did not review the financial statements of some subsidiaries included in the consolidated financial statements of the Group, but such statements were reviewed by other auditors. Our conclusion, insofar as it relates to the amounts included in the consolidated financial statements for these subsidiaries, is based solely on the report of other auditors. The total assets of these subsidiaries were NT$13,644,652 thousand and NT$5,508,205 thousand, which constituted 4.57% and 2.44% of the consolidated total assets as of September 30, 2019 and 2018, and the total revenue was NT$2,501,275 thousand, NT$2,374,277 thousand, NT$7,406,331 thousand and NT$6,800,331 thousand, which constituted 5.82%, 5.25%, 5.86% and 5.39% of the consolidated total revenues for the three-month periods ended September 30, 2019 and 2018 and for the nine-month periods ended September 30, 2019 and 2018.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As disclosed in Notes 13 and 14 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements (other than those mentioned in the second paragraph) and some investments accounted for using the equity method were not reviewed. As of September 30, 2019 and 2018, the combined total assets of these non-significant subsidiaries were NT$22,460,780 thousand and NT$17,465,404 thousand, respectively, representing 7.53% and 7.73%, respectively, of the consolidated total assets, and combined total liabilities of these non-significant subsidiaries were NT$11,665,344 thousand and NT$6,761,671 thousand, respectively, representing 4.89% and 4.08%, respectively, of the consolidated total liabilities; for the three-month periods ended September 30, 2019 and 2018 and for the nine-month periods ended September 30, 2019 and 2018, the amounts of the combined comprehensive income of these non-significant subsidiaries were NT$297,334 thousand, NT$333,270 thousand, NT$855,151 thousand and NT$881,191 thousand, respectively, representing 59.93%, 27.54%, (412.73%) and 50.67%, respectively, of the consolidated total comprehensive income. As of September 30, 2019 and 2018, the aforementioned investments accounted for using the equity method were NT$2,186,140 thousand and NT$2,215,025 thousand, respectively; and for the three-month periods ended and for the nine-month periods ended September 30, 2019 and 2018, the amounts of the Group's share of the profit of such investments accounted for using the equity method were NT$77,114 thousand, NT$81,098 thousand, NT$234,913 thousand and NT$244,917 thousand, respectively.

Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and investments accounted for by using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, its consolidated financial performance for the three-month periods ended September 30, 2019 and 2018 and for the nine-month periods ended September 30, 2019 and 2018, and its consolidated cash flows for the nine-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

November 7, 2019

<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 review such consolidated financial statements are those generally applied in the Republic of China.

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	$ 28,831,065	10	$ 24,937,537	11	$ 23,227,915	10
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	374,123	-	206,001	-	216,967	-
Financial assets at amortized cost (Notes 4, 9 and 33)	1,079,048	-	3,856,660	2	1,213,420	1
Financial assets for hedging - current (Notes 4 and 33)	12,360	-	32,906	-	73,283	-
Notes and accounts receivable, net (Notes 4, 5, 10 and 33)	9,255,225	3	10,038,528	4	9,816,550	4
Notes and accounts receivable - related parties (Notes 33 and 34)	10,569	-	9,043	-	7,254	-
Other receivables (Note 33)	1,366,847	-	879,191	-	851,520	-
Current tax assets (Notes 4 and 28)	59,664	-	18,948	-	55,639	-
Inventories, net (Notes 4 and 11)	8,762,322	3	8,654,710	4	8,692,990	4
Noncurrent assets held for sale (Notes 4, 5 and 12)	-	-	46,154	-	110,778	-
Other assets - current (Note 18)	1,738,484	1	4,147,882	2	4,249,637	2
Total current assets	51,489,707	17	52,827,560	23	48,515,953	21
NONCURRENT ASSETS						
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 33)	126,069	-	132,191	-	141,155	-
Investments accounted for using the equity method (Notes 4 and 14)	2,186,140	1	2,200,149	1	2,215,025	1
Property, plant and equipment (Notes 4, 5, 15 and 35)	149,644,024	50	163,107,718	71	160,485,264	71
Right-of-use assets (Notes 4, 21 and 35)	74,143,766	25	-	-	-	-
Investment properties (Notes 4 and 16)	2,075,135	1	2,075,345	1	2,075,414	1
Other intangible assets (Notes 4 and 17)	1,211,693	-	1,210,796	1	1,205,427	1
Deferred income tax asset (Notes 4, 5 and 28)	5,211,294	2	5,152,070	2	5,076,766	2
Other assets - noncurrent (Notes 18, 21, 33, 35 and 36)	12,346,491	4	3,430,753	1	6,357,696	3
Total noncurrent assets	246,944,612	83	177,309,022	77	177,556,747	79
TOTAL	$ 298,434,319	100	$ 230,136,582	100	$ 226,072,700	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term bills payable (Note 19)	$ 10,000	-	$ -	-	$ -	-
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 33)	2,115	-	221	-	1,063	-
Financial liabilities for hedging - current (Notes 3, 4, 21 and 33)	8,883,631	3	560	-	4,700	-
Notes and accounts payable (Note 33)	1,675,597	1	1,594,487	1	1,260,116	-
Notes and accounts payable - related parties (Notes 33 and 34)	550,376	-	532,815	-	538,320	-
Contract liabilities - current (Notes 4, 5 and 23)	20,836,928	7	19,546,455	9	17,461,822	8
Other payables (Notes 23 and 33)	13,257,560	4	14,146,198	6	13,594,067	6
Current tax liabilities (Notes 4 and 28)	336,971	-	164,181	-	126,389	-
Lease liabilities - current (Notes 3, 4 and 21)	2,486,709	1	-	-	-	-
Provisions - current (Notes 4, 24 and 33)	53,326	-	321,075	-	511,301	-
Bonds payable and put options of convertible bonds - current portion (Notes 4, 20 and 33)	9,100,000	3	4,445,900	2	4,439,988	2
Loans and debts - current portion (Notes 19, 33 and 35)	9,775,624	3	15,709,487	7	19,735,094	9
Capital lease obligations - current portion (Notes 4, 21 and 33)	-	-	633,398	-	707,333	-
Other current liabilities (Note 33)	4,595,396	2	3,855,115	2	4,133,866	2
Total current liabilities	71,564,233	24	60,949,892	27	62,514,059	27
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Notes 3, 4, 21 and 33)	46,107,551	15	-	-	-	-
Bonds payable - noncurrent (Notes 4, 20 and 33)	22,932,632	8	28,473,710	12	23,953,991	11
Loans and debts - noncurrent (Notes 19, 33 and 35)	59,560,240	20	60,686,148	26	60,101,196	27
Contract liabilities - noncurrent (Notes 4 and 23)	2,155,198	1	1,903,665	1	1,834,709	1
Provisions - noncurrent (Notes 4, 24 and 33)	10,061,365	3	8,473,464	4	8,430,469	4
Deferred tax liabilities (Notes 4 and 28)	204,421	-	188,447	-	187,003	-
Lease liabilities - non-current (Notes 3, 4, 21 and 35)	16,620,938	6	-	-	-	-
Capital lease obligations - noncurrent (Notes 4, 21, 33 and 35)	-	-	2,945	-	12,265	-
Accrued pension costs (Notes 4, 5 and 25)	8,665,398	3	8,803,382	4	7,940,784	3
Other noncurrent liabilities (Note 33)	487,138	-	607,845	-	770,713	-
Total noncurrent liabilities	166,794,881	56	109,139,606	47	103,231,130	46
Total liabilities	238,359,114	80	170,089,498	74	165,745,189	73
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 21 and 26)						
Share capital	54,209,846	18	54,209,846	24	54,709,846	24
Capital surplus	2,448,220	1	1,241,214	-	1,209,977	1
Retained earnings						
Legal reserve	466,416	-	351,923	-	351,923	-
Special reserve	12,967	-	118,810	-	118,810	-
Unappropriated retained earnings	(346,425)	-	1,144,928	1	1,269,502	1
Total retained earnings	132,958	-	1,615,661	1	1,740,235	1
Other equity	(193,441)	-	58,223	-	84,257	-
Treasury shares	(43,372)	-	(43,372)	-	(301,354)	-
Total equity attributable to owners of the Company	56,554,211	19	57,081,572	25	57,442,961	26
NON-CONTROLLING INTERESTS (Note 26)	3,520,994	1	2,965,512	1	2,884,550	1
Total equity	60,075,205	20	60,047,084	26	60,327,511	27
TOTAL	$ 298,434,319	100	$ 230,136,582	100	$ 226,072,700	100

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

(With Deloitte & Touche auditors' review report dated November 7, 2019)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
REVENUE (Notes 4, 27 and 34)	$ 43,004,648	100	$ 45,196,764	100	$ 126,302,308	100	$ 126,207,626	100
COSTS (Notes 4, 11, 15, 21, 24, 25, 27, 34 and 36)	37,878,124	88	39,886,608	88	112,665,810	89	113,144,293	89
GROSS PROFIT	5,126,524	12	5,310,156	12	13,636,498	11	13,063,333	11
OPERATING EXPENSES (Notes 4, 17, 25 and 27)	3,664,622	9	3,414,923	8	10,840,603	9	9,970,057	8
OPERATING PROFIT	1,461,902	3	1,895,233	4	2,795,895	2	3,093,276	3
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 27)	190,245	1	148,500	1	516,124	-	437,024	-
Other gains and losses (Notes 12, 15 and 27)	(254,192)	(1)	(115,677)	-	(491,067)	-	(473,347)	-
Finance costs (Notes 27 and 33)	(803,383)	(2)	(349,414)	(1)	(2,523,631)	(2)	(1,015,475)	(1)
Share of the profit of associates and joint ventures (Note 14)	77,114	-	81,098	-	234,913	-	244,917	-
Total non-operating income and expenses	(790,216)	(2)	(235,493)	-	(2,263,661)	(2)	(806,881)	(1)
PROFIT BEFORE INCOME TAX	671,686	1	1,659,740	4	532,234	-	2,286,395	2
INCOME TAX EXPENSE (Notes 4 and 28)	176,171	-	433,103	1	474,485	-	657,000	1
NET INCOME FOR THE PERIOD	495,515	1	1,226,637	3	57,749	-	1,629,395	1
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss								
Gain on hedging instruments subject to basis adjustment	603	-	4,265	-	603	-	21,761	-
Unrealized (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	(2,939)	-	(7,603)	-	(5,004)	-	10,835	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 28)	25	-	235	-	876	-	(14,050)	-
	(2,311)	-	(3,103)	-	(3,525)	-	18,546	-

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Notes 4 and 26)	$ (32,457)	-	$ (23,546)	-	$ (6,411)	-	$ 10,079	-
Gain on hedging instruments not subject to basis adjustment (Notes 4, 21, 26 and 33)	39,897	-	11,004	-	(318,338)	-	98,702	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 28)	(4,510)	-	(880)	-	63,332	-	(17,678)	-
	2,930	-	(13,422)	-	(261,417)	-	91,103	-
Other comprehensive income (loss) for the period, net of income tax	619	-	(16,525)	-	(264,942)	-	109,649	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 496,134	1	$ 1,210,112	3	$ (207,193)	-	$ 1,739,044	1
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Owners of the Company	$ 340,038	1	$ 1,080,506	3	$ (346,425)	-	$ 1,269,440	1
Non-controlling interests	155,477	-	146,131	-	404,174	-	359,955	-
	$ 495,515	1	$ 1,226,637	3	$ 57,749	-	$ 1,629,395	1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ 347,814	1	$ 1,070,299	3	$ (605,959)	-	$ 1,383,645	1
Non-controlling interests	148,320	-	139,813	-	398,766	-	355,399	-
	$ 496,134	1	$ 1,210,112	3	$ (207,193)	-	$ 1,739,044	1
EARNINGS (LOSSES) PER SHARE (NEW TAIWAN DOLLARS; Note 29)								
Basic	$ 0.06		$ 0.20		$ (0.06)		$ 0.23	
Diluted	$ 0.06		$ 0.18		$ (0.06)		$ 0.22	

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

(With Deloitte & Touche auditors' review report dated November 7, 2019) (Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company													
			Retained Earnings			Other Equity								
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	$ 54,709,846	$ 799,999	$ 206,092	$ -	$ 1,458,313	$ (34,986)	$ 1,774	$ -	$ (74,429)	$ -	$ (43,372)	$ 57,023,237	$ 2,134,282	$ 59,157,519
Effect of retrospective application and retrospective restatement	-	-	-	-	60	-	(1,774)	42,351	74,429	(74,429)	-	40,637	-	40,637
BALANCE AT JANUARY 1, 2018 AS RESTATED	54,709,846	799,999	206,092	-	1,458,373	(34,986)	-	42,351	-	(74,429)	(43,372)	57,063,874	2,134,282	59,198,156
Issuance of convertible bonds	-	409,978	-	-	-	-	-	-	-	-	-	409,978	-	409,978
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	-	-	37,116	-	37,116	-	37,116
Appropriation of 2017 earnings														
Legal reserve	-	-	145,831	-	(145,831)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	118,810	(118,810)	-	-	-	-	-	-	-	-	-
Cash dividends - $0.2181820086	-	-	-	-	(1,193,670)	-	-	-	-	-	-	(1,193,670)	-	(1,193,670)
Net profit for the nine months ended September 30, 2018	-	-	-	-	1,269,440	-	-	-	-	-	-	1,269,440	359,955	1,629,395
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	12,014	-	8,560	-	93,631	-	114,205	(4,556)	109,649
Total comprehensive income for the nine months ended September 30, 2018	-	-	-	-	1,269,440	12,014	-	8,560	-	93,631	-	1,383,645	355,399	1,739,044
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(171,019)	(171,019)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	565,888	565,888
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(257,982)	(257,982)	-	(257,982)
BALANCE AT SEPTEMBER 30, 2018	$ 54,709,846	$ 1,209,977	$ 351,923	$ 118,810	$ 1,269,502	$ (22,972)	$ -	$ 50,911	$ -	$ 56,318	$ (301,354)	$ 57,442,961	$ 2,884,550	$ 60,327,511
BALANCE AT JANUARY 1, 2019	$ 54,209,846	$ 1,241,214	$ 351,923	$ 118,810	$ 1,144,928	$ (9,664)	$ -	$ 42,619	$ -	$ 25,268	$ (43,372)	$ 57,081,572	$ 2,965,512	$ 60,047,084
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	-	-	(603)	-	(603)	-	(603)
Appropriation of 2018 earnings														
Legal reserve	-	-	114,493	-	(114,493)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	(105,843)	105,843	-	-	-	-	-	-	-	-	-
Cash dividends - $0.20960737	-	-	-	-	(1,136,278)	-	-	-	-	-	-	(1,136,278)	-	(1,136,278)
Actual disposal of interests in subsidiaries	-	1,207,006	-	-	-	-	-	-	-	-	-	1,207,006	7,302	1,214,308
Net profit (loss) for the nine months ended September 30, 2019	-	-	-	-	(346,425)	-	-	-	-	-	-	(346,425)	404,174	57,749
Other comprehensive income (loss) for the nine months ended September 30, net of income tax	-	-	-	-	-	(2,616)	-	(4,128)	-	(252,790)	-	(259,534)	(5,408)	(264,942)
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	(346,425)	(2,616)	-	(4,128)	-	(252,790)	-	(605,959)	398,766	(207,193)
Cash dividends from subsidiaries paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(416,438)	(416,438)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	590,809	590,809
Loss of contract of subsidiaries	-	-	-	-	-	8,368	-	105	-	-	-	8,473	(24,957)	(16,484)
BALANCE AT SEPTEMBER 30, 2019	$ 54,209,846	$ 2,448,220	$ 466,416	$ 12,967	$ (346,425)	$ (3,912)	$ -	$ 38,596	$ -	$ (228,125)	$ (43,372)	$ 56,554,211	$ 3,520,994	$ 60,075,205

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

(With Deloitte & Touche auditors' review report dated November 7, 2019)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 532,234	$ 2,286,395
Adjustments to reconcile net cash generated from (used in) operating activities:		
Depreciation expenses	24,582,494	14,379,980
Amortization expenses	149,150	142,226
Bad-debts expense	20,434	37,491
Net (gain) loss on fair value changes of financial assets and liabilities held for trading	(43,641)	(10,204)
Interest income	(287,238)	(226,694)
Dividend income	(18,009)	(7,705)
Share of profit of associates and joint ventures	(234,913)	(244,917)
Loss (gain) on disposal of property, plant and equipment	(25,280)	280,195
Loss (gain) on disposal of noncurrent assets held for sale	10,462	368,992
Gain on disposal of investments	(7,656)	(450,195)
Loss on inventory and property, plant and equipment	502,317	550,382
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	-	60,812
Finance costs	2,523,631	1,015,475
Net loss (gain) on foreign currency exchange	516,116	311,002
Loss on sale-leasebacks	103,775	-
Recognition of provisions	3,293,355	2,577,389
Others	(2,063)	-
Amortization of unrealized gain on sale-leasebacks	-	(10,884)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(124,447)	732,365
Financial liabilities held for trading	1,894	-
Notes and accounts receivable	701,910	(1,235,248)
Accounts receivable - related parties	(140,527)	117,328
Other receivables	(127,624)	(103,940)
Inventories	(294,431)	(290,784)
Financial assets at amortized cost	2,329,087	(1,213,420)
Other current assets	1,878,230	1,371,299
Notes and accounts payable	173,523	540,038
Accounts payable - related parties	150,336	149,009
Other payables	(822,899)	476,974
Contract liabilities	1,543,090	1,103,553
Provisions	(2,051,888)	(2,309,957)
Other current liabilities	649,837	117,238
Accrued pension liabilities	(137,886)	(214,214)
Other liabilities	1,102	8,796
Cash generated from operations	35,344,475	20,308,777

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Interest received	$ 272,090	$ 182,837
Dividends received	260,714	224,301
Interest paid	(2,483,505)	(1,081,492)
Income tax paid	(356,524)	(162,870)
Net cash generated from operating activities	33,037,250	19,471,553
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of noncurrent assets held for sale	35,692	688,427
Payments for property, plant and equipment	(4,075,360)	(4,128,575)
Proceeds from disposal of property, plant and equipment	66,784	300,162
Increase in refundable deposits	(347,289)	(81,314)
Decrease in refundable deposits	141,930	204,834
Increase in prepayments for equipment	(12,864,504)	(10,562,015)
Increase in computer software costs	(152,548)	(129,832)
(Increase) decrease in restricted assets	453	(27,670)
Proceeds from disposal of associates accounted for using the equity method	1,505,664	-
Net cash outflow on disposal of subsidiaries (Note 31)	(17,413)	-
Acquisition of subsidiaries (Note 30)	-	136,769
Net cash used in investing activities	(15,706,591)	(13,599,214)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	1,150,000
Decrease in short-term loans	-	(1,270,000)
Increase in short-term bill payable	360,060	350,060
Decrease in short-term bills payable	(350,060)	(350,060)
Payments for buy-back ordinary shares	-	(257,982)
Proceeds from issuance of bonds payable	3,500,000	6,012,000
Repayments of bonds payable	(4,445,900)	(2,700,000)
Proceeds of long-term debts and capital lease obligations	7,532,213	12,292,996
Repayments of long-term debts and capital lease obligations	(14,629,858)	(19,048,299)
Repayments of the principal portion of lease liabilities	(8,624,846)	-
Proceeds of guarantee deposits received	122,618	120,609
Refunds of guarantee deposits received	(104,852)	(63,773)
Proceeds from sale-leasebacks	4,905,660	-
Dividends paid to owners of the Company	(1,136,278)	(1,193,670)
Cash dividends paid to non-controlling interests	(416,438)	(171,019)
Net cash used in financing activities	(13,287,681)	(5,129,138)

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	**2018**
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	$ (149,450)	$ (100,618)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,893,528	642,583
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	24,937,537	22,585,332
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 28,831,065	$ 23,227,915

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

(With Deloitte & Touche auditors' review report dated November 7, 2019) (Concluded)

1. GENERAL INFORMATION

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

The major shareholders of the Company are the China Aviation Development Foundation ("CADF") and the National Development Fund ("NDF"), Executive Yuan. As of September 30, 2019, December 31, 2018 and September 30, 2018, CADF and NDF held a combined 44.03%, 44.03% and 43.63%, respectively, of the Company's shares.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") were approved by the board of directors and authorized for issue on November 7, 2019.

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

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

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

   <u>IFRS 16 "Leases"</u>

   IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

   <u>Definition of a lease</u>

   The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at either an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments, or their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate, the Group applies IAS 36 to all right-of-use assets.

Leasehold which was previously accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold is recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019.

If the Group determines that a sale and leaseback transaction does not satisfy the requirements of IFRS 15 to be accounted for as a sale of an asset, it is accounted for as a financing transaction. If it satisfies the requirements to be accounted for as a sale of an asset, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor. Prior to the application of IFRS 16, the leaseback portion is classified as either a finance lease or an operating lease and accounted for differently.

The Group does not reassess sale and leaseback transactions entered into before January 1, 2019 to determine whether the transfer of an underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale. Upon initial application of IFRS 16, the aforementioned transitional provision for a lessee applies to the leaseback portion. In addition, for assets previously accounted for as a finance lease under IAS 17, the Group continues to amortize any gains on sales over the lease term.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 was 2.58%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 78,030,370
Undiscounted amounts on January 1, 2019	$ 78,030,370

(Continued)

Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 67,420,164
Add: Finance lease payable on December 31, 2018	633,775
Add: Adjustments as a result of a different treatment of extension and termination options	8,010,753
Add: Other	2,151,203
Less: Derivative financial instruments for hedging	(41,919,508)
Lease liabilities recognized on January 1, 2019	$ 36,296,387

(Concluded)

The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases	$ 861,045	$ (861,045)	$ -
Refundable deposits	1,089,690	(25,617)	1,064,073
Right-of-use assets	-	78,499,374	78,499,374
Property, plant and equipment	163,107,718	(30,682)	163,077,036
Total effect on assets	$ 165,058,453	$ 77,582,030	$ 242,640,483
Lease liabilities - current	$ -	$ 3,924,776	$ 3,924,776
Lease liabilities - non-current	-	32,371,611	32,371,611
Finance lease payables	633,775	(633,775)	-
Accrued rent payable	90	(90)	-
Financial liabilities for hedging - current	560	5,947,449	5,948,009
Financial liabilities for hedging - non-current	-	35,972,059	35,972,059
Total effect on liabilities	$ 634,425	$ 77,582,030	$ 78,216,455

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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.

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

The application of new IFRSs announced by IASB but not yet endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SIGNIFICANT ACCOUNTING POLICIES

Except for the policies listed below, the accounting policies adopted for these consolidated financial statements are the same as those for the consolidated financial statements for the year ended December 31, 2018.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements reporting principles are the same as those for the consolidated financial statements for the year ended December 31, 2018.

Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

a. The Group as lessor

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

b. The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

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

For sale and leaseback transactions, if the transfer of an asset satisfies the requirements of IFRS 15 to be accounted for as a sale, the Group recognizes only the amount of any gain or loss which relates to the rights transferred to the buyer-lessor, and adjusts the off-market terms to measure the sale proceeds at fair value. If the transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale, it is accounted for as a financing transaction.

<u>2018</u>

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

a. Financial leases

<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 reductions 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 rentals are recognized as expenses in the periods in which they are incurred.

b. Sales and leasebacks

For a sale and leaseback transaction, if it meets the condition whereby all the risks and rewards of ownership of the leased asset are essentially transferred to the lessee, the sale and leaseback transaction is classified as a finance lease. If part of the significant risks and rewards of ownership of the leased asset remain with the lessor (i.e. the buyer), the sale and leaseback transaction is classified as an operating lease.

1) Financial leases

This transaction does not actually dispose of the assets. The accounting treatment used is to treat the transaction as if it did not occur, and the assets are continuously recognized at the book value of the asset before sale.

2) Operating leases

If the selling price is equal to the fair value, it is regarded as an ordinary sales transaction and the gain or loss should be recognized immediately. If the 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 the selling price which is above fair value shall be deferred and amortized over the period of the lease.

c. Operating leases

1) The Group as lessor

Lease income from operating leases is recognized as income on a straight-line basis over the relevant lease period, unless another systematic basis is more representative of the timeline in which the lessee benefits from the leased asset.

2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease period, unless another systematic basis is more representative of the timeline in which the lessee benefits from the leased asset. Under operating leases, contingent rentals are recognized as expenses in the period in which they are incurred.

The lease incentives for the signing of operating leases are recognized as liabilities. The incentive benefit is recognized as a reduction in rental expenses on a straight-line basis, unless another systematic basis is more representative of the timeline in which the lessee realizes the benefits.

Employee Benefits

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

Income Tax

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

Business Combinations

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amounts of the interests of the Group and the fair value of the consideration paid or received is recognized directly in equity.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty for these interim consolidated financial statements are the same as those applied for the consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving fund	$ 152,002	$ 413,139	$ 377,849
Checking accounts and demand deposits	10,061,172	7,770,200	8,802,191
Cash equivalents			
Time deposits with original maturities of less than three months	15,998,451	15,784,323	11,693,895
Repurchase agreements collateralized by bonds	2,619,440	969,875	2,353,980
	$ 28,831,065	$ 24,937,537	$ 23,227,915

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

	September 30, 2019	December 31, 2018	September 30, 2018
Bank balance	0%-1.90%	0%-1.90%	0%-1.90%
Time deposits with original maturities of less than three months	0.59%-3.50%	0.59%-3.55%	0.40%-4.00%
Repurchase agreements collateralized by bonds	0.51%-2.80%	0.63%-3.30%	0.40%-4.70%

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

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets - current			
Financial assets mandatorily classified at FVTPL			
Hybrid financial assets			
Derivative instruments	$ 16,864	$ -	$ -
Non-derivative financial assets			
Beneficial certificates	357,259	206,001	216,967
	$ 374,123	$ 206,001	$ 216,967
Financial liabilities held for trading			
Derivative financial instruments (not under hedge accounting) - foreign exchange forward contracts			
Current	$ 2,115	$ 221	$ 1,063

	Currency	Maturity Date	Notional Amount (In Thousands)
September 30, 2019			
Buy forward contracts	NTD/USD	2019.10.1-2020.7.31	NTD1,009,317/USD32,500
December 31, 2018			
Buy forward contracts	NTD/USD	2019.1.2-2019.1.31	NTD30,923/USD1,000
September 30, 2018			
Buy forward contracts	NTD/USD	2018.10.31-2019.1.31	NTD61,162/USD2,000

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments

	September 30, 2019	December 31, 2018	September 30, 2018
Noncurrent			
Foreign investments			
Unlisted shares	$ 104,952	$ 110,445	$ 117,573
Domestic investments			
Unlisted shares	21,117	21,746	23,582
	$ 126,069	$ 132,191	$ 141,155

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
Current			
Time deposits with original maturities of more than 3 months	$ 1,079,048	$ 3,856,660	$ 1,213,420

The range of interest rates for time deposits with original maturities of more than 3 months were approximately 0.40%-2.80%, 0.40%-1.36% and 0.40%-2.88% per annum as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ 480,343	$ 598,824	$ 642,101
Accounts receivable			
At amortized cost			
Gross carrying amount	8,987,872	9,667,010	9,393,707
Less: Allowance for impairment loss	(212,990)	(227,306)	(219,258)
	8,774,882	9,439,704	9,174,449
	$ 9,255,225	$ 10,038,528	$ 9,816,550

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

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

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

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

September 30, 2019

	Not Past Due	**Up to 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Expected credit loss rate	0.02%	0.41%	1.02%	23.44%	98.95%	-
Gross carrying amount	$ 6,980,406	$ 1,401,461	$ 332,956	$ 89,657	$ 183,392	$ 8,987,872
Loss allowance (lifetime ECLs)	(1,368)	(5,728)	(3,404)	(21,015)	(181,475)	(212,990)
Amortized cost	$ 6,979,038	$ 1,395,733	$ 329,552	$ 68,642	$ 1,917	$ 8,774,882

December 31, 2018

	Not Past Due	**Up to 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Expected credit loss rate	0.06%	0.06%	3.67%	21.78%	97.50%	-
Gross carrying amount	$ 7,856,048	$ 1,424,421	$ 103,498	$ 76,415	$ 206,628	$ 9,667,010
Loss allowance (lifetime ECLs)	(4,546)	(856)	(3,796)	(16,642)	(201,466)	(227,306)
Amortized cost	$ 7,851,502	$ 1,423,565	$ 99,702	$ 59,773	$ 5,162	$ 9,439,704

September 30, 2018

	Not Past Due	**Up to 30 Days**	**31 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Expected credit loss rate	0.05%	0.15%	0.87%	21.19%	97.56%	-
Gross carrying amount	$ 7,279,852	$ 1,555,679	$ 280,440	$ 78,432	$ 199,304	$ 9,393,707
Loss allowance (lifetime ECLs)	(3,497)	(2,261)	(2,438)	(16,618)	(194,444)	(219,258)
Amortized cost	$ 7,276,355	$ 1,553,418	$ 278,002	$ 61,814	$ 4,860	$ 9,174,449

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

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	$ 227,306	$ 181,868
Add: Net remeasurement of loss allowance	20,434	37,491
Less: Amounts written off	(34,734)	(1,103)
Foreign exchange gains and losses	1	1,002
Loss of control of subsidiaries	(17)	-
Balance at September 30	$ 212,990	$ 219,258

11. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Aircraft spare parts	$ 7,569,585	$ 7,847,082	$ 7,810,991
Items for in-flight sale	570,877	556,365	561,817
Work in process - maintenance services	591,656	227,975	299,701
Others	30,204	23,288	20,481
	$ 8,762,322	$ 8,654,710	$ 8,692,990

The operating costs recognized for the nine months ended September 30, 2019 and 2018 included losses from inventory write-downs of $302,420 thousand and $369,226 thousand, respectively. And the operating costs for the three months ended September 30, 2019 and 2018 included losses from inventory write-downs of $36,368 thousand and $44,828 thousand, respectively.

12. NONCURRENT ASSETS HELD FOR SALE

	September 30, 2019	December 31, 2018	September 30, 2018
Aircraft held for sale	$ -	$ 46,154	$ 110,778

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

The Company recognized impairment losses of $0 and $10,812 thousand for the nine months ended September 30, 2019 and 2018. Some aircraft had completed the planned disposal procedures, and the Company recognized the disposal losses of $10,462 thousand and $368,992 thousand for the nine months ended September 30, 2019 and 2018, respectively.

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

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

			Proportion of Ownership (%)		
Investor Company	**Investee Company**	**Main Businesses and Products**	**September 30, 2019**	**December 31, 2018**	**September 30, 2018**
China Airlines, Ltd.	Cal-Dynasty International	A holding company, real estate and hotel services	100	100	100
	Cal-Asia Investment	General investment	100	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100	100
	Yestrip	Travel business	100	100	100
	Cal Park	Real estate lease and international trade	100	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	94	94	94
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59	59
	Dynasty Holidays	Travel business	20	51	51
	Taoyuan International Airport Services	Airport services	49	49	49
	Taiwan Airport Services (Note)	Airport services	48	48	48
	Global Sky Express	Forwarding and storage of air cargo	25	25	25
	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	78	100	100
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100	100
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54	54
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100	100

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

Except that the Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express, the others are investees that the Company had more than 50% of their voting shares. The above financial information of the subsidiaries for the nine months ended September 30, 2019 and 2018 of these subsidiaries was reported according to reports that were not reviewed by independent auditors, except for Mandarin Airlines and Tigerair Taiwan Co., Ltd.

The Group's respective holdings of the issued share capital of China Pacific Catering Services, China Pacific Laundry Services and Delica International Co., Ltd. exceeded 50%, yet the Group did not have control over the investees. For the related information, please refer to Note 14, b.

The Group paid $243,743 thousand on March 7, 2018 to acquire an additional 18% of the issued share capital of Kaohsiung Catering, Ltd. (Kaohsiung Catering). The Group's holding of the issued share capital of Kaohsiung Catering exceeds 50%; therefore, Kaohsiung Catering is listed as a subsidiary because the Group has control over the investee. For the disclosure of the Group's acquisition of Kaohsiung Catering, please refer to Note 30.

The board of directors of the Company decided to sell part of the equity of Dynasty Holidays to H.I.S. Taiwan Co., Ltd. on January 21, 2019, and completed the transaction on January 31, 2109. After the sale of the equity, the Group's holding of the issued share capital decreased from 51% to 20%. Dynasty Holidays was classified as an associate since the Group lost control of the subsidiary. Therefore, the relevant assets and liabilities were not consolidated in the current period, and only the profit and loss from January 1, 2019 to January 31, 2019 was consolidated. For the information about the disposal of the subsidiary, please refer to Note 31.

In order to prepare the listing of Tigerair Taiwan Co., Ltd. and comply with the rules relating to the examination for public listing, the release of the shares of Tigerair Taiwan Co., Ltd. held by the Company and Mandarin Airlines was resolved in the shareholders' meeting of the Company on June 25, 2019, and in the shareholders' meeting of Mandarin Airlines on June 27, 2019. The shares shall be subscribed by all shareholders of the Company and Mandarin Airlines on the basis of the percentage of shareholdings. For the subscribed shares that the original shareholders waived or for the undersubscribed portion, the chairman was authorized to contact specific persons to subscribe. The subscription price was set at $41 per share. In October 2019, the stock price was fully paid and the shares were completely delivered and transferred. The proceeds from disposal were $1,805,117 thousand, and the related gain on disposal was $1,214,308 thousand and recognized in the capital surplus account.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	September 30, 2019	December 31, 2018	September 30, 2018
Investments in associates	$ 1,261,309	$ 1,217,863	$ 1,299,878
Investments in jointly controlled entities	924,831	982,286	915,147
	$ 2,186,140	$ 2,200,149	$ 2,215,025

a. Investments in associates

The investments in associates were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Unlisted companies			
China Aircraft Services	$ 511,627	$ 497,362	$ 498,423
Dynasty Holidays	10,685	-	-
Airport Air Cargo Terminal (Xiamen)	445,444	442,891	484,941
Airport Air Cargo Service (Xiamen)	245,663	233,417	271,346
Eastern United International Logistics (Holdings) Ltd.	47,890	44,193	45,168
	$ 1,261,309	$ 1,217,863	$ 1,299,878

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

	Proportion of Ownership and Voting Rights		
Name of Associate	September 30, 2019	December 31, 2018	September 30, 2018
China Aircraft Services	20%	20%	20%
Dynasty Holidays	20%	51%	51%
Airport Air Cargo Terminal (Xiamen)	28%	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%	28%
Eastern United International Logistics (Holdings) Ltd.	35%	35%	35%

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
China Aircraft Services	$ 3,350	$ 1,889	$ 10,259	$ 922
Dynasty Holidays	(307)	-	297	-
Kaohsiung Catering Services (Note)	-	-	-	15,113
Airport Air Cargo Terminal (Xiamen)	4,623	4,944	15,131	17,465
Airport Air Cargo Service (Xiamen)	5,925	8,581	19,323	24,213
Eastern United International Logistics (Holdings) Ltd.	1,756	1,444	5,090	3,515
	$ 15,347	$ 16,858	$ 50,100	$ 61,228

Note: Kaohsiung Catering Services was listed as a subsidiary on March 7, 2018.

b. Investments in jointly controlled entities

The investments in jointly controlled entities were as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
China Pacific Catering Services	$ 748,584	$ 805,157	$ 740,529
China Pacific Laundry Services	166,019	166,901	164,390
NORDAM Asia Ltd.	2,358	2,358	2,361
Delica International Co., Ltd.	7,870	7,870	7,867
	$ 924,831	$ 982,286	$ 915,147

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

	Proportion of Ownership and Voting Rights		
	September 30, 2019	December 31, 2018	September 30, 2018
China Pacific Catering Services	51%	51%	51%
China Pacific Laundry Services	55%	55%	55%
NORDAM Asia Ltd.	49%	49%	49%
Delica International Co., Ltd.	51%	51%	51%

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

To enhance the Group's maintenance capabilities, the Company established a joint venture with the US Nordam Aerospace Group in December 2017 to provide thrust reversers and composite repair services in Asia under the Nordam brand. NORDAM has filed for Chapter 11 bankruptcy reorganization in the USA on July 22, 2018 to solve the business disputation with their cooperative partner, so their company operation was not impact.

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

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
China Pacific Catering Services	$ 56,609	$ 60,133	$ 172,579	$ 171,665
China Pacific Laundry Services	5,158	4,107	12,234	12,062
NORDAM Asia Ltd.	-	-	-	(38)
Delica International Co., Ltd.	-	-	-	-
	$ 61,767	$ 64,240	$ 184,813	$ 183,689

The investments accounted for using 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 which were not independently reviewed.

For information on the major businesses and products, the locations of the major business offices, and the countries of registration for the above entities, refer to Tables 5 and 6 (names, locations, and related information of investees on which the Company exercises significant influence and investment in mainland China) following the notes to the consolidated financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
Cost						
Balance at January 1, 2018	$ 922,626	$ 13,698,308	$ 263,427,144	$ 26,187,556	$ 16,230,011	$ 320,465,645
Additions	-	43,240	2,766,009	-	1,319,326	4,128,575
Disposals	-	(11,523)	(19,649,879)	(1,811,222)	(219,967)	(21,692,591)
Reclassification	12,908	4,515	6,679,877	1,284,787	65,862	8,047,949
Net exchange differences	-	23,002	-	68	2,424	25,494
Acquisitions through business combinations	76,704	220,318	-	-	256,368	553,390
Balance at September 30, 2018	$ 1,012,238	$ 13,977,860	$ 253,223,151	$ 25,661,189	$ 17,654,024	$ 311,528,462

(Continued)

	Freehold Land	Buildings	Flight Equipment	Equipment under Finance Leases	Others	Total
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ (6,137,495)	$ (136,594,765)	$ (14,142,872)	$ (9,972,982)	$ (166,848,114)
Depreciation expenses	-	(323,030)	(11,865,067)	(1,513,272)	(678,401)	(14,379,770)
Disposals	-	10,500	19,171,301	1,532,046	217,303	20,931,150
Reclassification	-	-	9,254,397	-	16,969	9,271,366
Net exchange differences	-	(11,132)	-	(1)	(6,697)	(17,830)
Balance at September 30, 2018	$ -	$ (6,461,157)	$ (120,034,134)	$ (14,124,099)	$ (10,423,808)	$ (151,043,198)
Cost						
Balance at January 1, 2019	$ 1,015,564	$ 13,993,585	$ 259,695,130	$ 25,805,008	$ 17,917,780	$ 318,427,067
Additions	-	166,759	3,291,168	-	617,433	4,075,360
Disposals	-	(896)	(20,386,082)	(668,721)	(260,493)	(21,316,192)
Reclassification	-	1,903,479	28,797,237	(25,131,813)	(1,592,848)	3,976,055
Net exchange differences	5,067	8,987	-	-	49,188	63,242
Loss of control of subsidiaries	-	-	-	(4,474)	(2,158)	(6,632)
Balance at September 30, 2019	$ 1,020,631	$ 16,071,914	$ 271,397,453	$ -	$ 16,728,902	$ 305,218,900
Accumulated depreciation and impairment						
Balance at January 1, 2019	$ -	$ (6,574,873)	$ (123,507,657)	$ (14,634,822)	$ (10,601,997)	$ (155,319,349)
Depreciation expenses	-	(343,162)	(14,082,491)	(671,116)	(701,853)	(15,798,622)
Disposals	-	896	14,639,276	638,039	252,190	15,530,401
Reclassification	-	-	(14,621,264)	14,665,787	(26,300)	18,223
Net exchange differences	-	(4,459)	-	-	(4,909)	(9,368)
Loss of control of subsidiaries	-	-	-	2,112	1,727	3,839
Balance at September 30, 2019	$ -	$ (6,921,598)	$ (137,572,136)	$ -	$ (11,081,142)	$ (155,574,876)

(Concluded)

The reclassification mostly enumerated the amount of prepayments for equipment and leased aircraft buybacks.

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

Buildings	
Main buildings	45-55 years
Others	10-25 years
Machinery equipment	
Electro-mechanical equipment	25 years
Others	3-13 years
Office equipment	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Assets leased to others	3-5 years

(Continued)

Flight equipment and equipment under finance leases	
Airframes	15-25 years
Aircraft cabins	7-20 years
Engines	10-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	3-10 years
Landing gear overhauls	7-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years
	(Concluded)

Regarding changes in fleet composition and the future retirement plan, the Group recognized impairment losses on aircraft equipment for the nine months ended September 30, 2019 of $50,000 thousand based on the difference between the recoverable amount, which applied the fair value (Level 3), and the carrying amount. The fair value was determined based on aircraft conditions and market estimates.

Refer to Note 35 for the carrying amounts of property, plant and equipment pledged by the Group.

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

16. INVESTMENT PROPERTIES

	September 30, 2019	December 31, 2018	September 30, 2018
Carrying amount			
Investment properties	$ 2,075,135	$ 2,075,345	$ 2,075,414

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

The fair values of the investment properties held by the Group were both $2,506,230 thousand as of December 31, 2018 and September 30, 2018. In addition, management assessed that there is no significant difference in the fair values of September 30, 2019 and December 31, 2018.

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

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

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Relationship Between Clients	Accumulated Amortization	Net Value
Balance at January 1, 2018	$ 2,039,602	$ -	$ (1,020,257)	$ 1,019,345
Additions	129,832	-	-	129,832
Amortization expenses	-	-	(142,226)	(142,226)
Acquisitions through business combinations	686	186,197	-	186,883
Reclassification	12,064	-	(540)	11,524
Effects of exchange rate changes	-	-	69	69
Balance at September 30, 2018	$ 2,182,184	$ 186,197	$ (1,162,954)	$ 1,205,427
Balance at January 1, 2019	$ 2,237,382	$ 186,197	$ (1,212,783)	$ 1,210,796
Additions	152,548	-	-	152,548
Amortization expenses	-	-	(149,150)	(149,150)
Disposal of subsidiaries	(3,858)	-	1,357	(2,501)
Balance at September 30, 2019	$ 2,386,072	$ 186,197	$ (1,360,576)	$ 1,211,693

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

18. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
Current			
Temporary payments	$ 589,714	$ 556,860	$ 688,640
Prepayments	573,104	3,028,808	2,725,130
Restricted assets	17,418	18,623	125,881
Others	558,248	543,591	709,986
	$ 1,738,484	$ 4,147,882	$ 4,249,637
Noncurrent			
Prepayments for aircraft	$ 7,968,038	$ 529,963	$ 2,863,721
Prepayments - long-term	2,868,813	1,603,400	2,080,215
Refundable deposits	1,257,502	1,089,690	1,271,578
Restricted assets	99,224	100,141	131,551
Others	152,914	107,559	10,631
	$ 12,346,491	$ 3,430,753	$ 6,357,696

The prepayments for aircraft comprised the prepaid deposits and capitalized interest from the purchase of A350-900, ATR72-600, A321neo and B777F aircraft. A350-900 has been fully delivered in October 2018. For details of the contract for the purchase of the ATR72-699, A321neo and B777F aircraft, refer to Note 36.

19. BORROWINGS

a. Short-term bills payable

	September 30, 2019	December 31, 2018	September 30, 2018
Commercial paper	$ 10,000	$ -	$ -
Less: Unamortized discount on bills payable	-	-	-
	$ 10,000	$ -	$ -
Annual discount rate	0.53%	-	-

b. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank loans	$ 1,560,500	$ 9,354,457	$ 16,398,834
Secured bank loans	35,267,656	36,330,211	32,220,986
Commercial paper			
Proceeds from issue	32,561,667	30,770,000	31,280,000
Less: Unamortized discounts	53,959	59,033	63,530
	69,335,864	76,395,635	79,836,290
Less: Current portion	9,775,624	15,709,487	19,735,094
	$ 59,560,240	$ 60,686,148	$ 60,101,196
Interest rates	1.07%-1.46%	0.92%-1.46%	0.92%-1.44%

Secured bank loans were secured by flight equipment, buildings, and other equipment; refer to Note 35.

	September 30, 2019	December 31, 2018	September 30, 2018
Periods	2008.2.26-2030.4.25	2007.5.24-2030.4.25	2007.5.24-2030.4.25

Bank loans (denominated in New Taiwan dollar) are repayable quarterly, semiannually or in lump sum upon maturity.

The Company has note issuance facilities (NIFs) obtained from certain financial institutions. The NIFs, with various maturities until August 2024, were used by the Group to guarantee the commercial paper issued. As of September 30, 2019, December 31, 2018 and September 30, 2018, such commercial paper was issued at discount rates of 1.1273%-1.1680%, 1.0693%-1.2960% and 1.0580%-1.2960%, respectively.

20. BONDS PAYABLE

	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured corporate bonds first-time issued in 2013	$ 2,750,000	$ 5,500,000	$ 5,500,000
Unsecured corporate bonds first-time issued in 2016	4,700,000	4,700,000	4,700,000
Unsecured corporate bonds second-time issued in 2016	5,000,000	5,000,000	5,000,000
Unsecured corporate bonds first-time issued in 2017	2,350,000	2,350,000	2,350,000
Unsecured corporate bonds second-time issued in 2017	3,500,000	3,500,000	3,500,000
Unsecured corporate bonds second-time issued in 2018	4,500,000	4,500,000	-
Unsecured corporate bonds first-time issued in 2019	3,500,000	-	-
Convertible bonds issued the fifth time	-	1,695,900	1,689,988
Convertible bonds issued the sixth time	5,732,632	5,673,710	5,653,991
	32,032,632	32,919,610	28,393,979
Less: Current portion and put option of convertible bonds	9,100,000	4,445,900	4,439,988
	$ 22,932,632	$ 28,473,710	$ 23,953,991

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
Five-year private unsecured bonds - issued at par in January 2013; repayable in January 2017 and 2018; 1.6% interest p.a., payable annually	2013.1.17-2018.1.17	Principal repayable in January of 2017 and 2018; indicator rate; payable annually	1.60
Seven-year private unsecured bonds - issued at par in January 2013; repayable in January 2019 and 2020; 1.85% interest p.a., payable annually	2013.1.17-2020.1.17	Principal repayable in January of 2019 and 2020; indicator rate; payable annually	1.85
Five-year unsecured bonds - issued at par in May 2016; repayable in May 2020 and 2021; 1.19% interest p.a., payable annually	2016.5.26-2021.5.26	Principal repayable in May of 2020 and 2021; interest p.a. payable annually	1.19
Five-year unsecured bonds - issued at par in September 2016; repayable in September 2020 and 2021; 1.08% interest p.a., payable annually	2016.9.27-2021.9.27	Principal repayable in May of 2020 and 2021; interest p.a. payable annually	1.08
Three-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.2% p.a., payable annually	2017.5.19-2020.5.19	Principal repayable on due date; indicator rate; payable annually	1.20
Seven-year private unsecured bonds - issued at par in May 2017; repayable on due date; interest of 1.75% p.a., payable annually	2017.5.19-2024.5.19	Principal repayable on due date; indicator rate; payable annually	1.75
Three-year private unsecured bonds - issued at par in October 2017; repayable on due date; interest of 1.14% p.a., payable annually	2017.10.12-2020.10.12	Principal repayable on due date; indicator rate; payable annually	1.14
Five-year private unsecured bonds - issued at par in October 2017; repayable in October 2021 and 2022; 1.45% interest p.a., payable annually	2017.10.12-2022.10.12	Principal repayable in October of 2021 and 2022; indicator rate; payable annually	1.45
Five-year private unsecured bonds - issued at par in November 2018; repayable in November 2022 and 2023; 1.45% interest p.a., payable annually	2018.11.30-2023.11.30	Principal repayable in November of 2022 and 2023; indicator rate; payable annually	1.32
Seven-year private unsecured bonds - issued at par in November 2018; repayable in November 2024 and 2025; 1.45% interest p.a., payable annually	2018.11.30-2025.11.30	Principal repayable in November of 2024 and 2025; indicator rate; payable annually	1.45

(Continued)

Category	Period	Conditions	Rate (%)
Five-year private unsecured bonds - issued at par in June 2019; repayable in June 2023 and 2024; 1.10% interest p.a., payable annually	2019.06.21-2024.06.21	Principal repayable in June of 2023 and 2024; indicator rate; payable annually	1.10
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year convertible bonds - issued at discount in December 2013; repayable in lump sum upon maturity; 1.8245% discount rate p.a.	2013.12.26-2018.12.26	Unless bonds are converted to share capital or redeemed, principal repayable one time in December 2018; 1.8245 discount rate p.a.	-
Five-year convertible bonds - issued at discount in January 2018; repayable in lump sum upon maturity; 1.3821% discount rate p.a.	2018.01.30-2023.01.30	Unless bonds are converted to share capital or redeemed, principal repayable one time in January 2023; 1.3821 discount rate p.a.	-

(Concluded)

The Company issued its 2016 first unsecured corporate bonds with a face value of $5,000,000 thousand, and the purchasers of the bonds included Mandarin Airlines and Sabre Travel Network (Taiwan), who held a cumulative face value of $300,000 thousand which was eliminated from the consolidated financial statements.

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

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

b. The holders can request that the Company repurchase their bonds at 100.75% of the face value on the third anniversary of the offering date. Because the holders can exercise selling rights on December 26, 2016, the Company reclassified the bonds payable to “current portion of bonds payable” in December 2015. The Company paid $994,705 thousand to the holders of the bonds payable who exercised the put options, and the difference between the payment amount and carrying amount recognized was a loss on the bonds payable buy-back, for which the Company reclassified the remaining face value to noncurrent assets.

c. The Company may redeem the bonds at face value between March 26, 2014 and November 16, 2018 under certain conditions.

d. Between April 30, 2018 and January 30, 2023 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to the Company’s ordinary shares. The initial conversion price was set at NT$12.24, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends as of August 14, 2018, the conversion price was adjusted to NT$11.38, and corporate bonds with a face value of $3,316,800 thousand were converted to 270,985 thousand shares of ordinary shares.

e. The corporate bonds expired on December 26, 2018. The Company has repaid all the amount payable on January 8, 2018, and the related capital surplus-options were included under capital surplus - other.

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

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

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

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

b. The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on January 30, 2021.

c. The Company may redeem the bonds at face value between April 30, 2018 and December 20, 2022 under certain conditions.

d. Between January 26, 2014 and December 16, 2018 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert the bonds to the Company's ordinary shares. The initial conversion price was set at NT$13.2, which is subject to adjustment if there is a capital injection by cash, share dividend distribution, and the proportion of cash dividends per share in market price exceeding 1.5%. Because the Company distributed cash dividends as of July 29, 2019, the conversion price was adjusted to NT$12.6.

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

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

The seventh issue of the Company's unsecured convertible bonds was resolved by the board of directors of the Company on August 7, 2019. The cumulative face value of the bonds shall not exceed $3,000,000 thousand. The bonds are issued at 100%-100.5% of the face value, and the issuance period is 5 years.

21. LEASE AGREEMENTS

Year 2019

a. Right-of-use assets - 2019

	September 30, 2019
Carrying amounts	
Land	$ 7,877,463
Buildings	965,033
Flight equipment	65,300,533
Other equipment	737
	$ 74,143,766

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets	$ 4,914,316	$ 5,906,832
Depreciation for right-of-use assets		
Land	$ 109,227	$ 326,452
Buildings	186,892	556,247
Flight equipment	2,660,957	7,899,367
Other equipment	531	1,596
	$ 2,957,607	$ 8,783,662

b. Lease liabilities - 2019

	September 30, 2019
Carrying amounts	
Current	$ 2,486,709
Non-current	$ 16,620,938

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

	September 30, 2019
Land	0%-2.87%
Buildings	0%-3.56%
Flight equipment	2.00%-3.34%
Other equipment	1.06%-1.73%

c. Financial liabilities under hedge accounting

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

	Maturity Date	Subject	Carrying Value
September 30, 2019	2021.4.15-2028.5.15	Financial liabilities for hedging - current	$ 8,877,961
		Financial liabilities for hedging - non-current	46,107,551

Influence of comprehensive income

	Recognized in Other Comprehensive Income	Reclassified to Income
For the nine months ended September 30, 2019	$ (292,684)	$ (41,438)
For the three months ended September 30, 2019	68,517	(22,392)

d. China Airlines, Mandarin Airlines and Tigerair Taiwan leased ten 777-300ER planes, fifteen A330-300 planes, fifteen 737-800 planes, ten A320-200 planes, six ERJ190 planes and three ART72-600 planes for operation, lease period are 6 to 12 years from February 2006 to May 2028. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents, floating rents are according to benchmark ratio, the rent is revised every half year. When the lease expires, the lease agreements have no purchase rights.

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

	September 30, 2019
Refundable deposits	$ 871,324
Credit guarantees	1,776,641

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, refer to Note 36. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability will increase by $870,977 thousand on September 30, 2019.

Taiwan Air Cargo Terminal Co. and CAA signed a BOT contract with a land lease agreement. For details, please refer to Note 36.

The Company signed a rental letter of intent for six A321neo with Air Lease Corporation, which is expected to be introduced between 2021 and 2022.

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

Tigerair Taiwan Co., Ltd. signed a rental letter of intent for eight A321neo with ICBC Lease Corporation, which is expected to be introduced in 2021.

In order to revitalize assets and strengthen the financial structure, the Company sold five of its own A330-300 aircraft to Altavair L.P. in September 2019 by sale-and-leaseback for $4,905,660 thousand. The lease term was 5 to 6 years and a loss of $103,775 thousand was incurred. The lease agreement had no terms for lease renewal or offtake rights. The annual lease payments for each aircraft are US$5,389 thousand to US$5,437 thousand.

e. Other lease information

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

2019

	For the Three Months Ended September 30, 2019	**For the Nine Months Ended September 30, 2019**
Short-term and low price lease payment	$ 9,312	$ 30,287
Total of lease cash outflow	$ (4,327,016)	$ (10,302,544)

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

Year 2018

a. Sale-leaseback finance leases

	December 31, 2018	September 30, 2018
Minimum lease payments - flight equipment		
Within one year	$ 596,000	$ 670,000
Beyond one year and within five years	-	-
Present value of minimum lease payments	$ 596,000	$ 670,000
Interest rates	1.0680%	1.0617%

The Group had leased one A330-300 aircraft under sale-leaseback finance leases as of December 31, 2018 and September 30, 2018. The lease terms started from June 2006 to April 2019. During the lease terms, the Group retained all risks and rewards attached to the aircraft and engines and enjoyed the same substantive rights as those prior to the transactions. The interest rates underlying all obligations under these finance leases were floating. Therefore, the minimum lease payments under the sale-leaseback aircraft contracts do not include interest expenses.

b. Finance leases

Taiwan Air Cargo Terminal Co. ("TACT") entered into a terminal construction contract. Refer to Note 36 for the terms of the contract. Dynasty Holiday Co., Ltd. signed a long-term equipment lease contract, and the lease contract is a finance lease contract.

	December 31, 2018	September 30, 2018
Minimum lease payments - cargo terminal and other		
Within one year	$ 37,998	$ 37,822
Beyond one year and within five years	2,974	12,486
	40,972	50,308
Less: Finance costs	(629)	(710)
Present value of minimum lease payments	$ 40,343	$ 49,598
Present value of minimum lease payments - cargo terminal and other		
Within one year	$ 37,398	$ 37,333
Beyond one year and within five years	2,945	12,265
	$ 40,343	$ 49,598
Discount rate	4.756%	4.756%
Total amount of present value of minimum lease payments		
Current	$ 633,398	$ 707,333
Noncurrent	2,945	12,265
	$ 636,343	$ 719,598

c. Operating lease arrangements (include sale-leaseback operating leases)

For the operating lease arrangements, please refer to the consolidated financial statements for the year ended December 31, 2018 and nine months ended September 30, 2018.

As of December 31, 2018 and September 30, 2018, the refundable deposits paid by the Group under operating lease contracts were $693,466 thousand and $871,445 thousand, respectively. Some of the guarantees were secured by credit guarantees, and outstanding credit guarantees as of December 31, 2018 and September 30, 2018 were $1,682,774 thousand and $1,467,752 thousand, respectively.

The future minimum lease payments for the non-cancelable operating lease commitments were as follows:

	December 31, 2018	**September 30, 2018**
Up to 1 year	$ 11,785,442	$ 11,948,214
Over 1 year to 5 years	44,559,429	43,500,913
Over 5 years	21,685,499	24,232,200
	$ 78,030,370	$ 79,681,327

The lease payments recognized in expense for the current period were as follows:

	For the Three Months Ended September 30, 2019	**For the Nine Months Ended September 30, 2019**
Minimum lease payments	$ 2,991,058	$ 8,717,449

22. OTHER PAYABLES

	September 30, 2019	**December 31, 2018**	**September 30, 2018**
Fuel costs	$ 3,510,835	$ 3,822,018	$ 4,068,459
Ground service expenses	1,241,298	1,167,214	1,345,208
Repair expenses	1,370,331	1,031,700	1,193,528
Interest expenses	238,784	266,268	212,902
Short-term employee benefits	1,961,213	2,237,409	2,312,632
Terminal surcharges	888,168	1,151,578	893,254
Commission expenses	417,058	484,341	322,483
Others	3,629,873	3,985,670	3,245,601
	$ 13,257,560	$ 14,146,198	$ 13,594,067

23. CONTRACT LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
Frequent flyer program	$ 2,794,251	$ 2,493,551	$ 2,439,045
Advance ticket sales	20,197,875	18,956,569	16,857,486
	$ 22,992,126	$ 21,450,120	$ 19,296,531
Current	$ 20,836,928	$ 19,546,455	$ 17,461,822
Noncurrent	2,155,198	1,903,665	1,834,709
	$ 22,992,126	$ 21,450,120	$ 19,296,531

24. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
Operating leases - aircraft	$ 10,114,691	$ 8,794,539	$ 8,941,770
Current	$ 53,326	$ 321,075	$ 511,301
Noncurrent	10,061,365	8,473,464	8,430,469
	$ 10,114,691	$ 8,794,539	$ 8,941,770

	Aircraft Lease Contracts
Balance at January 1, 2018	$ 8,489,308
Additional provisions recognized	2,577,389
Usage	(2,309,957)
Effects of exchange rate changes	185,030
Balance at September 30, 2018	$ 8,941,770
Balance at January 1, 2019	$ 8,794,539
Additional provisions recognized	3,293,355
Usage	(2,051,888)
Effects of exchange rate changes	78,685
Balance at September 30, 2019	$ 10,114,691

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

25. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined benefit retirement plan were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Operating costs	$ 245,848	$ 254,727	$ 737,617	$ 762,769
Operating expenses	98,085	115,296	322,926	342,315
	$ 343,933	$ 370,023	$ 1,060,543	$ 1,105,084

26. EQUITY

a. Share capital

Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Number of shares authorized (in thousands)	7,000,000	6,000,000	6,000,000
Amount of shares authorized	$ 70,000,000	$ 60,000,000	$ 60,000,000
Amount of shares issued	$ 54,209,846	$ 54,209,846	$ 54,709,846

b. Capital surplus

	September 30, 2019	December 31, 2018	September 30, 2018
Issuance of shares in excess of par value and conversion premium	$ 315,114	$ 315,114	$ 552,696
Gain on sale of treasury shares held by subsidiaries	3,303	3,303	2,673
Retirement of treasury shares	33,513	33,513	-
Employee share options expired	11,747	11,747	11,747
Long-term investments	115,149	955	955
Bonds payable - equity component	409,978	409,978	556,567
Difference in sale price of shares of subsidiaries and book value	1,092,812	-	-
Others	466,604	466,604	85,339
	$ 2,448,220	$ 1,241,214	$ 1,209,977

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

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

c. Appropriation of earnings and dividend policy

Under the dividend policy as set forth in the Company's Articles of Incorporation (the "Articles") amended on June 24, 2016 based on the amended Company Act, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan with due consideration of any future aircraft acquisition plans and fund demands, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders by cash or shares (cash dividends cannot be less than 30% of total dividends distributed). However, if the Company's profit before tax in a fiscal year after deductions for the abovementioned items is not sufficient for earnings distribution, retained earnings can be used as a supplement for the deficiency. If the Company has no deficit in a fiscal year, the Company can distribute all or part of the capital surplus by cash or shares with due consideration of finance, marketing and management requirements in accordance with the laws and regulations.

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

1) Appropriation of earnings in 2017

The appropriation of earnings for 2017 was resolved in the shareholders' meeting on June 27, 2018. The appropriation of earnings and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 145,831	
Special reserve	118,810	
Cash dividends	1,193,670	$0.2181820086

2) Appropriation of earnings in 2018

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

The appropriations of earnings and dividends per share were as follows:

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

In addition, the amount of appropriated special reserve was $105,843 thousand.

d. Other equity items

The movements of other equity items were as follows:

	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Cash Flow Hedges	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2018	$ (34,986)	$ 1,774	$ -	$ (74,429)	$ -	$ (107,641)
Adjustments on initial application of IFRS 9	-	(1,774)	42,351	74,429	(74,429)	40,577
Balance on January 1, 2018 after IFRS 9 adjustments	(34,986)	-	42,351	-	(74,429)	(67,064)
Exchange differences on translating foreign operations	14,702	-	-	-	-	14,702
Cumulative loss on changes in fair value of hedging instruments	-	-	-	-	88,842	88,842
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	-	-	31,554	31,554
Unrealized gain on financial assets at fair value through other comprehensive income	-	-	10,835	-	-	10,835
Effect of change in tax rate	1,198	-	(1,209)	-	2,530	2,519
Effects of income tax	(3,886)	-	(1,066)	-	(29,295)	(34,247)
Other comprehensive income (loss) recognized in the period	12,014	-	8,560	-	93,631	114,205
Transfers of initial carrying amount of hedged items	-	-	-	-	37,116	37,116
Balance on September 30, 2018	$ (22,972)	$ -	$ 50,911	$ -	$ 56,318	$ 84,257
Balance on January 1, 2019	$ (9,664)	$ -	$ 42,619	$ -	$ 25,268	$ 58,223
Exchange differences on translating foreign operations	(2,188)	-	-	-	-	(2,188)
Cumulative loss on changes in fair value of hedging instruments	-	-	-	-	(322,550)	(322,550)
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	-	-	-	-	6,000	6,000
Unrealized gain on financial assets at fair value through other comprehensive income	-	-	(5,004)	-	-	(5,004)
Effects of change in tax rate	-	-	-	-	-	-
Effects of income tax	(428)	-	876	-	63,760	64,208
Other comprehensive income recognized in the period	(2,616)	-	(4,128)	-	(252,790)	(259,534)
Disposal of subsidiaries	8,368	-	105	-	-	8,473
Transfers of initial carrying amount of hedged items	-	-	-	-	(603)	(603)
Balance on September 30, 2019	$ (3,912)	$ -	$ 38,596	$ -	$ (228,125)	$ (193,441)

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	2018
Beginning balance	$ 2,965,512	$ 2,134,282
Net income attributable to non-controlling interests	404,174	359,955
Exchange differences on translating foreign operations	(4,223)	(4,623)
Gain on hedging instruments	(695)	23
Cumulative gain on changes in fair value of hedging instruments reclassified to profit or loss	(490)	44
	(5,408)	(4,556)
Disposal of subsidiaries	(24,957)	-
Disposal of part equity of subsidiaries	598,111	-
Non-controlling interests arising from acquisition of subsidiaries	-	565,888
Dividends paid by subsidiaries	(416,438)	(171,019)
Ending balance	$ 3,520,994	$ 2,884,550

f. Treasury shares

(Shares in Thousands)

Purpose of Treasury Shares	Buy Back To Write Off	Company's Shares Held By Its Subsidiaries	Total
Number of Shares, January 1, 2019	-	2,889	2,889
Addition during the year	-	-	-
Number of Shares, September 30, 2019	-	2,889	2,889
Number of Shares, January 1, 2018	-	2,889	2,889
Addition during the year	27,603	-	27,603
Number of Shares, September 30, 2018	27,603	2,889	30,492

Treasury shares are the Company's shares held by its subsidiaries as of September 30, 2019 and 2018 and were as follows:

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
September 30, 2019			
Mandarin Airlines	2,075	$ 18,838	$ 18,838
Dynasty Aerotech International Corp.	814	7,393	7,393
		$ 26,231	$ 26,231

(Continued)

Subsidiary	Shares (In Thousands)	Carrying Amount	Market Value
December 31, 2018			
Mandarin Airlines	2,075	$ 22,821	$ 22,821
Dynasty Aerotech International Corp.	814	8,956	8,956
		$ 31,777	$ 31,777
September 30, 2018			
Mandarin Airlines	2,075	$ 19,190	$ 19,190
Dynasty Aerotech International Corp.	814	7,531	7,531
		$ 26,721	$ 26,721

(Concluded)

The above acquisitions by subsidiaries of the Company's shares in previous years was due to investment planning.

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

To maintain the Company's credit standing and shareholders' rights and interests, the board of directors decided to buy back shares of the Company from Taiwan Stock Exchange at a price from $9 to $14 per share. The expected period of purchase is from August 10, 2018 to October 9, 2018. As of 50,000 thousand shares had been repurchased. The treasury shares held by the Company has retired on December 18, 2018, share capital decreases $500,000 thousand, additional paid-in capital in excess of par-ordinary share decreases $2,906 thousand and additional paid-in capital - treasury share increases $33,513 thousand. Under the Securities Exchange Act, the treasury shares held by the Company cannot be pledged and are not entitled to dividends distribution and voting rights, etc.

27. NET INCOME

a. Revenue

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Passenger	$ 29,095,844	$ 28,600,603	$ 84,552,133	$ 81,780,806
Cargo	10,681,772	13,196,780	31,799,790	35,040,268
Others	3,227,032	3,399,381	9,950,385	9,386,552
	$ 43,004,648	$ 45,196,764	$ 126,302,308	$ 126,207,626

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

b. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest income	$ 92,808	$ 85,176	$ 287,238	$ 226,694
Dividend income	11,309	-	18,009	7,705
Others	86,128	63,324	210,877	202,625
	$ 190,245	$ 148,500	$ 516,124	$ 437,024

c. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Gain (loss) on disposal of property, plant and equipment	$ 19,822	$ 2,764	$ 25,280	$ (280,195)
Gain (loss) on disposal of noncurrent assets held for sale	-	-	(10,462)	(368,992)
Net gain (loss) on financial assets classified as held for sale	20,599	1,041	43,641	10,204
Gain (loss) on disposal of investments	-	(6,231)	7,656	450,195
Gain or loss on foreign exchange, net	(108,675)	(59,751)	(255,559)	(22,408)
Impairment loss recognized on property, plant and equipment and noncurrent assets held for sale	-	-	-	(60,812)
Loss on sale-and-lease back	(103,775)	-	(103,775)	-
Others	(82,163)	(53,500)	(197,848)	(201,339)
	$ (254,192)	$ (115,677)	$ (491,067)	$ (473,347)

d. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest expense				
Bonds payable	$ 107,329	$ 101,337	$ 308,320	$ 297,699
Bank loans	167,255	245,469	594,339	701,992
Interest on obligations under financial leases	-	2,608	-	15,784
Interest on lease liabilities	528,799	-	1,620,972	-
	$ 803,383	$ 349,414	$ 2,523,631	$ 1,015,475
Capitalization rate	1.258%-1.622%	1.22%-1.24%	1.248%-1.622%	1.16%-1.31%
Capitalization interest	$ 14,836	$ 7,332	$ 17,217	$ 37,174

e. Depreciation and amortization expenses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Property, plant, equipment	$ 5,134,435	$ 4,841,657	$ 15,798,622	$ 14,379,770
Right of use assets	2,957,607	-	8,783,662	-
Investment properties	70	70	210	210
Intangible assets	47,617	49,742	149,150	142,226
Depreciation and amortization expenses	$ 8,139,729	$ 4,891,469	$ 24,731,644	$ 14,522,206
An analysis of depreciation by function				
Operating costs	$ 7,672,019	$ 4,615,657	$ 23,355,539	$ 13,707,154
Operating expenses	420,093	226,070	1,226,955	672,826
	$ 8,092,112	$ 4,841,727	$ 24,582,494	$ 14,379,980
An analysis of amortization by function				
Operating costs	$ 3,026	$ 3,167	$ 9,359	$ 7,486
Operating expenses	44,591	46,575	139,791	134,740
	$ 47,617	$ 49,742	$ 149,150	$ 142,226

f. Employment benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Post-employment benefits				
Defined contribution plans	$ 144,664	$ 135,144	$ 426,917	$ 403,346
Defined benefit plans	343,933	370,023	1,060,543	1,105,084
	$ 488,597	$ 505,167	$ 1,487,460	$ 1,508,430
Other employee benefits				
Salary expenses	$ 5,174,355	$ 5,312,293	$ 15,620,713	$ 15,629,251
Personnel service expenses	1,658,510	1,364,359	5,071,061	4,270,161
	$ 6,832,865	$ 6,676,652	$ 20,691,774	$ 19,899,412
An analysis of employee benefits expense by function				
Operating costs	$ 6,079,205	$ 6,068,834	$ 18,217,140	$ 17,799,326
Operating expenses	1,242,257	1,112,985	3,962,094	3,608,516
	$ 7,321,462	$ 7,181,819	$ 22,179,234	$ 21,407,842

To be in compliance with the Company Act as amended, the Articles stipulate the distribution of employees' compensation at rates of no less than 3% of the net profit before income tax and employees' compensation. For the nine months ended September 30, 2018, the employees' compensation was $448,826 thousand of the base net profit. For the three months ended September 30, 2018, the employees' compensation was $380,019 thousand. For the three months ended September 30, 2019 and the nine months ended September 30, 2019, the Company has experienced a deficit, and therefore, no employees' compensation is estimated.

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

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

28. INCOME TAX

a. Income tax expense recognized in profit or loss

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Current tax				
Current year	$ 161,942	$ 79,221	$ 479,846	$ 202,710
Prior year adjustments	(36)	-	496	4,866
Deferred tax				
Current year	14,265	353,882	(5,857)	1,353,982
Adjustments to deferred tax attributable to changes in tax rates and laws	-	-	-	(904,558)
Income tax expense recognized in profit or loss	$ 176,171	$ 433,103	$ 474,485	$ 657,000

In February 2018, it was announced that the Income Tax Law in the ROC was amended and, starting from 2018, the corporate income tax rate has been adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to unappropriated earnings has been reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Deferred tax				
Recognized in other comprehensive income				
Translation of foreign operations	$ 4,188	$ 2,371	$ (428)	$ (3,886)
Fair value changes of financial assets at FVTOCI	25	1,088	876	(1,066)
Fair value revaluation of hedging instruments for cash flow hedging	(8,698)	(4,104)	63,760	(29,295)
Effect of change in tax rate	-	-	-	2,519
Total income tax recognized in other comprehensive income	$ (4,485)	$ (645)	$ 64,208	$ (31,728)

c. Income tax assessment

Income tax returns for 2017 of the Company and its subsidiaries have been examined by the tax authorities.

29. EARNINGS (LOSSES) PER SHARE

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Basic earnings (losses) per share	$ 0.06	$ 0.20	$ (0.06)	$ 0.23
Diluted earnings (losses) per share	$ 0.06	$ 0.18	$ (0.06)	$ 0.22

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	**2018**	**2019**	**2018**
Earnings (losses) used in the computation of basic earnings per share	$ 340,038	$ 1,080,506	$ (346,425)	$ 1,269,440
Effects of potentially dilutive ordinary shares:				
Interest on convertible bonds (after tax)	19,924	27,260	-	75,243
Earnings (losses) used in the computation of diluted earnings (losses) per share	$ 359,962	$ 1,107,766	$ (346,425)	$ 1,344,683

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares in computation of basic earnings (losses) per share	5,418,096	5,456,887	5,418,096	5,464,345
Effects of potentially dilutive ordinary shares:				
Convertible bonds	476,190	600,241	-	551,779
Employees' compensation or bonuses issued to employees	-	41,083	-	54,042
Weighted average number of ordinary shares used in the computation of diluted earnings (losses) per share	5,894,286	6,098,211	5,418,096	6,070,166

(Concluded)

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

30. BUSINESS COMBINATIONS

As stated in Note 13, the other disclosures of the Group's acquisition of Kaohsiung Catering on March 7, 2018 are as follows:

a. Acquisition-related cash amounting to $243,743 thousand.

b. Assets acquired and liabilities assumed at the date of acquisition.

Assets	
Current assets (included cash and cash equivalents of $380,512)	$ 918,033
Property, plant and equipment	553,390
Intangible assets	186,883
Other assets	49,479
Total assets	1,707,785
Liabilities	(486,356)
Identifiable net assets	$ 1,221,429

c. The Company acquired the control of Kaohsiung Catering (the date of acquisition), and the 35.78% equity held by the equity method was remeasured at the fair value of the acquisition date and the difference recognized in gain on disposal of investment is $69,671 thousand.

d. The non-controlling interest of Kaohsiung Catering (46.33% of equity) was valued $565,888 thousand; at the fair value of the identifiable net assets attributed to the non-controlling interest on the date of acquisition.

e. The bargain purchase benefit of $26,615 thousand of Kaohsiung Catering(the date of acquisition) was measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

f. Impact of acquisitions of the Group

From the acquisition date, the operating results from the acquired company, which are included in the consolidated statements of comprehensive income, are as follows:

	Kaohsiung Catering
Revenue	$ 1,274,117
Profit	$ 156,375

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $126,535,121 thousand and the profit from continuing operations would have been $1,666,870 thousand for the nine months ended September 30, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

31. DISPOSAL OF SUBSIDIARIES

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

a. Consideration received from disposals

Consideration received in cash and cash equivalents	$ 34,036

b. Analysis of assets and liabilities on the date control was lost

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

c. Gain on disposals of subsidiaries

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

d. Net cash inflow on disposal of subsidiaries

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

32. CAPITAL MANAGEMENT

The goal, policies and procedures as well as the composition of the Group's capital management are the same as those stated in Note 32 in the Group's consolidated financial statements for the year ended December 31, 2018.

33. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments

Financial instruments not evaluated at fair value

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

	September 30, 2019		December 31, 2018		September 30, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities						
Bonds payable	$ 32,032,632	$ 32,025,831	$ 32,919,610	$ 31,651,865	$ 28,393,979	$ 28,469,383
Loans and debt	69,335,864	69,335,864	76,395,635	74,404,225	79,836,290	79,844,683

Some long-term debts and capital lease obligations are floating-rate financial liabilities, so their carrying amounts are their fair values. As of September 30, 2019, December 31, 2018 and September 30, 2018, the fair values of long-term debts and private bonds with fixed interest rates were estimated at the present value of expected cash flows discounted at rates of 0.65%, 0.68% and 0.70%, respectively, prevailing in the market for long-term debts (Level 2). Fair values of bonds payable were the same as identical liabilities trading on the over-the-counter exchange and were based on quoted market prices (Level 1).

b. Financial instruments evaluated at fair value - on a non-recurring basis

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

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

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

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

September 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 357,259	$ -	$ -	$ 357,259
Derivative instruments	-	16,864	-	16,864
	$ 357,259	$ 16,864	$ --	$ 374,123
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	$ -	$ -	$ 21,117	$ 21,117
Unlisted shares - foreign	-	-	104,952	104,952
	$ -	$ -	$ 126,069	$ 126,069
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 2,115	$ -	$ 2,115
Derivative financial assets for hedging	$ -	$ 6,230	$ 6,130	$ 12,360
Derivative financial liabilities for hedging	$ -	$ 54,986,873	$ 4,309	$ 54,991,182

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 206,001	$ -	$ -	$ 206,001
Financial assets at FVTPL				
Investments in equity instruments				
Unlisted shares - domestic	$ -	$ -	$ 21,746	$ 21,746
Unlisted shares - foreign	-	-	110,445	110,445
	$ -	$ -	$ 132,191	$ 132,191
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 221	$ -	$ 221
Derivative financial assets for hedging	$ -	$ 28,005	$ 4,901	$ 32,906
Derivative financial liabilities for hedging	$ -	$ 560	$ -	$ 560

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 216,967	$ -	$ -	$ 216,967
Financial assets at FVTOCI				
Investments in equity instruments				
United shares - domestic	$ -	$ -	$ 23,582	$ 23,582
Unlisted shares - foreign	-	-	117,573	117,573
	$ -	$ -	$ 141,155	$ 141,155
Financial liabilities at FVTPL				
Derivative instruments	$ -	$ 1,063	$ -	$ 1,063
Derivative financial assets for hedging	$ -	$ 53,815	$ 19,468	$ 73,283
Derivative financial liabilities for hedging	$ -	$ 4,700	$ -	$ 4,700

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

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

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

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

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

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

The movements of Level 3 financial instruments are as follows:

	Multiplicator	Liquidity Discount
September 30, 2019	0.74-15.29	80%
December 31, 2018	0.74-15.29	80%
September 30, 2018	0.85-18.68	80%

	Derivative Instruments	Equity Instruments
Balance at January 1, 2019	$ 4,901	$ 132,191
Recognized in other comprehensive income	(3,080)	(6,122)
Balance at September 30, 2019	$ 1,821	$ 126,069
Balance at January 1, 2018	$ -	$ 84,075
Adjustments on initial application of IFRS 9	-	47,510
Other comprehensive income recognized during the period	19,468	9,570
Balance at September 30, 2018	$ 19,468	$ 141,155

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

c. Categories of financial instruments

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets at FVTPL	$ 374,123	$ 206,001	$ 216,967
Derivative financial assets for hedging	12,360	32,906	73,283
Financial assets at amortized cost (Note 1)	41,927,268	40,496,618	36,648,336
Financial assets at FVTOCI	126,069	132,191	141,155
Financial liabilities			
Financial liabilities at FVTPL	2,115	221	1,063
Derivative financial liabilities for hedging	54,991,182	560	4,700
Financial liabilities at amortized cost (Note 2)	127,666,956	127,271,892	134,196,720

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

Note 2: The balance of financial liabilities measured at amortized cost comprised short-term loans, short-term notes payable, notes and accounts payable, accounts payable - related parties, other payables, bonds payable and long-term loans, capital lease obligations, provisions, parts of other current liabilities, parts of other noncurrent liabilities and guarantee deposits.

d. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

<u>Sensitivity analysis</u>

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

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

When New Taiwan dollars increase one dollar against U.S. dollars and all other variables were held constant, there would be a increase in pre-tax profit and increase in pre-tax other comprehensive income gain and losses for the nine months ended September 30, 2019 of $115,507 thousand and $1,748,005 thousand and a decrease in pre-tax profit and decrease in pre-tax other comprehensive income gain and loss for the nine months ended September 30, 2018 of $31,615 thousand and $102,495 thousand, respectively.

<u>For the nine months ended September 30, 2019</u>

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

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

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

September 30, 2019

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD383,659/ USD12,354	2019.10.25- 2020.8.19	29.7-30.8	Financial assets for hedging - current/ liabilities for hedging - current	$ 5,892	$ 192
Aviation fuel - forward exchange contracts	NTD/USD	NTD357,143/ USD11,500	2019.11.27- 2020.8.31	30.4-31.2	Financial assets for hedging - current/ liabilities for hedging - current	338	1,169

The abovementioned hedging instruments continue to be applied to hedging accounting. The book value of other equity which belongs to each hedging item (aircraft rentals in U.S. dollars and aviation fuel) are $5,700 thousand and $(831) thousand, respectively.

December 31, 2018

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD2,265,231/ USD13,620	2019.1.7- 2019.12.26	28.3-30.9	Financial assets for hedging - current/ liabilities for hedging - current	$ 28,005	$ 560

The above hedging instruments are continuously applied to hedging accounting. The book value of other equity which belongs to each hedging items (aircraft rentals in U.S. dollar) are $27,445 thousand.

September 30, 2018

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft rentals - forward exchange contracts	NTD/USD	NTD2,064,067/ USD67,495	2018.10.5- 2019.9.25	28.3-31.2	Financial assets for hedging - current/ liabilities for hedging - current	$ 29,568	$ 3,328
Aircraft prepayment - forward exchange contracts	NTD/USD	NTD1,070,336/ USD35,000	2018.10.15- 2018.10.19	28.8-30.7	Financial assets for hedging/liabilities for hedging	24,247	1,372

The above hedging instruments are continuously applied to hedging accounting. The book value of other equity which belongs to each hedging item (aircraft rentals in U.S. dollar and Aircraft prepayment) are $26,240 thousand and $22,870 thousand, respectively.

For the nine months ended September 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ (21,743)	$ 45,414	(Note)
Aviation fuel	(831)	2,265	
Aircraft prepayments	603	-	
	$ (21,971)	$ 47,679	

Note: Decrease in operating costs or foreign exchange loss.

For the three months ended September 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ (23,830)	$ 8,453	(Note)
Aviation fuel	(831)	2,265	
Aircraft prepayments	(603)	-	
	$ (24,058)	$ 10,718	

Note: Decrease in operating costs or foreign exchange loss.

The amount of gains and losses on hedging instruments for the nine months ended September 30, 2019 reclassified from profit or loss to prepayments for equipment was $603 thousand.

And the amount of gains and losses on hedging instruments for the three months ended September 30, 2019 reclassified from profit or loss to prepayments for equipment was $603 thousand.

For the nine months ended September 30, 2018

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ 79,234	$ (29,512)	(Note)
Aircraft prepayments	21,761	-	
	$ 100,995	$ (29,512)	

Note: Decrease in operating costs or foreign exchange loss.

For the three months ended September 30, 2018

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ (7,599)	$ 4,866	(Note)
Aircraft prepayment	4,265	-	
	$ (3,334)	$ 4,866	

Note: Decrease in operating costs.

The amount of gains and losses on hedging instruments for the nine months ended September 30, 2018 reclassified from profit or loss to prepayments for equipment was $37,116 thousand.

And the amount of gains and losses on hedging instruments for the three months ended September 30, 2018 reclassified from profit or loss to prepayments for equipment was $0 thousand.

b) Interest rate risk

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

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

	September 30, 2019	December 31, 2018	September 30, 2018
Fair value interest rate risk			
Financial liabilities	$ 95,678,592	$ 34,919,610	$ 30,393,979
Cash flow interest rate risk			
Financial liabilities	79,793,065	75,031,978	78,555,888

Sensitivity analysis

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

Had interest rates increased one yard (25 basis) points and had all other variables been held constant, the Group's pretax profit for the nine months ended September 30, 2019 would have decreased by $149,612 thousand.

Had interest rates increased one yard (25 basis) points and had all other variables been held constant, the Group's pretax profit for the nine months ended September 30, 2018 would have decreased by $147,292 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.

September 30, 2019

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedges - fuel options	US$	NT$1,821	2019.12.31-2020.6.30	US$55-US$82.5	Financial assets for hedging - current/ liabilities for hedging - current	$ 6,130	$ 4,309

The above hedging instruments are continuously applied to hedging accounting. The carrying amount of other equity which belongs to each hedging item (fuel payments) is $1,821 thousand.

December 31, 2018

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedges - fuel options	US$	NT$4,901	2019.1.31-2019.12.31	US$72-US$88	Financial assets for hedging - current	$ 4,901	$ -

The above hedging instruments are continuously applied to hedging accounting. The carrying amount of other equity which belongs to each hedging item (fuel payments) is $4,901 thousand.

September 30, 2018

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedges - fuel options	US$	NT$19,468	2018.10.31-2018.11.30	US$77.00-US$92.85	Financial assets for hedging - current	$ 19,468	$ -

The above hedging instruments are continuously applied to hedging accounting. The carrying amount of other equity which belongs to each hedging item (fuel payments) is $19,468 thousand.

For the nine months ended September 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount Reclassified to P/L and the Adjusted Line Item
Cash flow hedges - fuel options	$ (3,080)	$ (11,751) (Note)

Note: Increase in operating costs.

For the three months ended September 30, 2019

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - fuel options	$ (3,958)	$ (4,659) (Note)

Note: Increase in operating costs.

For the nine months ended September 30, 2018

Comprehensive Income	Hedging Gain (Loss) Recognized in OCI	Amount Reclassified to P/L and the Adjusted Line Item
Cash flow hedges - fuel options	$ 19,468	$ (2,086) (Note)

Note: Increase in operating costs.

For the three months ended September 30, 2018

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item
Cash flow hedges - fuel options	$ 18,603	$ (5,008) (Note)

Note: Increase in operating costs.

Sensitivity analysis

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

	For the Nine Months Ended September 30			
	2019		2018	
	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%	$ -	$ -	$ 10,856	$ 14,205
Fuel price decrease 5%	-	-	(3,016)	(15,739)

2) Credit risk

The goal, policies and procedure of credit risk management are same as consolidated financial statement in 2018. Related illustration can be referred to in Note 33.

3) Liquidity risk

The goal, policies and procedures of liquidity risk management are same as consolidated financial statement in 2018. Related illustration can be referred to in Note 33.

Liquidity and interest risk rate table

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

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

September 30, 2019

	The Weighted Average Effective Interest Rate (%)	**Less than 1 Year**	**1 to 5 Years**	**Over 5 Years**
Finance lease liabilities	1.1513	$ 3,496,714	$ 11,579,171	$ 8,426,515
Floating interest rate liabilities	1.2842	8,464,150	45,970,241	16,213,392
Hedging instruments	-	10,385,182	42,351,815	7,913,453
Bonds payable	1.1423	6,857,878	19,201,333	4,551,404
		$ 29,203,924	$ 119,102,560	$ 37,104,764

December 31, 2018

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	1.3104	$ 641,524	$ 3,024	$ -
Floating interest rate liabilities	1.8105	14,853,360	42,143,959	20,810,464
Fixed interest rate liabilities	0.1034	2,000,517	-	-
Hedging instruments	-	239,138	-	-
Bonds payable	1.3905	5,999,321	30,835,449	1,051,418
		$ 23,733,860	$ 72,982,432	$ 21,861,882

September 30, 2018

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Finance lease liabilities	1.0680	$ 713,097	$ 12,363	$ -
Floating interest rate liabilities	0.9945	535,292	244,318	578
Fixed interest rate liabilities	1.1800	5,324	-	-
Hedging instruments	-	2,837	-	-
Bonds payable	1.3907	4,742,878	23,856,580	1,013,907
		$ 5,999,428	$ 24,113,261	$ 1,014,485

34. RELATED-PARTY TRANSACTIONS

The balances and transactions between the Company and its subsidiaries, which are related parties of the Company, including remaining account balance, revenue and expense, have been eliminated upon consolidation and are not disclosed in this note. Unless otherwise stated, the transactions between the Group and other business related parties are as follows:

a. Related party' name and relationships

Related Party Name	Relationship with the Company
Kaohsiung Catering Services	Associate (become subsidiary in March 2018)
Science Park Logistics	Associate (disposal in August 2017)
Asian Compressor Technology Services	Associate (disposal in January 2018)
China Aircraft Service	Associate
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Associate
Airport Air Cargo Service (Xiamen) Co., Ltd.	Associate
Eastern United International Logistics (Hong Kong)	Associate
China Pacific Catering Services	Joint venture investment
China Pacific Laundry Services	Joint venture investment
Nordam Asia Ltd.	Joint venture investment
Delica International Co., Ltd.	Joint venture investment
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relative

b. Operating income

Account Items	Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2019	2018	2019	2018
Other income	Major shareholders of the Company	$ 6,605	$ 5,887	$ 17,573	$ 24,395
	Associate	$ 1,198	$ 239	$ 1,237	$ 487
	Joint venture investment	$ 10,636	$ 9,926	$ 31,882	$ 31,330

c. Purchases of goods

Related Party Type	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Major shareholders of the Company	$ 14,823	$ 13,307	$ 38,605	$ 54,831
Associate	$ 111,772	$ 107,717	$ 304,617	$ 383,150
Joint venture investment	$ 492,895	$ 483,642	$ 1,433,102	$ 1,446,459

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

Related Party Type	September 30, 2019	December 31, 2018	September 30, 2018
Major shareholders of the Company	$ 2,797	$ 1,454	$ 1,766
Joint venture investments	7,772	7,589	5,488
	$ 10,569	$ 9,043	$ 7,254

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

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

Related Party Type	September 30, 2019	December 31, 2018	September 30, 2018
Major shareholders of the Company	$ 5,994	$ 3,368	$ 3,752
Associates	46,133	54,948	53,226
Joint venture investments	498,249	474,499	481,342
	$ 550,376	$ 532,815	$ 538,320

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

f. Lease arrangements (operating leases)

Under an operating lease agreement, the Company rented flight training machines and flight simulators from China Aviation Development Foundation to train pilots, and the Company paid the rental based on usage hours. As of September 30, 2019 and 2018, the rental paid was $38,605 thousand and $54,831 thousand, respectively; for the three months ended September 30, 2019 and 2018, the Company’s paid rentals amounted to $14,823 thousand and $13,307 thousand.

g. Endorsements and assurances

	September 30, 2019		December 31, 2018		September 30, 2018	
The Company	Authorized Amount	Amount Used	Authorized Amount	Amount Used	Authorized Amount	Amount Used
Cal Park	$ 3,850,000	$ 2,151,550	$ 3,850,000	$ 2,339,700	$ 3,850,000	$ 2,661,850
Taiwan Air Cargo Terminal	1,080,000	-	1,080,000	-	1,080,000	-
Tigerair Taiwan Co., Ltd.	1,089,966	422,390	1,081,792	418,491	1,076,427	415,931
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,095,827	2,000,000	605,547	2,000,000	302,097

h. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term employee benefits	$ 7,721	$ 9,366	$ 30,358	$ 34,503
Post-employment benefits	533	800	1,807	2,519
	$ 8,254	$ 10,166	$ 32,165	$ 37,022

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

35. PLEDGED ASSETS

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

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment	$ 33,391,634	$ 42,066,242	$ 43,043,751
Right-of-use asset	74,143,766	-	-
Restricted assets	116,642	118,764	257,432
	$ 107,652,042	$ 42,185,006	$ 43,301,183

36. COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 2019, the Group had commitments and contingent liabilities (except for those mentioned in other notes) as follows:

a. For operation needs, the board of directors of Mandarin Airlines resolved to enter into a contract with AVIONS DE TRANSPORT REGIONAL G.I.E to purchase six ATR72-600 aircraft, and the total list price of the six aircraft was $120,000 thousand. The expected delivery period ranges from July 2018 to June 2020. As of September 30, 2019, four of the aircraft has been handed over to the company, and the total list price of the lefts two aircraft was $40,000 thousand, which has been paid in the amount of US$4,157 thousand (recognized as prepayments for aircraft).

b. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administrations (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of transfer of the chartered operation rights from CAA to TACT. TACT filed an application for a 10-year extension of the COP for the cargo terminals in the Taiwan Taoyuan International Airport and Kaohsiung International Airport and received the approval from the Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

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

   As of September 30, 2019, 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

As of September 30, 2019, the cumulated consultant service expense and construction equipment had amounted to $481,776 thousand (VAT included) and $5,200,777 thousand (VAT included), respectively. Upon completion of the projects, the amount of $468,755 thousand (VAT included) and $5,188,935 thousand (VAT included) were reclassified to property, plant and equipment. The remaining cumulative payments were recognized under construction in progress.

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

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

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

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

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

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

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

d. The Company failed to mediate labor disputes with the labor union. After obtaining the right to strike, the labor union went on strike on February 8, 2019, and the flights resumed normal operation on February 14, 2019. A total of 214 flights was cancelled and the accumulated revenue loss was about $500 million. The initial estimated compensation for customer losses and other expenditures were about $54 million (recognized as operating cost).

e. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircraft and an option to purchase five A321neo aircraft. The total list price of the eleven aircraft is US$1,676,413 thousand, and the list price of the option to purchase five aircraft is US$769,922 thousand. The expected delivery period of the eleven aircraft ranges from 2024 to 2026. As of October 31, 2019, the list price of the fourteen aircraft has been paid in the amount of US$17,014 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines of A321neo. The total list price of the four engines is US$60,289 thousand.

f. In July and August 2019, the Company signed a contract with the Boeing Company to purchase three B777F aircraft and exercised the option to purchase three B777F aircraft. The total list price of the six aircraft is US$2,320,315 thousand, and the expected delivery period is from 2020 to 2023. As of September 30, 2019, the list price has been paid in the amount of US$241,650 thousand (recognized as prepayments for aircraft).

g. In September 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and an option to purchase two A320neo aircraft. The total list price of the seven aircraft is US$729,746 thousand, and the list price of the option to purchase two aircraft is US$208,499 thousand. The expected delivery period of the seven aircraft ranges from 2025 to 2028. As of September 30, 2019, the list price of the seven aircraft has been paid in the amount of US$1,150 thousand (recognized as prepayments for aircraft). In addition, in October 2019, Tigerair Taiwan Co., Ltd. signed a contract with International Aero Engines Company to purchase two backup engines of A320neo aircraft. The total list price of the two engines is US$27,345 thousand.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

(Foreign Currencies in Thousands)

September 30, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 598,610	31.0559	$ 18,590,366
EUR	19,054	33.8983	645,899
HKD	199,139	3.9573	788,052
JPY	3,855,949	0.2875	1,108,574
RMB	402,001	4.3592	1,752,405
Financial liabilities			
Monetary items			
USD	2,518,476	31.0559	78,213,548
EUR	7,135	33.8983	241,861
HKD	86,773	3.9573	343,388
JPY	6,399,067	0.2875	1,839,703
RMB	172,552	4.3592	752,188

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 533,109	30.7692	$ 16,403,335
EUR	20,519	35.2113	722,514
HKD	302,930	3.9231	1,188,425
JPY	6,479,942	0.2778	1,800,967
RMB	394,503	4.4803	1,767,491
Financial liabilities			
Monetary items			
USD	391,865	30.7692	12,057,386
EUR	6,516	35.2113	229,440
HKD	79,716	3.9231	310,978
JPY	5,586,337	0.2778	1,552,067
RMB	150,529	4.4803	674,413

September 30, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 438,565	30.5810	$ 13,411,760
EUR	19,520	35.5872	694,678
HKD	281,665	3.9063	1,100,268
JPY	7,035,282	0.2690	1,892,469
RMB	436,507	4.4346	1,935,731
Financial liabilities			
Monetary items			
USD	408,950	30.5810	12,506,103
EUR	6,735	35.5872	239,679
HKD	89,390	3.9063	349,182
JPY	5,150,536	0.2690	1,385,480
RMB	165,240	4.4346	732,771

For the three months ended September 30, 2019 and 2018, net foreign exchange losses were $108,675 thousand and $59,751 thousand, respectively. For the nine months ended September 30, 2019 and 2018, net foreign exchange losses were $255,559 thousand and $22,408 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

38. ADDITIONAL DISCLOSURES

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

1) Financing provided: None

2) Endorsements/guarantees provided: Table 1 (attached)

3) Marketable securities held: Table 2 (attached)

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

5) Acquisitions of individual real estate at costs or price of at least NT$300 million or 20% of the paid-in capital: None

6) Disposals of individual real estate at cost or prices of at least NT$300 million or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

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

9) Names, locations, and related information of investees over which the Company exercises significant influence: Table 5 (attached)

10) Trading in derivative instruments (Notes 7 and 33)

b. Investments in mainland China: Table 6 (attached)

c. Business relationships and important transactions between China Airlines, Ltd. and its subsidiaries: Table 7 (attached)

39. SEGMENT INFORMATION

Segment Information

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

For the nine months ended September 30, 2019 and 2018, financial information of segments is listed below:

	For the Nine Months Ended September 30, 2019			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 123,620,400	$ 8,238,960	$ (5,557,052)	$ 126,302,308
Operation profit and loss	$ 1,734,433	$ 1,126,506	$ (65,044)	$ 2,795,895
Interest revenue				287,238
Investment income accounted for using the equity method				234,913
Revenue				231,939
Financial costs				(2,523,631)
Expenses				(494,120)
Gain before income tax				$ 532,234
Identifiable assets	$ 140,548,394	$ 11,170,765	$ -	$ 151,719,159
Investments accounted for using the equity method				2,186,140
Assets				144,529,020
Total assets				$ 298,434,319

	For the Nine Months Ended September 30, 2018			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 123,973,681	$ 7,656,010	$ (5,422,065)	$ 126,207,626
Operation profit and loss	$ 2,029,945	$ 1,080,789	$ (17,458)	$ 3,093,276
Interest revenue				226,694
Investment income accounted for using the equity method				244,917
Revenue				62,277
Financial costs				(1,015,475)
Expenses				(325,294)
Gain before income tax				$ 2,286,395
Identifiable assets	$ 151,587,006	$ 10,973,672	$ -	$ 162,560,678
Investments accounted for using the equity method				2,215,025
Assets				61,296,997
Total assets				$ 226,072,700

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(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	$ 11,310,842	$ 3,850,000	$ 3,850,000	$ 2,151,550	$ -	6.81	$ 28,277,105	Yes	No	No
		Taiwan Air Cargo Terminal	54% subsidiary	11,310,842	1,080,000	1,080,000	-	-	1.91	28,277,105	Yes	No	No
		Tigerair Taiwan Ltd.	78% subsidiary by direct and indirect holdings	11,310,842	1,106,778	1,089,966	422,390	-	1.93	28,277,105	Yes	No	No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% subsidiary	11,310,842	2,000,000	2,000,000	1,095,827	-	3.54	28,277,105	Yes	No	No

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

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

TABLE 2

CHINA AIRLINES, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2019 Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	Note
China Airlines (the "Company")	Shares							
	Everest Investment Holdings Ltd. - common shares	-	Financial assets at fair value through other comprehensive income - noncurrent	1,359,368	$ 59,148	13.59	$ 65,063	Note 1
	Everest Investment Holdings Ltd. - preferred shares	-	Financial assets at fair value through other comprehensive income - noncurrent	135,937	5,915	-	-	-
	Chung Hua Express Co.	-	Financial assets at fair value through other comprehensive income - noncurrent	1,100,000	21,117	11.00	21,117	-
	Jardine Air Terminal Services	-	Financial assets at fair value through profit or loss - current	12,000,000	-	15.00	-	-
	The Grand Hi Lai Hotel	-	Financial assets at fair value through profit or loss - current	4,021	-	0.02	-	-
Mandarin Airlines	Shares							
	China Airlines	Parent company	Financial assets at fair value through other comprehensive income - noncurrent	2,074,628	18,838	-	18,838	-
Cal-Asia Investment	Shares							
	Taikoo (Xiamen) Landing Gear Services	-	Financial assets at fair value through profit or loss - current	-	-	2.59	-	Note 2
	Taikoo Spirit Aerospace Systems (Jinjiang) Composite	-	Financial assets at fair value through other comprehensive income - noncurrent	-	39,889	5.45	39,889	Note 2
Sabre Travel Network (Taiwan)	Beneficial certificates							
	FSITC Money Market Fund	-	Financial assets at fair value through profit or loss - current	346,821	62,032	-	62,032	-
	Franklin Templeton SinoAm Money Market Fund	-	Financial assets at fair value through profit or loss - current	7,816,048	81,006	-	81,006	-
Taiwan Airport Services	Shares							
	TransAsia Airways	-	Financial assets at fair value through profit or loss - current	2,277,786	-	0.40	-	-
	Beneficial certificates							
	Fuh Hwa Global Short-term Income Fund	-	Financial assets at fair value through profit or loss - current	1,671,657	20,416	-	20,416	-
	Fuh Hwa Global Bond Fund	-	Financial assets at fair value through profit or loss - current	1,233,211	18,674	-	18,674	-
Dynasty Aerotech International Corp.	Shares							
	China Airlines	Parent company	Financial assets at fair value through other comprehensive income - noncurrent	814,152	7,393	-	7,393	-
	Beneficial certificates							
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	349,523	4,741	-	4,741	-

(Continued)

Holding Company Name	Marketable Securities Type and Issuer/Name	Relationship with the Holding Company	Financial Statement Account	September 30, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Kaohsiung Catering Services	Beneficial certificates							
	Prudential Financial Money Market Fund	-	Financial assets at fair value through profit or loss - current	5,407,832	$ 85,390	-	$ 85,390	-
	Prudential Financial Return Fund	-	Financial assets at fair value through profit or loss - current	4,493,628	70,000	-	70,000	-
	Taishin 1699 Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,106,807	15,000	-	15,000	-

Note 1: The subsidiary's net equity value was $65,320 thousand for the nine months ended September 30, 2019, which included ordinary shares and preference shares.

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

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

(Concluded)

TABLE 3

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Note/Account Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd.	Taiwan Air Cargo Terminal	Subsidiary	Purchase	$ 379,527	0.38	30 days	$ -	-	$ (37,752)	(1.34)	-
	Cal Park	Subsidiary	Purchase	173,466	0.17	40 days	-	-	(127)	(0.00)	-
	Mandarin Airlines	Subsidiary	Sale	(1,709,623)	(1.56)	2 months	-	-	424,113	-	-
	Mandarin Airlines	Subsidiary	Purchase	173,267	0.17	2 months	-	-	(257,419)	(9.12)	-
	China Pacific Catering Services	Equity-method investee	Purchase	1,343,596	1.34	90 days	-	-	(477,056)	(16.91)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	902,977	0.90	40 days	-	-	(379,217)	(13.44)	-
	China Aircraft Service	Equity-method investee	Purchase	129,782	0.13	30 days	-	-	(30,109)	(1.07)	-
	Taiwan Airport Services	Subsidiary	Purchase	332,679	0.33	40 days	-	-	(76,202)	(2.70)	-
	Kaohsiung Catering Services	Subsidiary	Purchase	436,558	0.43	60 days	-	-	(94,872)	(3.36)	-
	Dynasty Aerotech International Corp.	Subsidiary	Purchase	259,520	0.26	2 months	-	-	(64,550)	(2.29)	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(267,244)	(0.24)	1 months	-	-	41,840	0.43	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Purchase	119,586	0.12	1 months	-	-	(47,347)	(1.68)	-
	Eastern United International Logistics (Holdings) Ltd.	Equity-method investee	Purchase	154,990	0.15	2 months	-	-	(15,470)	(0.55)	-
Mandarin Airlines	Taiwan Airport Services	Same parent company	Purchase	142,123	2.51	1 months	-	-	(35,302)	(2.67)	-
Tigerair Taiwan Co., Ltd.	Taoyuan International Airport Services	Same parent company	Purchase	149,361	2.56	1 months	-	-	(22,400)	(3.45)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2019
(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	$ 424,113	Note	$ -	-	$ 424,113	$ -
Mandarin Airlines	China Airlines	Parent company	257,419	Note	-	-	254,875	-
China Pacific Catering Services	China Airlines	Parent company	477,056	3.84	-	-	164,564	-
Taoyuan International Airport Service	China Airlines	Parent company	379,217	3.24	-	-	235,268	-

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

TABLE 5

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(New Taiwan Dollars/U.S. Dollars/Hong Kong Dollars/Japanese Yen in Thousands, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Investment Income (Loss)	Note
				September 30, 2019	December 31, 2018	Number of Shares	Percentage of Ownership	Carrying Amount			
China Airlines, Ltd.	Cal Park	Taoyuan, Taiwan	Real estate lease and international trade	$ 1,500,000	$ 1,500,000	150,000,000	100.00	$ 1,533,430	$ (6,281)	$ 28,814	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	2,042,368	2,042,368	188,154,025	93.99	1,495,031	191,126	179,651	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,350,000	1,350,000	135,000,000	54.00	1,463,028	169,965	91,784	-
	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	1,308,383	29,635	29,635	Note 2
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	43,911,000	51.00	748,584	353,578	172,579	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	782,172	285,569	139,929	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US$ 7,172	US$ 7,172	7,172,346	100.00	505,507	33,536	33,536	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	422,630	154,202	144,842	-
	China Aircraft Service	Hong Kong International Airport	Airport services	HK$ 58,000	HK$ 58,000	28,400,000	20.00	511,627	51,293	10,259	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	285,899	119,902	56,773	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	628,673	223,485	109,205	Note 5
	Cal Hotel Co., Ltd	Taoyuan, Taiwan	Hotel business	465,000	465,000	46,500,000	100.00	456,828	(5,481)	(4,411)	Note 4
	China Pacific Laundry Services	Taoyuan, Taiwan	Cleaning and leasing of the towel of airlines, hotels, restaurants and health clubs	137,500	137,500	13,750,000	55.00	166,019	22,243	12,234	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	89,148	14,796	14,812	Notes 1 and 4
	Yestrip	Taipei, Taiwan	Travel business	26,265	26,265	1,600,000	100.00	24,977	(744)	(675)	Note 4
	Dynasty Holidays	Tokyo, Japan	Travel business	JPY 8,000	JPY 20,400	160	20.00	10,685	533	(198)	-
	Global Sky Express	Taipei, Taiwan	Forwarding and storage of air cargo	2,500	2,500	250,000	25.00	6,911	4,861	1,215	-
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	1,284,460	1,648,387	140,256,275	70.13	1,900,403	702,833	624,785	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	1,350,000	1,350,000	135,000,000	100.00	992,897	(135,241)	(135,241)	-
	NORDAM Asia Ltd.	Taoyuan, Taiwan	Composite repair and manufacturing business	2,450	2,450	245,000	49.00	2,358	-	-	-
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	155,800	200,000	15,584,000	7.79	211,154	702,833	69,336	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	6,503	119,902	1,291	-
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	47,890	14,542	5,090	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US$ 5,877	US$ 5,877	-	100.00	394,305	16,576	16,576	Note 3
Kaohsiung Catering Services	Delica International Co., Ltd	Kaohsiung, Taiwan	Catering business	10,200	10,200	1,020,000	51.00	7,870	-	-	-

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

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

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

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

Note 5: Difference caused by acquisition.

TABLE 6

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(New Taiwan Dollars/Renminbi/U.S. Dollars In Thousands, 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, 2019	Investment Flows		Accumulated Outflow of Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of September 30, 2019	Accumulated Inward Remittance of Earnings as of September 30, 2019
					Outflow	Inflow						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,109,329 (RMB 254,480)	Indirect (Note 1)	$ 129,999 (US$ 4,186)	$ -	$ -	$ 129,999 (US$ 4,186)	$ 57,013 (RMB 12,571)	14.00	$ 7,149 (RMB 1,760)	$ 223,743 (RMB 51,327)	$ 87,011 (US$ 2,802) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,029 (RMB 14,000)	Indirect (Note 1)	60,480 (US$ 1,947)	-	-	60,480 (US$ 1,947)	70,688 (RMB 15,587)	14.00	9,427 (RMB 2,182)	122,961 (RMB 28,207)	27,184 (US$ 875) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,580,435 (US$ 83,090)	Indirect (Note 1)	66,807 (US$ 2,151)	-	-	66,807 (US$ 2,151)		2.589		-	
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	362,205 (US$ 11,663)	Indirect (Note 1)	19,752 (US$ 636)	-	-	19,752 (US$ 636)		5.45		39,889 (RMB 9,151)	

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$277,038 (US$8,920)	$670,762 (Note 3)	$36,045,123 (Note 4)

(Continued)

Taiwan Airport Services

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Income (Loss)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,109,329 (RMB 254,480)	Indirect (Note 5)	$ 124,794 (US$ 4,108)	$ -	$ -	$ 124,794 (US$ 4,108)	$ 57,013 (RMB 12,571)	14	$ 7,982 (RMB 1,760)	$ 221,701 (RMB 50,858)	$ 118,209 (US$ 3,806)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	61,029 (RMB 14,000)	Indirect (Note 5)	59,837 (US$ 1,927)	-	-	59,837 (US$ 1,927)	70,688 (RMB 15,587)	14	9,896 (RMB 2,182)	122,702 (RMB 28,148)	43,683 (US$ 1,407)

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$184,631 (US$5,945)	$184,631 (US$5,945)	$362,280 (Note 6)

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

Note 2: As of September 30, 2019, the inward remittance of earnings amounted to US$2,801,749 and US$875,330.

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

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

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

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

(Concluded)

TABLE 7

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Mandarin Airlines	a	Passenger revenue	$ 1,516,373	The same as ordinary transactions	1.20
		Mandarin Airlines	a	Other operating income	193,250	The same as ordinary transactions	0.15
		Tigerair Taiwan Ltd.	a	Other operating income	267,244	The same as ordinary transactions	0.21
		Taoyuan International Airport Service	a	Terminal and landing fees	902,977	The same as ordinary transactions	0.71
		Taiwan Airport Services	a	Terminal and landing fees	332,679	The same as ordinary transactions	0.26
		Dynasty Aerotech International Corp.	a	Terminal and landing fees	259,520	The same as ordinary transactions	0.21
		Mandarin Airlines	a	Flight operation costs	173,267	The same as ordinary transactions	0.14
		Tigerair Taiwan Ltd.	a	Flight operation costs	119,586	The same as ordinary transactions	0.09
		Taiwan Air Cargo Terminal	a	Other operating cost	379,527	The same as ordinary transactions	0.30
		Cal Park	a	Other operating cost	173,466	The same as ordinary transactions	0.14
		Mandarin Airlines	a	Accounts receivable - related parties	424,113	The same as ordinary transactions	0.14
		Mandarin Airlines	a	Accounts payable - related parties	257,419	The same as ordinary transactions	0.09
		Taoyuan International Airport Service	a	Accounts payable - related parties	379,217	The same as ordinary transactions	0.13
		Mandarin Airlines	a	Bonds payable - noncurrent	250,000	The same as ordinary transactions	0.08
		Kaohsiung Catering Services	a	Passenger service cost	436,558	The same as ordinary transactions	0.35
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	379,527	The same as ordinary transactions	0.30
2	Mandarin Airlines	China Airlines, Ltd.	b	Passenger revenue	173,267	The same as ordinary transactions	0.14
		China Airlines, Ltd.	b	Flight operation costs	1,516,373	The same as ordinary transactions	1.20
		Taiwan Airport Services	c	Terminal and landing fees	142,123	The same as ordinary transactions	0.11
		China Airlines, Ltd.	b	Operating expense	193,250	The same as ordinary transactions	0.15
		China Airlines, Ltd.	b	Accounts receivable - related parties	257,419	The same as ordinary transactions	0.09
		China Airlines, Ltd.	b	Held-to-maturity financial assets	250,000	The same as ordinary transactions	0.08
		China Airlines, Ltd.	b	Notes and accounts payable - related parties	424,113	The same as ordinary transactions	0.14
3	Taoyuan International Airport Services	Tigerair Taiwan Ltd.	c	Airport service revenue	149,361	The same as ordinary transactions	0.12
		China Airlines, Ltd.	b	Airport service revenue	902,977	The same as ordinary transactions	0.71
		China Airlines, Ltd.	b	Accounts receivable - related parties	379,217	The same as ordinary transactions	0.13
4	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	332,679	The same as ordinary transactions	0.26
		Mandarin Airlines	c	Operating revenue	142,123	The same as ordinary transactions	0.11
5	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	259,520	The same as ordinary transactions	0.21

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount (Note 2)	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
6	Cal Park	China Airlines, Ltd.	b	Operating revenue	$ 173,466	The same as ordinary transactions	0.14
7	Tigerair Taiwan Ltd.	China Airlines, Ltd.	b	Operating expense	267,244	The same as ordinary transactions	0.21
		China Airlines, Ltd.	b	Operating revenue	119,586	The same as ordinary transactions	0.09
		Taoyuan International Airport Service	c	Terminal and building fees	149,361	The same as ordinary transactions	0.12
8	Kaohsiung Catering Services	China Airlines, Ltd.	b	Operating revenue	436,558	The same as ordinary transactions	0.34

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

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

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

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

(Concluded)