China Airlines, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2025 and 2024 and Independent Auditors' Report

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2025 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10, "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA AIRLINES, LTD.

By

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March 11, 2026

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Airlines, Ltd.

Opinion

We have audited the accompanying consolidated financial statements of China Airlines, Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter in the audit of the Group's consolidated financial statements is stated below:

International Passenger Revenue Recognition

In accordance with IFRS 15 "Revenue from Contracts with Customers", passenger sales are accounted for as contract liabilities before relevant transportation services are provided. After providing the related services, contract liabilities are reclassified to passenger revenue. Refer to Notes 4 and 27 of the accompanying consolidated financial statements for related detailed information.

Since relevant sales can only be recognized after passengers have boarded the aircraft and unused tickets are subsequently reclassified as international passenger fare revenue, the revenue recognition process involves complex workflows. There is a risk that revenue may be recognized before performance obligations are fully satisfied. Accordingly, we identified international passenger revenue recognition as a key audit matter.

The main audit procedures that we performed included the following:

1. We understood and tested the internal controls related to the process of revenue from international passenger, including manual and automatic controls.

2. We understood and tested the effectiveness of the information system related to the recognition of international passenger revenue.

3. We sampled several flight tickets, which were used and recognized as revenue, to verify whether the boarding date matched the date recorded on the tickets, from advanced sales of tickets, ensuring the occurrence of revenue recognition.

Other Matter

We did not audit the financial statements of some subsidiaries which were included in the consolidated financial statements. Such financial statements were audited by other independent auditors, and our audit opinion is based solely on the reports of other auditors.

As of December 31, 2025 and 2024, total assets of these subsidiaries amounted to NT$25,787,251 thousand and NT$22,375,107 thousand, representing 7.27% and 6.83% of the consolidated total assets, respectively. For the years ended December 31, 2025 and 2024, revenue from these subsidiaries amounted to NT$16,898,827 thousand and NT$16,423,023 thousand, representing 8.08% and 8.06% of the consolidated total revenue, respectively.

We have also audited the parent company only financial statements of China Airlines, Ltd. as of and for the years ended December 31, 2025 and 2024, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for 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 Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2025 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 11, 2026

Notice to Readers

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	2025		2024	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 31)	$ 57,551,666	16	$ 66,648,640	20
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 31)	221,180	-	196,217	-
Financial assets at amortized cost - current (Notes 4, 9 and 31)	1,953,712	1	1,494,790	1
Financial assets for hedging - current (Notes 4, 6 and 31)	2,610	-	2,982,605	1
Notes and accounts receivable, net (Notes 4, 10 and 31)	10,579,101	3	11,087,366	3
Notes and accounts receivable - related parties (Notes 31 and 32)	5,480	-	6,222	-
Finance lease receivables - current (Notes 4, 21 and 31)	-	-	200,222	-
Other receivables (Notes 4 and 31)	887,723	-	1,136,627	-
Current tax assets (Notes 4 and 28)	69,370	-	58,597	-
Inventories (Notes 4 and 11)	11,399,887	3	12,299,321	4
Other current assets (Note 18)	4,231,528	1	1,696,275	1
Total current assets	86,902,257	24	97,806,882	30
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 31)	187,727	-	140,886	-
Financial assets at amortized cost - non-current (Notes 4, 9 and 31)	206,906	-	220,761	-
Financial assets for hedging - non-current (Notes 4 and 31)	3,236	-	6,227	-
Investments accounted for using the equity method (Notes 4 and 14)	3,094,871	1	2,287,153	1
Property, plant and equipment (Notes 4, 5, 15 and 33)	133,115,153	38	125,987,963	39
Right-of-use assets (Notes 4 and 21)	58,848,653	17	56,972,986	17
Investment properties (Notes 4 and 16)	2,071,331	1	2,071,558	1
Other intangible assets (Notes 4 and 17)	866,123	-	784,799	-
Deferred tax assets (Notes 4 and 28)	7,844,238	2	7,881,513	2
Other non-current assets (Notes 18, 21, 25, 31 and 33)	61,683,422	17	33,222,810	10
Total non-current assets	267,921,660	76	229,576,656	70
TOTAL	$ 354,823,917	100	$ 327,383,538	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Financial liabilities for hedging - current (Notes 4, 21 and 31)	$ 8,721,795	3	$ 9,661,129	3
Notes and accounts payable (Note 31)	1,152,074	-	1,654,189	-
Accounts payable - related parties (Notes 31 and 32)	1,000,200	-	811,189	-
Other payables (Notes 22 and 31)	22,390,548	6	21,450,141	7
Current tax liabilities (Notes 4 and 28)	2,760,164	1	2,004,112	1
Lease liabilities - current (Notes 4, 21 and 31)	4,388,443	1	3,643,176	1
Contract liabilities - current (Notes 4 and 23)	31,294,677	9	29,651,212	9
Provisions - current (Notes 4 and 24)	4,419,650	1	1,679,375	-
Current portion of bonds payable and put option of convertible bonds (Notes 4, 20, 26 and 31)	1,632,809	1	1,650,000	-
Current portion of long-term borrowings (Notes 19, 31 and 33)	11,913,918	3	11,965,545	4
Other current liabilities (Note 31)	5,768,377	2	5,313,941	2
Total current liabilities	95,442,655	27	89,484,009	27
NON-CURRENT LIABILITIES				
Financial liabilities for hedging - non-current (Notes 4, 21 and 31)	32,090,362	9	31,970,060	10
Bonds payable - non-current (Notes 4, 20, 26 and 31)	5,750,000	2	4,419,339	1
Long-term borrowings - non-current (Notes 19, 31 and 33)	69,635,583	20	59,031,048	18
Contract liabilities - non-current (Notes 4 and 23)	5,629,543	1	4,849,929	2
Provisions - non-current (Notes 4 and 24)	17,910,328	5	19,236,966	6
Deferred tax liabilities (Notes 4 and 28)	181,896	-	360,973	-
Lease liabilities - non-current (Notes 4, 21 and 31)	16,316,333	5	16,822,260	5
Net defined benefit liabilities - non-current (Notes 4, 5 and 25)	8,666,120	2	9,819,692	3
Other non-current liabilities (Note 31)	660,879	-	840,405	-
Total non-current liabilities	156,841,044	44	147,350,672	45
Total liabilities	252,283,699	71	236,834,681	72
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 20 and 26)				
Share capital	60,853,733	17	60,769,350	19
Capital surplus	5,892,301	2	5,829,477	2
Retained earnings				
Legal reserve	3,292,629	1	1,868,376	-
Special reserve	1,544,819	1	690,014	-
Unappropriated retained earnings	26,261,106	7	18,419,108	6
Total retained earnings	31,098,554	9	20,977,498	6
Other equity	(229,921)	-	(1,544,819)	(1)
Treasury shares	(30,875)	-	(30,875)	-
Total equity attributable to owners of the Company	97,583,792	28	86,000,631	26
NON-CONTROLLING INTERESTS (Note 26)	4,956,426	1	4,548,226	2
Total equity	102,540,218	29	90,548,857	28
TOTAL	$ 354,823,917	100	$ 327,383,538	100

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

(With Deloitte & Touche auditors' report dated March 11, 2026)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 27 and 32)	$ 209,138,766	100	$ 203,879,338	100
OPERATING COSTS (Notes 4, 10, 11, 17, 24, 25, 27 and 32)	171,912,250	82	169,719,034	83
GROSS PROFIT	37,226,516	18	34,160,304	17
OPERATING EXPENSES (Notes 4, 25, 27 and 32)	16,390,298	8	15,957,957	8
PROFIT FROM OPERATIONS	20,836,218	10	18,202,347	9
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 8 and 27)	2,158,847	1	2,757,543	2
Other gains and losses (Notes 12, 14, 15, 27 and 31)	(785,830)	-	408,643	-
Finance costs (Notes 27 and 31)	(3,037,042)	(1)	(2,755,707)	(1)
Share of the profit of associates and joint ventures (Note 14)	886,417	-	663,236	-
Total non-operating income and expenses	(777,608)	-	1,073,715	1
INCOME BEFORE INCOME TAX	20,058,610	10	19,276,062	10
INCOME TAX EXPENSE (Notes 4 and 28)	3,885,138	2	3,780,874	2
NET PROFIT FOR THE YEAR	16,173,472	8	15,495,188	8
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Gain (loss) on hedging instruments subject to basis adjustment (Notes 4, 26 and 31)	(298,133)	-	850,569	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Note 26)	43,571	-	34,781	-
Remeasurement of defined benefit plans (Notes 4 and 25)	331,839	-	(385,256)	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Notes 4 and 14)	(2,569)	-	14,777	-
Income tax relating related to items that will not be reclassified subsequently to profit or loss (Note 28)	(75,509)	-	67,286	-
	(801)	-	582,157	-

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2025		2024	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Notes 4 and 26)	$ (62,195)	-	$ 134,989	-
(Loss) gain on hedging instruments not subject to basis adjustment (Notes 4, 26 and 31)	1,739,272	-	(1,927,377)	(1)
Income tax relating related to items that may be reclassified subsequently to profit or loss (Note 28)	(335,416)	-	358,478	-
	1,341,661	-	(1,433,910)	(1)
Other comprehensive loss for the year, net of income tax	1,340,860	-	(851,753)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 17,514,332	8	$ 14,643,435	7
NET INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 14,700,319	7	$ 14,383,345	7
Non-controlling interests	1,473,153	1	1,111,843	1
	$ 16,173,472	8	$ 15,495,188	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 16,039,805	7	$ 13,680,658	7
Non-controlling interests	1,474,527	1	962,777	-
	$ 17,514,332	8	$ 14,643,435	7
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 29)				
Basic	$ 2.42		$ 2.38	
Diluted	$ 2.38		$ 2.33	

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

(With Deloitte & Touche auditors' report dated March 11, 2026) (Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
			Retained Earnings			Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Asset at Fair Value Through Other Comprehensive Income	Gain (Loss) on Hedging Instruments	Treasury Shares Held by Subsidiaries	Total	Non-controlling Interests	Total Equity
BALANCE ON JANUARY 1, 2024	$ 60,513,407	$ 3,887,046	$ 1,230,977	$ 534,375	$ 9,146,199	$ (12,965)	$ 22,726	$ (699,775)	$ (30,875)	$ 74,591,115	$ 2,887,755	$ 77,478,870
Basis adjustment to loss on hedging instruments	-	-	-	-	-	-	-	(292,936)	-	(292,936)	-	(292,936)
Appropriation of 2023 earnings												
Legal reserve	-	-	637,399	-	(637,399)	-	-	-	-	-	-	-
Special reserve	-	-	-	155,639	(155,639)	-	-	-	-	-	-	-
Cash dividends - $0.69016808 per share	-	-	-	-	(4,176,580)	-	-	-	-	(4,176,580)	-	(4,176,580)
Changes in capital surplus from dividends distributed to subsidiaries	-	1,431	-	-	-	-	-	-	-	1,431	-	1,431
Actual disposal of partial equity interest in subsidiaries	-	1,425,334	-	-	-	-	-	-	-	1,425,334	533,510	1,958,844
Changes in percentage of ownership interests in subsidiaries	-	285,416	-	-	-	-	-	-	-	285,416	293,054	578,470
Issuance of employee share options by the subsidiaries	-	43,216	-	-	-	-	-	-	-	43,216	17,998	61,214
Net income for the year ended December 31, 2024	-	-	-	-	14,383,345	-	-	-	-	14,383,345	1,111,843	15,495,188
Other comprehensive income (loss) for the year ended December 31, 2024, net of income tax	-	-	-	-	(140,818)	101,646	27,887	(691,402)	-	(702,687)	(149,066)	(851,753)
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	14,242,527	101,646	27,887	(691,402)	-	13,680,658	962,777	14,643,435
Convertible bonds converted to ordinary shares	255,943	187,034	-	-	-	-	-	-	-	442,977	-	442,977
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(146,868)	(146,868)
BALANCE ON DECEMBER 31, 2024	60,769,350	5,829,477	1,868,376	690,014	18,419,108	88,681	50,613	(1,684,113)	(30,875)	86,000,631	4,548,226	90,548,857
Basis adjustment to gain on hedging instruments	-	-	-	-	-	-	-	238,164	-	238,164	-	238,164
Appropriation of 2024 earnings												
Legal reserve	-	-	1,424,253	-	(1,424,253)	-	-	-	-	-	-	-
Special reserve	-	-	-	854,805	(854,805)	-	-	-	-	-	-	-
Cash dividends - $0.79587046 per share	-	-	-	-	(4,842,015)	-	-	-	-	(4,842,015)	-	(4,842,015)
Changes in capital surplus from dividends distributed to subsidiaries	-	1,651	-	-	-	-	-	-	-	1,651	-	1,651
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	(16,573)	(16,573)
Net income for the year ended December 31, 2025	-	-	-	-	14,700,319	-	-	-	-	14,700,319	1,473,153	16,173,472
Other comprehensive income (loss) for the year ended December 31, 2025, net of income tax	-	-	-	-	262,752	(49,939)	33,861	1,092,812	-	1,339,486	1,374	1,340,860
Total comprehensive income (loss) for the year ended December 31, 2025	-	-	-	-	14,963,071	(49,939)	33,861	1,092,812	-	16,039,805	1,474,527	17,514,332
Convertible bonds converted to ordinary shares	84,383	61,173	-	-	-	-	-	-	-	145,556	-	145,556
Cash dividends distributed to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,049,754)	(1,049,754)
BALANCE ON DECEMBER 31, 2025	$ 60,853,733	$ 5,892,301	$ 3,292,629	$ 1,544,819	$ 26,261,106	$ 38,742	$ 84,474	$ (353,137)	$ (30,875)	$ 97,583,792	$ 4,956,426	$ 102,540,218

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

(With Deloitte & Touche auditors' report dated March 11, 2026)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 20,058,610	$ 19,276,062
Adjustments for:		
Depreciation expense	29,114,452	29,260,293
Amortization expense	186,771	210,221
Expected credit (reversal gain) loss recognized on trade receivables	(73,610)	32
Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss	(3,108)	(2,421)
Finance costs	3,037,042	2,755,707
Interest income	(1,732,812)	(2,231,421)
Dividend income	(21,473)	(18,717)
Compensation costs of employee share options	-	61,214
Share of profit of associates and joint ventures	(886,417)	(663,236)
Gain on disposal of property, plant and equipment	(40,539)	(391,002)
Gain on disposal of non-current assets held for sale	-	(9,753)
(Gain) loss on disposal of investments	(4,628)	29
Impairment reversal gain recognized on flight equipment and other equipment	-	(124,021)
Loss on inventories and property, plant and equipment	1,883,802	2,301,995
Net (gain) loss on foreign currency exchange	(265,884)	395,899
Recognition of provisions	6,161,778	4,785,011
Others	(173)	(3,470)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(21,855)	(7,236)
Notes and accounts receivable	614,097	(944,846)
Accounts receivable - related parties	(123,809)	(300,458)
Other receivables	(209,695)	(224,689)
Inventories	(700,513)	(3,589,290)
Other current assets	(2,059,258)	(98,263)
Notes and accounts payable	(191,477)	265,987
Accounts payable - related parties	244,756	439,405
Other payables	2,293,168	4,572,455
Contract liabilities	2,443,743	5,062,828
Provisions	(4,114,782)	(4,333,478)
Other current liabilities	389,034	271,125
Defined benefit liabilities	(838,256)	(276,092)
Other liabilities	(241,792)	(3,034)
Cash generated from operations	54,897,172	56,436,836
Interest received	1,920,871	2,169,205
Dividends received	98,577	101,874
Interest paid	(3,836,408)	(3,305,697)
Income tax paid	(3,694,939)	(1,118,803)
Net cash generated from operating activities	49,385,273	54,283,415

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CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	$ (716,382)	$ (8,541,431)
Proceeds from sale of financial assets at amortized cost	277,155	11,324,072
Acquisition of financial assets at fair value through other comprehensive income	-	(278)
Purchase of financial assets for hedging	(7,894,600)	(26,177,606)
Proceeds from sale of financial assets for hedging	10,578,513	34,352,036
Cash generated from disposal of investments accounted for using equity method	9,632	7,601
Proceeds from disposal of non-current assets held for sale	-	5,866,122
Payments for property, plant and equipment	(6,197,341)	(4,584,954)
Proceeds from disposal of property, plant and equipment	780,186	424,263
Increase in refundable deposits	(361,185)	(326,625)
Decrease in refundable deposits	278,135	413,454
Decrease in finance lease receivable	198,363	300,888
Increase in prepayments for equipment	(47,519,174)	(20,253,229)
Increase in other prepayments	(22,428)	-
Increase in other intangible assets	(269,314)	(204,657)
Decrease in restricted assets	33,125	134,500
Net cash used in investing activities	(50,825,315)	(7,265,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(35,000)
Decrease in short-term bill payable	-	(20,000)
Proceeds from issuance of bonds payable	3,100,000	-
Repayments of bonds payable	(1,650,000)	(3,150,000)
Proceeds from long-term borrowings	24,048,406	28,492,881
Repayments of long-term borrowings	(13,495,499)	(22,643,645)
Repayments of the principal portion of lease liabilities	(12,984,341)	(13,102,425)
Proceeds from guarantee deposits received	226,132	279,999
Refund of guarantee deposits received	(163,340)	(165,817)
Proceeds from issuance of ordinary shares of subsidiaries to non-controlling interests	-	578,470
Payment of cash dividends	(4,840,364)	(4,175,149)
Dividends paid to non-controlling interests	(1,049,754)	(146,868)
Partial disposal of interests in subsidiaries without a loss of control	-	1,958,844
Net cash used in financing activities	(6,808,760)	(12,128,710)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(848,172)	1,368,215

(Continued)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands of New Taiwan Dollars)

	2025	2024
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (9,096,974)	$ 36,257,076
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	66,648,640	30,391,564
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 57,551,666	$ 66,648,640

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

(With Deloitte & Touche auditors' report dated March 11, 2026) (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, equipment and aviation equipment; and (f) leasing of aircraft.

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") were approved by the Company's board of directors on March 11, 2026.

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

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

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

b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2026

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
IFRS 17 "Insurance Contracts" (including the 2020 and 2021 amendments to IFRS 17)	January 1, 2023

As of the date the consolidated financial statements were authorized for issue, the Group has assessed that the application of other standards and interpretations will not have a material impact on the Group's financial position and financial performance.

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027 (Note 2)
IFRS 19 "Subsidiaries without Public Accountability: Disclosures" (including the 2025 amendments to IFRS 19)	January 1, 2027
Amendments to IAS 21 "Translation to a Hyperinflationary Presentation Currency"	January 1, 2027

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

Note 2: On September 25, 2025, the FSC announced that IFRS 18 will take effect starting from January 1, 2028. Domestic entities could elect to apply IFRS 18 for an earlier period after the endorsement of IFRS 18 by the FSC.

IFRS 18 "Presentation and Disclosure in Financial Statements" and consequential amendments

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

- To classify items of income and expenses presented in the statement of profit or loss into the operating, investing, financing, income taxes and discontinued operations categories, the Group shall assess whether it has specified main business activities of investing in particular types of assets and providing financing to customers.

- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.

- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as "other" only if it cannot find a more informative label.

- Disclosures on Management-defined Performance Measures (MPMs): when in public communications outside financial statements and communicating to users of financial statements management's view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

In addition, the following consequential amendments have been made to IAS 7 "Statement of Cash Flows":

- The Group shall use operating profit or loss as the starting point when presenting cash flows from operating activities under the indirect method.

- Interest and dividends received by the Group shall be classified as investing activities, while interest and dividends paid shall be classified as financing activities. However, if, after assessment, the Group has a specific main operating activity, it shall determine how to classify dividends received, interest received and interest paid in the statement of cash flows by referring to how it classifies dividend income, interest income and interest expense in the statement of profit or loss. The total of each of these cash flows shall be classified in a single category in the statement of cash flows.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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 IFRS Accounting Standards as endorsed and issued into effect by the FSC.

Basis of Preparation

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

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

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

c. Level 3 inputs are unobservable inputs for an asset or liability.

Current and Non-current Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within 12 months after the reporting period; and

c. Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within 12 months after the reporting period; and

c. Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

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.

Foreign Currencies

In preparing the consolidated financial statements of the Group, the transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on:

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

b. Transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when the fair value is determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

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

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

Inventories

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

Non-current Assets Held for Sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group uses the equity method to account for its investments in associates and joint ventures.

Under the equity method, investments in an associate and a joint venture are initially recognized at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate and joint venture. The Group also recognizes the changes in the Group's share of the equity of associates and joint ventures attributable to the Group.

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

When the Group subscribes for additional new shares of an associate and a joint venture at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate and joint venture, the proportionate amount of the gains or losses previously

recognized in other comprehensive income in relation to that associate and joint venture is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate and a joint venture. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the joint venture. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Property, Plant and Equipment

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

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

Investment Properties

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

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

Depreciation is recognized using the straight-line method, which is the amount of cost less residual value divided by the useful life of the investment property.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed zero unless the Group expects to dispose of the intangible asset before the end of its economic life. The impact of any changes in accounting estimates is accounted for on a prospective basis under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Impairment of Property, Plant and Equipment, Right-of-use Asset, Investment Properties and Intangible Assets Other Than Goodwill

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Group uses the estimated cash flows discounted by the future pre-tax discount rate, and the discount rate reflects the current market time value of money and the specific risks to the asset for estimated future cash flows not yet adjusting to the market.

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

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

Financial Instruments

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

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

a. Financial assets

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

1) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI.

Financial assets at FVTPL are subsequently measured at fair value, and any remeasurement gains or losses on such financial assets are recognized in profit or loss. Fair value is determined in the manner described in Note 31.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i. The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables, other receivables and other financial assets, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

c) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if an equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of an investment.

2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables and finance lease receivables).

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, finance lease receivables and other receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represents the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

b. Equity instruments

Equity instruments issued by the Group are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

c. Financial liabilities

1) Subsequent measurement

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

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Convertible bonds

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

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

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

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

e. Derivative financial instruments

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

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

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as cash flow hedges. When entering into hedging transactions, the Group has prepared official documents that describe the hedging relationship between hedging instruments and items which have been hedged, the objective of risk management, the hedging strategy, and the way to evaluate the effectiveness of the hedging instrument.

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

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

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument expires or is sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period (in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

Provisions

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

The amount recognized as a provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured at the estimate of using the cash flows to settle the present obligation, its carrying amount is the present value of those cash flows. When the aircraft lease contracts expire and the leased item will be returned to the lessor, the Group will assess if there are existing obligations exist and if a provision is required to be recognized when signing the lease contract.

Revenue Recognition

The Group recognizes revenue by applying the following steps:

- Identifying the contract with the customer;
- Identifying the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Group satisfies a performance obligation.

Shipping service revenue

Passenger and cargo revenue are recognized as revenue when the passengers and goods are actually carried. When the tickets are sold, due to the fact that the fulfillment of performance obligations of the shipment have not been met, the relevant amount of revenue is initially recorded as contract liabilities until passengers actually board.

Maintenance service revenue

The Group provides maintenance services. Since the customer obtains and consumes the benefits provided by the Group's performance simultaneously with the performance, revenue is recognized over time. The Group measures the progress toward satisfying the performance obligation based on the proportion of maintenance costs incurred (including labor and materials consumed) to the total estimated maintenance costs, and recognizes revenue and costs accordingly.

When recognizing revenue, if the revenue recognized exceeds the invoiced amount, it is recorded as a contract asset. The Group reclassifies the contract asset to accounts receivable when it has an unconditional right to receive consideration from the customer. Conversely, if the invoiced amount exceeds the revenue recognized, it is recorded as a contract liability.

Leasing

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

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. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

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 exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. 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 lessee's incremental borrowing rate will be used.

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. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. 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.

Employee Benefits

a. Short-term employee benefits

   Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

b. Retirement benefits

   Payments to the defined contribution retirement benefit plan are recognized as expenses when employees have rendered services entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

   Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Borrowing Costs

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

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

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

Government

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

The benefit of a government loan received at a below-market rate of interest is treated as a government grant measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

Frequent Flyer Programs

The Group has a "Dynasty Flyer Program" through which program members can convert accumulated mileage to a cabin upgrade, free tickets and other member rewards and operates a "Tigerclub Member Privilege Program" to provide members with accumulated ticket reward bonuses, which can be used to offset the payments for airfare, luggage fees, priority check-ins, and ordering of meals in flight cabins. A portion of passenger revenue attributable to the rewards for the frequent flyer program is deferred. The Group should recognizes this deferred revenue as revenue only when the Group has fulfilled its obligations on the granting of rewards or when the period for converting the mileage to rewards has expired.

Share-based Payment Arrangements

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

Income Tax

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

a. Current tax

   The current tax liabilities are based on current taxable profit. Since part of the income and expenses are taxable or deductible in other periods, or in accordance with the relevant tax laws are taxable or deductible, current taxable profit differs from net profit reported in the consolidated statements of comprehensive income. The Group's current tax liabilities are calculated by the tax rate was legislated or substantially legislated at the balance sheet date.

   According to the Income Tax Act in the R.O.C., an additional tax of unappropriated earnings is provided for in the year the shareholders approve the retain earnings.

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

b. Deferred tax

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

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

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

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

The Group has applied the exception from the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

c. Current and deferred taxes

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

Maintenance and Overhaul Costs

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

The overhaul costs of an owned or leased aircraft that meet the criteria for fixed asset capitalization are capitalized as replacements for aircraft and engines and are depreciated on a straight-line basis over the expected annual overhaul cycle.

5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Key Sources of Estimation Uncertainty

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

Useful Lives of Property, Plant and Equipment - Flight Equipment

Flight equipment is measured at cost less residual value and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives and residual values are evaluated based on the Company's historical experience and current usage condition in the aviation industry.

Because of the change in fleet planning to match the economic benefits with the useful lives, on March 8, 2024, the Company's board of directors resolved to modify the estimated useful lives of eight B747-400F freighters from 24 years to 22 years and the estimated useful lives of two 80C2 engines from 8 years to 6 years, effective on May 1, 2024. The depreciation expense in 2024 increased by $679 million.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2025	2024
Cash on hand and revolving funds	$ 673,588	$ 822,915
Checking accounts and demand deposits	15,847,394	14,138,656
Cash equivalent		
Time deposits with original maturities of less than three months	18,987,980	38,618,227
Repurchase agreements collateralized by bonds	22,042,704	13,068,842
	$ 57,551,666	$ 66,648,640

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

	December 31	
	2025	2024
Bank balance	0%-3.80%	0%-4.80%
Time deposits with original maturities of less than three months	0.71%-4.60%	1.30%-5.49%
Repurchase agreements collateralized by bonds	1.22%-4.00%	1.15%-5.12%

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

	Maturity Date	Subject	Carrying Value
December 31, 2025	-	Financial assets for hedging - current	$ -
December 31, 2024	2025.1.2	Financial assets for hedging - current	2,950,820

Impact on other comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)
For the year ended December 31, 2025	$ (239,324)
For the year ended December 31, 2024	572,698

For the years ended December 31, 2025 and 2024, the amount of hedging instrument settlements recognized as prepayments for equipment were increased to $210,582 thousand and decreased to $36,900 thousand, respectively. Additionally, the amount due to the ineffectiveness of hedging recognized as foreign exchange gains were $0 thousand and $11,177 thousand, respectively.

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

	December 31	
	2025	2024
Financial assets - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Beneficiary certificates	$ 221,180	$ 196,217

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

Investments in Equity Instruments

	December 31	
	2025	2024
Non-current		
Foreign investments		
Unlisted shares	$ 167,379	$ 117,423
Listed shares	407	368
Domestic investments		
Unlisted shares	19,941	23,095
	$ 187,727	$ 140,886

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

	December 31	
	2025	2024
Current		
Time deposits with original maturities of more than 3 months	$ 1,953,712	$ 1,494,790
Non-current		
Time deposits with original maturities of more than 1 year	$ 206,906	$ 220,761

The ranges of interest rates for time deposits with original maturities of more than 3 months were 0.71%-4% and 0.67%-5.25% per annum as of December 31, 2025 and 2024, respectively.

10. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2025	2024
Notes receivable	$ 136,972	$ 207,448
Accounts receivable		
At amortized cost		
Gross carrying amount	10,621,455	11,139,883
Less: Allowance for impairment loss	(179,326)	(259,965)
	10,442,129	10,879,918
	$ 10,579,101	$ 11,087,366

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

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

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

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

December 31, 2025

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.24%	6.26%	31.48%	100.00%	100.00%	
Gross carrying amount	$ 10,263,745	$ 202,557	$ 19,734	$ 564	$ 134,855	$ 10,621,455
Loss allowance (lifetime ECLs)	(25,011)	(12,684)	(6,212)	(564)	(134,855)	(179,326)
Amortized cost	$ 10,238,734	$ 189,873	$ 13,522	$ -	$ -	$ 10,442,129

December 31, 2024

	Not Past Due	1 to 30 Days Past Due	31 to 60 Days Past Due	61 to 90 Days Past Due	Over 90 Days Past Due	Total
Expected credit loss rate	0.21%	5.55%	51.05%	100.00%	100.00%	
Gross carrying amount	$ 10,729,158	$ 89,543	$ 182,132	$ 477	$ 138,573	$ 11,139,883
Loss allowance (lifetime ECLs)	(22,960)	(4,974)	(92,981)	(477)	(138,573)	(259,965)
Amortized cost	$ 10,706,198	$ 84,569	$ 89,151	$ -	$ -	$ 10,879,918

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

	For the Year Ended December 31	
	2025	2024
Balance on January 1	$ 259,965	$ 257,453
(Less) Add: Net remeasurement of loss allowance	(73,610)	32
Add: Amounts recovered	373	3,396
Less: Amounts written off	(7,402)	(916)
Balance on December 31	$ 179,326	$ 259,965

11. INVENTORIES, NET

	December 31	
	2025	2024
Aircraft spare parts	$ 9,946,675	$ 9,909,879
Items for in-flight sale	801,705	750,643
Work in process - maintenance services	532,937	1,527,240
Others	118,570	111,559
	$ 11,399,887	$ 12,299,321

The operating costs for the years ended December 31, 2025 and 2024 included losses from inventory write-downs of $790,242 thousand and $805,005 thousand, respectively.

12. NON-CURRENT ASSETS HELD FOR SALE

To enhance its competitiveness, the Company plans to introduce new aircraft and retire old aircraft according to a planned schedule. Such aircraft, classified as non-current assets held for sale, had an original carrying amount which was higher than the expected sale price and which was recognized as an impairment loss, and would be continuously assessed whether there are further impairments in subsequent periods. However, the actual loss shall be identified by the actual sale price. The Company recognized gain on reversal of impairment of $310,605 thousand for the years ended December 31, 2024.

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

The Company disposed of the aircraft held for sale for the years ended December 31, 2024, and a gain of $9,753 thousand.

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements are as follows:

			Proportion of Ownership (%)	
			December 31	
Investor Company	Investee Company	Main Businesses and Products	2025	2024
China Airlines, Ltd.	Tigerair Taiwan Co., Ltd. (Note)	Air transportation	69	69
	Taiwan Aircraft Maintenance And Engineering Co., Ltd.	Aircraft maintenance	100	100
	Cal-Dynasty International	A holding company, real estate and hotel services	100	100
	Cal-Asia Investment	General investing	100	100
	Dynasty Aerotech International Corp.	Cleaning of aircraft and maintenance of machine and equipment	100	100
	Cal Park	Real estate lease and international trade	100	100
	Cal Hotel Co., Ltd.	Hotel business	100	100
	Sabre Travel Network (Taiwan)	Sale and maintenance of hardware and software	94	94
	Mandarin Airlines	Air transportation and maintenance of aircraft	97	97
	Taiwan Air Cargo Terminal (Note)	Air cargo and storage	59	59

(Continued)

Investor Company	Investee Company	Main Businesses and Products	Proportion of Ownership (%) December 31 2025	2024
	Kaohsiung Catering Services, Ltd.	In-flight catering	54	54
	Taoyuan International Airport Services	Airport services	49	49
	Taiwan Airport Services (Note)	Airport services	48	48
	Global Sky Express	Forwarding and storage of air cargo	-	25
Cal-Dynasty International	Dynasty Properties Co., Ltd.	Real estate management	100	100
	Dynasty Hotel of Hawaii, Inc.	Hotel business	100	100
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Airport supporting service and investment	100	100

(Concluded)

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

The Company has control over Taoyuan International Airport Service, Taiwan Airport Service and Global Sky Express despite its ownership of less than 50%, and the Company has control over other subsidiaries with more than 50% of their voting shares. The above financial information of the subsidiaries for the years ended December 31, 2025 and 2024 was reported according to financial statements that were audited by independent auditors.

To align with the listing of Tigerair Taiwan Co., Ltd. on the main board, the Company disposed of 36,745 thousand shares of Tigerair Taiwan Co., Ltd. in September 2024, with a disposal amount of $1,958,844 thousand. After the disposal, the Group's comprehensive ownership percentage dropped to 71%. Since the transaction did not change the authority the Company has over the subsidiaries, it was treated as an equity transaction. The net asset carrying amount of the subsidiaries, in accordance with the change in relative equity, was transferred to non-controlling interests in the amount of $533,510 thousand. The difference between the actual disposal price of the subsidiary's shares and the carrying amount was $1,425,334 thousand, which was recognized as an increase in capital reserve.

Additionally, Tigerair Taiwan Co., Ltd. applied for the listing of its shares on the main board on August 16, 2024, and the application was approved by the Taiwan Stock Exchange on September 13, 2024. To align with the public offering prior to the board transfer, Taiwan Tigerair's board of directors approved a cash capital increase on September 27, 2024, with a total planned issuance of 10,530 thousand shares. In addition, due to relevant regulations, the Group did not participate in the cash capital increase; therefore, the Group's comprehensive ownership percentage dropped to 69%. Because the shares were subscribed at a rate different from its existing ownership percentage, the Company's capital surplus increased by $285,416 thousand. In addition, Tigerair Taiwan Co., Ltd. reserves 15% of the total issuances for employees to subscribe to in accordance with article 267, item 1 of the Company Act. As a result, the Company's capital surplus increased by $43,216 thousand and non-controlling interests increased by $17,998 thousand.

In June 2025 and July 2024, respectively, Cal Park gained $19,363 thousand and $18,370 thousand by capital increase out of retained earnings; the proportion of ownership of the Company remained unchanged.

The Company's board of directors approved the proposal for the dissolution and liquidation of Global Sky Express on August 9, 2024, and Global Sky Express's extraordinary shareholders' meeting likewise resolved to dissolve the company on September 5, 2024, on September 25, 2025, Global Sky Express's extraordinary shareholders' meeting approved a distributable residual asset amount of $40,610 thousand, of which the Company received $10,153 thousand in proportion to its shareholding and recognized a disposal gain of $4,628 thousand. Global Sky Express obtained court approval for the completion of liquidation on December 22, 2025.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2025	2024
Investments in associates	$ 895,767	$ 813,486
Investments in joint ventures	2,199,104	1,473,667
	$ 3,094,871	$ 2,287,153

a. Investments in associates

The investments in associates were as follows:

	December 31	
	2025	2024
Unlisted companies		
Airport Air Cargo Terminal (Xiamen)	$ 630,514	$ 575,016
Airport Air Cargo Service (Xiamen)	217,099	194,170
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	48,154	44,300
	$ 895,767	$ 813,486

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	
	December 31	
Name of Associate	2025	2024
Airport Air Cargo Terminal (Xiamen)	28%	28%
Airport Air Cargo Service (Xiamen)	28%	28%
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	35%	35%

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

	For the Year Ended December 31	
	2025	2024
Airport Air Cargo Terminal (Xiamen)	$ 54,876	$ 44,077
Airport Air Cargo Service (Xiamen)	22,614	24,782
Eastern United International Logistics (Holdings) Ltd. (Hong Kong)	3,816	4,807
	$ 81,306	$ 73,666

The Group's share of other comprehensive income of associates accounted for using the equity method amounted to $0 for the years ended December 31, 2025 and 2024.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which have been audited, except for Eastern United International Logistics (Holding) Ltd (Hong Kong). However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently audited.

b. Investments in joint ventures

The investments in joint ventures were as follows:

	December 31	
	2025	**2024**
China Pacific Catering Services	$ 2,061,394	$ 1,353,902
China Pacific Laundry Services	137,710	119,765
NORDAM Asia Ltd.	-	-
	$ 2,199,104	$ 1,473,667

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

	Proportion of Ownership and Voting Rights	
	December 31	
	2025	**2024**
China Pacific Catering Services	51%	51%
China Pacific Laundry Services	55%	55%
NORDAM Asia Ltd.	-	49%

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

NORDAM Asia was classified as an associate accounted for using the equity method. On October 27, 2023, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve NORDAM Asia. The court approved the completion of liquidation on July 29, 2025. No related gains or losses were recognized.

To expand the Group's catering business, Kaohsiung Catering entered into a joint venture agreement with a Japanese brand company to invest in Delica International Co, Ltd., with the Japanese brand company having the right to make decisions on operations, and therefore, the Group does not have control. On March 1, 2024, the provisional shareholders' meeting was held, and the shareholders resolved to dissolve Delica International Co., Ltd., and the liquidation process has been in progress. On August 26, 2024, the extraordinary shareholders' meeting passed a resolution to approve the final settlement statements of the liquidation, as well as the distribution amount and method of the remaining assets. Kaohsiung Air Catering recognized a loss of $29 thousand from the disposal of its investment under the equity method.

In June 2024, China Pacific Catering Services Company had a capital increase from earnings by $560,000 thousand. After the capital increase, the Company's ownership percentage remained. In addition, on January 19, 2026, the Company's Board of Directors resolved to acquire a 49% equity interest in China Pacific Catering Services Ltd. from the original joint venture shareholders for $3,088 million. Upon completion of the transaction, the Company's cumulative shareholding will reach 100%, thereby obtaining full control, and the entity will be recognized as a subsidiary from the acquisition date.

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

	For the Year Ended December 31	
	2025	2024
China Pacific Catering Services	$ 787,605	$ 572,365
China Pacific Laundry Services	17,506	17,205
NORDAM Asia Ltd.	-	-
	$ 805,111	$ 589,570

The Group's shares of other comprehensive income of joint ventures accounted for using the equity method for the years ended December 31, 2025 and 2024 were $2,569 thousand and $14,777 thousand, respectively.

Except for NORDAM Asia and DELICA International, the investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were based on these investees' financial statements which have been audited. However, the management determined that there would have been no significant adjustments had these investees' financial statements been independently audited.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Flight Equipment	Others	Total
Cost					
Balance on January 1, 2024	$ 997,537	$ 16,204,479	$ 227,792,901	$ 18,241,668	$ 263,236,585
Additions	-	284,241	3,535,453	765,260	4,584,954
Disposals	-	(4,466)	(4,193,937)	(450,033)	(4,648,436)
Reclassification	-	485	(10,882,797)	61,479	(10,820,833)
Net exchange differences	35,662	67,429	-	7,804	110,895
Balance on December 31, 2024	$ 1,033,199	$ 16,552,168	$ 216,251,620	$ 18,626,178	$ 252,463,165
Accumulated depreciation and impairment					
Balance on January 1, 2024	$ -	$ (8,616,999)	$ (117,861,943)	$ (13,414,912)	$ (139,893,854)
Depreciation expense	-	(507,913)	(14,367,889)	(954,981)	(15,830,783)
Disposals	-	3,682	3,878,912	445,298	4,327,892
Reclassification	-	-	25,154,787	223	25,155,010
Net exchange differences	-	(41,028)		(6,649)	(47,677)
Impairment losses	-	-	(121,175)	(64,615)	(185,790)
Balance on December 31, 2024	$ -	$ (9,162,258)	$ (103,317,308)	$ (13,995,636)	$ (126,475,202)
Balance on December 31, 2024, net value	$ 1,033,199	$ 7,389,910	$ 112,934,312	$ 4,630,542	$ 125,987,963

(Continued)

	Freehold Land	Buildings	Flight Equipment	Others	Total
Cost					
Balance on January 1, 2025	$ 1,033,199	$ 16,552,168	$ 216,251,620	$ 18,626,178	$ 252,463,165
Additions	-	352,988	4,707,367	1,136,986	6,197,341
Disposals	(17,888)	(9,767)	(2,295,356)	(590,600)	(2,913,611)
Reclassification	-	16,700	17,972,932	(98,696)	17,890,936
Net exchange differences	(23,691)	(45,148)	-	(5,375)	(74,214)
Balance on December 31, 2025	$ 991,620	$ 16,866,941	$ 236,636,563	$ 19,068,493	$ 273,563,617
Accumulated depreciation and impairment					
Balance on January 1, 2025	$ -	$ (9,162,258)	$ (103,317,308)	$ (13,995,636)	$ (126,475,202)
Depreciation expense	-	(512,564)	(14,898,819)	(983,677)	(16,395,060)
Disposals	-	8,591	1,317,382	581,573	1,907,546
Reclassification	-	2,494	332,081	174,004	508,579
Net exchange differences	-	6,755	-	1,087	5,668
Impairment losses	-	-	-	5	5
Balance on December 31, 2025	$ -	$ (9,656,982)	$ (116,566,664)	$ (14,224,818)	$ (140,448,464)
Balance on December 31, 2025, net value	$ 991,620	$ 7,209,959	$ 120,069,899	$ 4,843,675	$ 133,115,153

(Concluded)

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

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

Buildings	
Main buildings	45-55 years
Others	10-25 years
Machinery equipment	
Electro-mechanical equipment	25 years
Others	3-13 years
Office equipment	3-15 years
Leasehold improvements	
Building improvements	5 years
Others	3-5 years
Assets leased to others	3-5 years
Flight equipment and equipment under finance leases	
Airframes	12-22 years
Aircraft cabins	10-13 years
Engines	12-20 years
Heavy maintenance on aircraft	6-8 years
Engine overhauls	2-7 years
Landing gear overhauls	6-12 years
Repairable spare parts	3-15 years
Leased aircraft improvements	5-12 years
Flight simulation training equipment.	18-25 years
Nonexpendable apparatus of flight simulation training equipment.	8 years

To replace aging aircraft and revitalize the fleet, the Company's board of directors resolved to sell five 747-400F aircraft on March 8, 2024, all of which were fully disposed of in 2024. In addition, the Company's Board of directors resolved to sell four 747-400F aircraft on November 26, 2025.

Considering the changes in model mix and phase-out plans, the Group used the fair value (Level 3) deducting transaction costs as the recoverable amount of some flight equipment and the recognized impairment losses of $0 thousand and $121,175 thousand for the years ended December 31, 2025 and 2024, respectively. The fair value was determined with reference to factors such as the condition of the flight equipment and possible market estimates.

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

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

16. INVESTMENT PROPERTIES

	December 31	
	2025	**2024**
Carrying amount		
Investment properties	$ 2,071,331	$ 2,071,558

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

The fair values of the investment properties held by the Group both were $3,137,644 thousand as of December 31, 2025 and 2024, respectively. The above 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.

	Cost	**Accumulated Depreciation**	**Net Value**
Balance on January 1, 2024	$ 2,079,205	$ (7,420)	$ 2,071,785
Depreciation expense	-	(227)	(227)
Balance on December 31, 2024	$ 2,079,205	$ (7,647)	$ 2,071,558
Balance on January 1, 2025	$ 2,079,205	$ (7,647)	$ 2,071,558
Depreciation expense	-	(227)	(227)
Balance on December 31, 2025	$ 2,079,205	$ (7,874)	$ 2,071,331

17. OTHER INTANGIBLE ASSETS

	Computer Software Cost	Others	Accumulated Amortization	Net Value
Balance on January 1, 2024	$ 1,976,490	$ 168,280	$ (1,353,203)	$ 791,567
Additions	204,263	-	-	204,263
Reclassification	(205,689)	-	205,671	(18)
Amortization expense	-	-	(210,221)	(210,221)
Impairment loss	-	-	(794)	(794)
Disposals	(648)	-	648	-
Effects of exchange rate changes	-	-	2	2
Balance on December 31, 2024	$ 1,974,416	$ 168,280	$ (1,357,897)	$ 784,799
Balance on January 1, 2025	$ 1,974,416	$ 168,280	$ (1,357,897)	$ 784,799
Additions	269,314	-	-	269,314
Reclassification	(546,049)	-	546,049	-
Amortization expense	-	-	(186,771)	(186,771)
Disposals	(50,645)	-	49,426	(1,219)
Effects of exchange rate changes	-	-	-	-
Balance on December 31, 2025	$ 1,647,036	$ 168,280	$ (949,193)	$ 866,123

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

18. OTHER ASSETS

	December 31	
	2025	2024
Current		
Advance payments	$ 2,158,977	$ 343,274
Prepayments	754,392	833,966
Temporary payments	858,690	471,305
Restricted assets	28,759	13,159
Contract assets	359,361	-
Others	71,349	34,571
	$ 4,231,528	$ 1,696,275
Non-current		
Prepayments for aircraft	$ 56,588,565	$ 30,186,059
Prepayments - long-term	3,938,665	1,928,627
Refundable deposits	814,661	784,971
Restricted assets	291,224	299,758
Other financial assets	7,133	9,101
Others (Note 25)	43,174	14,294
	$ 61,683,422	$ 33,222,810

The prepayments for aircraft are comprised of prepaid deposits and capitalized interest from the purchase of A321neo, A320neo, ATR72-600, B777F, B787-9, B787-10, 777-9, 777-8F, A350-1000 and A350-900 aircraft. For details of the contract for the purchase of the aircraft, refer to Note 34.

19. BORROWINGS

Long-term Borrowings

	December 31	
	2025	2024
Unsecured bank loans	$ 10,848,088	$ 6,026,499
Secured bank loans	47,075,403	44,585,526
Commercial papers		
Proceeds from issue	23,680,000	20,430,000
Less: Unamortized discount	53,991	45,432
	81,549,500	70,996,593
Less: Current portion	11,913,918	11,965,545
	$ 69,635,583	$ 59,031,048
Interest rates	1.90%-2.38%	1.65%-2.38%

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

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

	December 31	
	2025	2024
Periods	2016.10.18-2037.12.26	2009.2.4-2036.11.28

The Group also entered into separate commercial paper financing agreements with financial institutions, under which the notes are reissued on a revolving basis upon each 90-day maturity and are to be fully redeemed by the end of August 2030. The annual discount rates were 2.0633%-2.1573%, and 2.0853%-2.220% as of December 31, 2025, and December 31, 2024, respectively. Pursuant to the FSC's Q&A issued on August 15, 2025 regarding the Accounting Research and Development Foundation's interpretation on the liability classification of funds raised through revolving commercial paper issuances, such commercial paper will be classified as current liabilities beginning in the first quarter of 2026 when reissued on a revolving basis, with the related amount totaling $20,097,250 thousand.

20. BONDS PAYABLE

	December 31	
	2025	2024
Unsecured corporate bonds first-time issued in 2018	$ -	$ 1,025,000
Unsecured corporate bonds first-time issued in 2019	625,000	1,250,000
Unsecured corporate bonds first-time issued in 2023	2,650,000	2,650,000
Unsecured corporate bonds first-time issued in 2025	3,100,000	-
Convertible bonds - seventh-time issued	1,007,809	1,144,339
	7,382,809	6,069,339
Less: Current portion and put option of convertible bonds	1,632,809	1,650,000
	$ 5,750,000	$ 4,419,339

Related issuance conditions were as follows:

Category	Period	Conditions	Rate (%)
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
Seven-year private unsecured bonds - issued at par in June 2019; repayable in June 2025 and 2026; 1.32% interest p.a., payable annually	2019.06.21-2026.06.21	Principal repayable in June of 2025 and 2026; indicator rate; payable annually	1.32
Five-year private unsecured bonds - issued at par in May 2023; repayable in May 2027 and 2028; 1.90% interest p.a., payable annually	2023.05.22-2028.05.22	Principal repayable in May of 2027 and 2028; indicator rate; payable annually	1.90
Five-year private unsecured bonds - issued at par in May 2023; repayable in May 2029 and 2030; 2.18% interest p.a., payable annually	2025.08.28-2030.08.28	Principal repayable in May of 2029 and 2030; indicator rate; payable annually	2.18
Five-year convertible bonds - issued at discount in April 2021; repayable in lump sum upon maturity; 0.8612% discount rate p.a.	2021.4.28-2026.4.28	Unless bonds are converted to share capital or redeemed, principal repayable one time in April of 2026; 0.8612 discount rate p.a.	-

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

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

   2) The holders can request that the Company repurchase their bonds at face value on the third anniversary of the offering date. The holders can exercise the right to sell on April 28, 2024.

   3) The Company may redeem the bonds at face value between July 28, 2021 and March 18, 2026 under certain conditions.

   4) Between July 28, 2021 and April 28, 2026 (except for the period between the former dividend date and the date of the dividend declaration on record), holders may convert their bonds into the Company's ordinary shares. The initial conversion price was set at NT$19 per share, which is subject to adjustment if there is a capital injection by cash or share dividend distribution. Because the Company distributed cash dividends on July 22, 2025, the conversion price was adjusted to NT$16.9. As of December 31, 2025, a total face value of $3,489,600 thousand of convertible bonds was converted into 188,215 thousand ordinary shares of the Company.

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

Proceeds from issuance	$ 4,500,000
Equity component	(188,862)
Liability component at the date of issuance	4,311,138
Interest charged at an effective interest rate	75,938
Convertible bonds converted into ordinary shares	(3,242,737)
Liability component on December 31, 2024	1,144,339
Interest charged at an effective interest rate	9,026
Convertible bonds converted into ordinary shares	(145,556)
Liability component on December 31, 2025	$ 1,007,809

b. On March 10, 2025, the board of directors of the Company resolved to issue unsecured corporate bonds. The unsecured corporate bonds may be issued in installments throughout 2025 with a limited total face value of $8,000 million and had been issued in the amount of $3,100 million as of December 31, 2025.

c. On March 11, 2026, the Company's Board of Directors resolved to issue domestic unsecured ordinary corporate bonds for the 2026 fiscal year, which may be issued in multiple tranches, with a total principal amount not exceeding $8,000 million.

21. LEASE AGREEMENTS

a. Right-of-use assets

	December 31	
	2025	**2024**
Carrying amount		
Land	$ 6,652,966	$ 6,604,427
Buildings	2,557,503	2,913,530
Flight equipment	49,604,775	47,408,755
Other equipment	33,409	46,274
	$ 58,848,653	$ 56,972,986

	For the Year Ended December 31	
	2025	**2024**
Additions to right-of-use assets	$ 11,377,113	$ 20,989,577
Depreciation for right-of-use assets		
Land	$ 487,412	$ 431,541
Buildings	828,013	812,583
Flight equipment	11,371,060	12,177,170
Other equipment	32,680	7,989
	$ 12,719,165	$ 13,429,283

b. Lease liabilities

	December 31	
	2025	**2024**
Carrying amount		
Current	$ 4,388,443	$ 3,643,176
Non-current	$ 16,316,333	$ 16,822,260

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

	December 31	
	2025	**2024**
Land	0%-1.92%	0%-1.92%
Buildings	0%-4.65%	0%-4.65%
Flight equipment	1.40%-5.73%	0.74%-5.73%
Other equipment	0%-2.22%	0%-1.74%

c. Financial liabilities under hedge accounting

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

	Maturity Date	**Subject**	**Carrying Value**
December 31, 2025	2026.1.16-2037.8.19	Financial liabilities for hedging - current	$ 8,719,154
		Financial liabilities for hedging - non-current	32,090,362
December 31, 2024	2025.8.23-2036.7.4	Financial liabilities for hedging - current	9,649,668
		Financial liabilities for hedging - non-current	31,970,060

Impact on other comprehensive income (loss)

	Recognized in Other Comprehensive Income (Loss)	**Reclassified to Income**
For the year ended December 31, 2025	$ 1,731,392	$ 51,924
For the year ended December 31, 2024	(2,002,745)	(425,264)

d. Material leasing activities and terms

China Airlines, Mandarin Airlines and Tigerair Taiwan leased one A350-900 plane, ten 777-300ER planes, thirteen A330-300 planes, ten 737-800 planes, eight A320-200 planes, eight A320neo planes, sixteen A321neo planes and three ATR72-600 planes for operation, lease periods are 4 to 16 years from June 2015 to August 2037. The rental pricing method is partly a fixed amount of funds, and some of them are floating rents; floating rents are according to benchmark ratio, and the rent is revised every half year. When the lease expires, the lessee does not have purchase rights.

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

	December 31	
	2025	2024
Refundable deposits	$ 381,326	$ 356,103
Credit guarantees	1,927,084	2,020,580

On November 7, 2025, the Company's Board of Directors resolved to lease office premises on Minquan East Road from Kindom Development Co., Ltd., covering a ten-year term from March 2026 to February 2036, with a right of first refusal for renewal for a maximum additional period of ten years. The right-of-use asset is expected to amount to $910,641 thousand.

CAL Park, and Taoyuan International Airport Service signed a BOT contract with a land lease agreement, for the details for the lease agreement, please refer to Note 34. The lease includes an option to extend the lease, as it is not possible to extend the lease, the amount of the lease related to the period covered by the option is not included in the lease liability. If the amount of the extended lease period is included in the lease liability, the lease liability would have increased by $946,562 thousand and $933,989 thousand on December 31, 2025 and 2024, respectively.

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

e. Lease agreement signed but not yet delivered

On June 25, 2025, the Company signed a rental contract for three A321neo with Avolon Aerospace Lease Corporation, which are expected to be introduced in 2027.

On June 25, 2025, the Company's Board of Directors approved the lease of five A321neo aircraft from ALC, of which two aircraft had already been leased under signed agreements and were introduced in August 2025.

On December 3, 2025, the Board of Directors of Tigerair Taiwan Co., Ltd. resolved to lease 11 A320neo aircraft, of which 7 aircraft will be leased from Avolon Aerospace Leasing Limited and 4 aircraft from ICBC Aviation Leasing Company Limited. The total expected right-of-use assets are approximately US$678,061 thousand, and the lease payments will vary according to actual annual adjustments.

On October 31 and December 3, 2025, the Board of Directors of Tigerair Taiwan Co., Ltd. resolved to lease 2 PW1127GA-JM backup engines from ICBC Aviation Leasing Company Limited and 2 PW1127GA-JM backup engines from Aviation Capital Group. The total expected right-of-use assets are approximately US$26,268 thousand. As of December 31, 2025, one engine had been delivered, and the remaining engines were delivered in January 2026.

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

f. Aircraft leases

In order to revitalize assets, the Company signed a lease agreement for two 747-400F aircraft with US Cargo Company in August 2021 and September 2021, respectively. The lease commencement dates were on July 15 and October 10, 2022, respectively. Due to early termination of the lease agreements, these two cargo aircraft were sold to Icelandic owner Air Atlanta Icelandic in August 2023. One of the cargo aircraft was sold on a finance lease basis, and ownership can only be obtained after the payment is paid in accordance with the 24-installment payment schedule. Air Atlanta Icelandic completed the final payment on August 30, 2025, and finalized the aircraft re-registration process.

Finance lease receivables

The composition of finance lease receivables is as follows:

	December 31	
	2025	2024
Undiscounted lease payments		
Year 1	$ -	$ 205,513
Year 2	-	-
	-	205,513
Less: Unearned finance income	-	(5,291)
Net investment in leases presented as finance lease receivables	$ -	$ 200,222
Current	$ -	$ 200,222
Non-current	$ -	$ -

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

g. Other lease information

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

	For the Year Ended December 31	
	2025	2024
Short-term leases and low-value asset leases	$ 124,505	$ 96,438
Total cash outflow for leases	$ (15,310,717)	$ (15,015,039)

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

22. OTHER PAYABLES

	December 31	
	2025	2024
Short-term employee benefits	$ 9,729,813	$ 9,621,200
Fuel costs	3,856,201	3,896,608
Repair expenses	2,236,629	2,076,368
Terminal surcharges	1,040,238	1,032,086
Ground service expenses	920,782	903,547
Commission expenses	237,994	239,947
Finance costs	168,630	195,166
Others	4,200,261	3,485,219
	$ 22,390,548	$ 21,450,141

23. CONTRACT LIABILITIES

	December 31	
	2025	2024
Frequent flyer program	$ 8,106,417	$ 5,863,373
Advance ticket sales	28,734,409	28,549,379
Others	83,394	88,389
	$ 36,924,220	$ 34,501,141
Current	$ 31,294,677	$ 29,651,212
Non-current	5,629,543	4,849,929
	$ 36,924,220	$ 34,501,141

For the years ended December 31, 2025 and 2024, revenue recognized that was included in the contract liability balance at the beginning of the year amounted to $24,373,996 thousand and $21,041,027 thousand, respectively.

24. PROVISIONS

	December 31	
	2025	2024
Operating leases - aircraft	$ 22,329,978	$ 20,916,341
Current	$ 4,419,650	$ 1,679,375
Non-current	17,910,328	19,236,966
	$ 22,329,978	$ 20,916,341

	Operating Lease-Aircraft
Balance on January 1, 2024	$ 19,608,003
Additional provisions recognized	4,785,011
Usage	(4,333,478)
Unwinding of discounts and effects of changes in the discount rate	27,222
Effects of foreign currency exchange differences	829,583
Balance on December 31, 2024	$ 20,916,341
Balance on January 1, 2025	$ 20,916,341
Additional provisions recognized	6,161,778
Usage	(4,114,782)
Unwinding of discounts and effects of changes in the discount rate	22,460
Effects of foreign currency exchange differences	(655,819)
Balance on December 31, 2025	$ 22,329,978

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

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

Employees of the Group's subsidiaries in the United States and Japan are members of the United States and Japan government retirement benefit plans. Subsidiaries should appropriate a specific amount to retirement benefit plans. The obligation to the government retirement benefit plans of the Group is to appropriate a specific amount.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company and subsidiary contribute amounts equal to 2%-15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2025	2024
Present value of defined benefit obligation	$ 22,366,290	$ 21,876,955
Fair value of plan assets	(13,737,783)	(12,071,557)
Deficit	$ 8,628,507	$ 9,805,398
Net defined benefit liabilities	$ 8,666,120	$ 9,819,692
Net defined benefit assets (recorded as other non-current assets - others)	$ 37,613	$ 14,294

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance on January 1, 2024	$ 20,606,320	$ (10,908,890)	$ 9,697,430
Service cost			
Current service cost	1,202,876	-	1,202,876
Past service cost and loss on settlements	231	-	231
Net interest expense (income)	236,346	(126,766)	109,580
Recognized in profit or loss	1,439,453	(126,766)	1,312,687
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	16,660	(973,123)	(956,463)
Actuarial loss - changes in demographic assumptions	35,859	-	35,859
Actuarial loss - changes in financial assumptions	1,097,017	-	1,097,017
Actuarial loss - experience adjustments	208,843	-	208,843
Recognized in other comprehensive income	1,358,379	(973,123)	385,256
Contributions from the employer	(13,923)	(1,503,885)	(1,517,808)
Benefits paid	(1,427,184)	1,441,107	13,923
Direct payment to employees	(100,677)	-	(100,677)
Exchange differences on foreign plans	14,587	-	14,587
Balance on December 31, 2024	21,876,955	(12,071,557)	9,805,398
Service cost			
Current service cost	1,056,415	-	1,056,415
Past service cost and loss on settlements	152	-	152
Net interest expense (income)	329,998	(184,982)	145,016
Recognized in profit or loss	1,386,565	(184,982)	1,201,583
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(848,979)	(848,979)
Actuarial loss - changes in demographic assumptions	7,494	-	7,494
Actuarial loss - changes in financial assumptions	425,055	-	425,055
Actuarial loss - experience adjustments	84,591	-	84,591
Recognized in other comprehensive income	517,140	(848,979)	(331,839)
Contributions from the employer	-	(1,660,614)	(1,660,614)
Benefits paid	(1,028,250)	1,028,250	-
Direct payment to employees	(381,494)	-	(381,494)
Exchange differences on foreign plans	(4,527)	-	(4,527)
Other	(99)	99	-
Balance on December 31, 2025	$ 22,366,290	$ (13,737,783)	$ 8,628,507

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2025	**2024**
Discount rate	1.25%-1.375%	1.50%-1.60%
Expected rate of salary increase	1.00%-3.00%	1.00%-3.00%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2025	**2024**
Discount rate		
0.25% increase	$ (408,592)	$ (419,683)
0.25% decrease	426,897	436,843
Expected rate of salary increase		
0.5% increase	795,258	817,464
0.5% decrease	(753,357)	(776,126)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2025	**2024**
Expected contributions to the plan for the next year	$ 1,038,454	$ 1,114,375
Average duration of the defined benefit obligation	7-11 years	7-9 years

26. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2025	2024
Number of shares authorized (in thousands of shares)	7,000,000	7,000,000
Amount of shares authorized	$ 70,000,000	$ 70,000,000
Amount of shares issued	$ 60,853,733	$ 60,769,350

The Company issued the 7th domestic unsecured convertible bonds, and the holders of the convertible bonds applied for conversion in the amount of $146,800 thousand and $448,100 thousand, respectively, for the years ended December 31, 2025 and 2024. The number of ordinary shares exchanged was 8,438 thousand and 25,594 thousand, respectively, and entitled to registration change after the issuance of new shares.

b. Capital surplus

	December 31	
	2025	2024
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of convertible bonds in excess of par value and conversion premium	$ 2,630,253	$ 2,569,080
Treasury share transactions (dividend distributed to subsidiaries)	5,762	4,111
Expired equity component of convertible bonds	983,202	977,041
Difference between consideration and carrying amount arising from the disposal of subsidiaries' stock	1,425,334	1,425,334
May only be used to offset a deficit (2)		
Long-term investments	805,344	805,344
May not be used for any purpose		
Equity component of convertible bonds	42,406	48,567
	$ 5,892,301	$ 5,829,477

1) Such capital surplus may be used to offset deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Appropriation of earnings and dividend policy

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

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

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

1) Appropriation of earnings in 2023

The appropriation of earnings in 2023 which was resolved and recognized in the shareholders' meeting on May 30, 2024 is as follows:

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

2) Appropriation of earnings in 2024

The appropriation of earnings in 2024 which was resolved and recognized in the shareholders' meeting on May 28, 2025 is as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,424,253	
Special reserve	854,805	
Cash dividends	4,842,015	$ 0.79587046

d. Other equity items

The movement of other equity items is as follows:

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2024	$ (12,965)	$ 22,726	$ (699,775)	$ (690,014)
Exchange differences on translation of the financial statements of foreign operations	127,059	-	-	127,059
Cumulative (loss) gain on changes in fair value of hedging instruments	-	-	(1,476,691)	(1,476,691)
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	399,797	399,797
Unrealized gain (loss) on financial assets at FVTOCI	-	34,781	-	34,781
Effects of income tax	(25,413)	(6,894)	385,492	353,185
Other comprehensive income (loss) recognized in the period	101,646	27,887	(691,402)	(561,869)
Transferred to initial carrying amount of hedged items/ ineffective portion of hedges	-	-	(292,936)	(292,936)
Balance on December 31, 2024	$ 88,681	$ 50,613	$ (1,684,113)	$ (1,544,819)

(Continued)

	Exchange Differences on the Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Gain (Loss) on Hedging Instruments	Total
Balance on January 1, 2025	$ 88,681	$ 50,613	$ (1,684,113)	$ (1,544,819)
Exchange differences on translation of the financial statements of foreign operations	(62,424)	-	-	(62,424)
Cumulative (loss) gain on changes in fair value of hedging instruments	-	-	1,477,120	1,477,120
Cumulative gain (loss) on changes in fair value of hedging instruments reclassified to profit or loss	-	-	(36,571)	(36,571)
Unrealized gain (loss) on financial assets at FVTOCI	-	43,571	-	43,571
Effects of income tax	12,485	(9,710)	(347,737)	(344,962)
Other comprehensive income (loss) recognized in the period	(49,939)	33,862	1,092,812	1,076,734
Transferred to initial carrying amount of hedged items/ ineffective portion of hedges	-	-	238,164	238,164
Balance on December 31, 2025	$ 38,742	$ 84,474	$ (353,137)	$ (229,921)

(Concluded)

e. Non-controlling interests

	For the Year Ended December 31	
	2025	2024
Beginning balance	$ 4,548,226	$ 2,887,755
Net income attributable to non-controlling interests	1,473,153	1,111,843
Other comprehensive income recognized for the year		
Exchange differences on translation of the financial statements of foreign operations	229	7,930
Actuarial losses and gains on defined benefit plans	679	(193,243)
Cash flow hedge on changes in fair value of hedging instruments	3,173	2,660
Cumulative (loss) gain arising on changes in fair value of hedging instruments reclassified to loss or profit	(2,583)	(2,574)
Effects of income tax	(124)	36,161
	1,374	(149,066)
Outstanding share options held by employees of subsidiaries	-	17,998
Actual disposal of partial equity interest in subsidiaries	-	533,510
Change in equity in subsidiaries	(16,573)	293,054
Proceeds from refund of the capital reduction of subsidiaries	-	-
Dividends paid by subsidiaries	(1,049,754)	(146,868)
Ending balance	$ 4,956,426	$ 4,548,226

f. Treasury shares

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

(In Thousands of Shares)

Period of Treasury Shares	Number of Shares, Beginning of Year	Reduction During the Year	Number of Shares, End of Year
For the year ended December 31, 2025	2,075	-	2,075
For the year ended December 31, 2024	2,075	-	2,075

Name of Subsidiary	Number of Shares (In Thousands)	Carrying Amount	Market Value
December 31, 2025			
Mandarin Airlines	2,075	$ 41,907	$ 41,907
December 31, 2024			
Mandarin Airlines	2,075	$ 53,214	$ 53,214

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

27. NET INCOME

a. Revenue

	For the Year Ended December 31	
	2025	2024
Passenger	$ 124,908,428	$ 127,919,428
Cargo	66,830,701	60,711,511
Others	17,399,637	15,248,399
	$ 209,138,766	$ 203,879,338

b. Other income

	For the Year Ended December 31	
	2025	2024
Interest income	$ 1,732,812	$ 2,231,421
Dividends income	21,473	18,717
Others	404,562	507,405
	$ 2,158,847	$ 2,757,543

c. Other gains and losses

	For the Year Ended December 31	
	2025	2024
Gain on disposal of property, plant and equipment	$ 40,539	$ 391,002
Gain on sale of non-current assets held for sale	-	9,753
Gain on financial assets mandatorily classified as at FVTPL	3,108	2,421
Net foreign exchange (loss) gain	(542,658)	194,661
Reversal gain of recognized on flight equipment and other equipment	-	124,021
Gain (loss) on disposal of investments	4,628	(29)
Others	(291,447)	(313,186)
	$ (785,830)	$ 408,643

d. Finance costs

	For the Year Ended December 31	
	2025	2024
Interest expense		
Bonds payable	$ 108,258	$ 121,310
Bank loans	724,005	813,381
Interest on lease liabilities	2,201,871	1,816,176
Loss arising from derivatives designated as hedging instruments in cash flow hedge accounting relationships reclassified from equity to profit or loss	(1,599)	(831)
Others	4,507	5,671
	$ 3,037,042	$ 2,755,707
Capitalization interest	$ 799,983	$ 588,876
Capitalization rate	2.07%-2.16%	1.84%-2.21%

e. Depreciation and amortization expense

	For the Year Ended December 31	
	2025	2024
Property, plant, equipment	$ 16,395,060	$ 15,830,783
Right-of-use assets	12,719,165	13,429,283
Investment properties	227	227
Intangible assets	186,771	210,221
Depreciation and amortization expenses	$ 29,301,223	$ 29,470,514
An analysis of depreciation by function		
Operating costs	$ 27,573,841	$ 27,890,499
Operating expenses	1,540,611	1,369,794
	$ 29,114,452	$ 29,260,293
An analysis of amortization by function		
Operating costs	$ 8,982	$ 9,298
Operating expenses	177,789	200,923
	$ 186,771	$ 210,221

f. Employee benefits expense

	For the Year Ended December 31	
	2025	2024
Post-employment benefits		
Defined contribution plan	$ 749,388	$ 689,068
Defined benefit plan	1,201,583	1,312,687
	$ 1,950,971	$ 2,001,755
Other employee benefits		
Salary expenses	$ 30,945,452	$ 29,333,102
Personnel service expenses	8,992,937	8,922,958
	$ 39,938,389	$ 38,256,060
An analysis of employee benefits expense by function		
Operating costs	$ 35,044,654	$ 32,878,110
Operating expenses	6,844,706	7,379,705
	$ 41,889,360	$ 40,257,815

According to the Company's articles, the Company accrues compensation of employees at rates of no less than 3% of the net profit before income tax and compensation of employees. When the Company has an accumulated deficit, the Company shall set aside some amounts to offset the deficit in advance. According to the amendments to the Securities and Exchange Act in August 2024, the Company resolved at its 2025 shareholders' meeting to amend the Articles, stipulating that compensation for non-executive employees shall be no less than 30% of the total employee compensation actually accrued in that year. For the years ended December 31, 2025 and 2024, the estimated amount of compensation of employees (including compensation for non-executive employees) were $730,792 thousand and $711,954 thousand, respectively.

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

There was no difference between the actual appropriated amounts of compensation of employees and the amounts recognized in the consolidated financial statements for the years ended December 31, 2024 and 2023.

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

28. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expense are as follows:

	For the Year Ended December 31	
	2025	2024
Current tax		
Current year	$ 4,431,824	$ 2,905,280
Adjustments for prior year	5,289	(21,289)
Deferred tax		
Current year	(552,019)	839,574
Adjustments for prior year	44	57,309
Income tax expense recognized in profit or loss	$ 3,885,138	$ 3,780,874

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

	For the Year Ended December 31	
	2025	2024
Profit before tax from continuing operations	$ 20,058,610	$ 19,276,062
Income tax expense calculated at the statutory rate (20%)	$ 4,011,722	$ 3,855,212
Effect of different tax of subsidiaries	3,785	(5,677)
Effect of adjustments to income tax:		
Non-deductible expenses in determining taxable income	13,090	13,906
Tax-exempt income	(159,524)	(107,091)
Income tax on unappropriated earnings (5%)	72	-
Overseas income tax expense	17,812	7,516
Unrecognized loss carryforwards, investment tax credits and temporary difference	(8,712)	(22,220)
Adjustments for prior years' tax	5,289	(21,289)
Adjustments prior years' deferred tax	44	57,309
Others	1,560	3,208
Income tax expense recognized in profit or loss	$ 3,885,138	$ 3,780,874

As of December 31, 2025, among the jurisdictions in which the Group operates, except for Hong Kong, all other jurisdictions have entered into double taxation agreements with the Republic of China or have not enacted or substantively enacted Pillar Two income tax legislation. The Group has performed a preliminary assessment and concluded that the related financial impact is not expected to be material. However, under the Inclusive Framework of the Pillar Two income tax rules, further guidance has not yet been provided on substantive carve-outs, including those relating to aircraft and flight crew. Accordingly, there remains a degree of uncertainty regarding the potential impact.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2025	2024
Deferred tax		
Recognized in other comprehensive income		
Translation of foreign operations	$ 12,439	$ (26,999)
Fair value changes of financial assets at FVTOCI	(9,710)	(6,894)
Fair value changes of hedging instruments for cash flow hedging	(347,856)	385,476
Remeasurement of defined benefit plans	(65,798)	74,181
Total income tax recognized in other comprehensive income	$ (410,925)	$ 425,764

c. Deferred tax assets and liabilities

For the year ended December 31, 2025

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plans	$ 1,955,457	$ (138,786)	$ (65,386)	$ -	$ 1,751,285
Frequent flyer programs	1,186,948	460,613	-	-	1,647,561
Maintenance reserves	3,034,793	289,910	-	-	3,324,703
Allowance for reduction of inventories	498,546	(52,359)	-	-	446,187
Tax losses	510,933	(272,544)	-	-	238,389
Others	694,836	90,107	(345,127)	(3,703)	436,113
	$ 7,881,513	$ 376,941	$ (410,513)	$ (3,703)	$ 7,844,238
Deferred tax liabilities					
Temporary differences					
Unrealized foreign exchange gains	$ 181,976	$ (181,976)	$ -	$ -	$ -
Defined benefit plans	2,701	115	412	-	3,228
Others	176,296	6,827	-	(4,455)	178,668
	$ 360,973	$ (175,034)	$ 412	$ (4,455)	$ 181,896

For the year ended December 31, 2024

	Beginning Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Difference	Ending Balance
Deferred tax assets					
Temporary differences					
Defined benefit plans	$ 1,950,974	$ (70,670)	$ 75,153	$ -	$ 1,955,457
Frequent flyer programs	796,756	390,192	-	-	1,186,948
Maintenance reserves	2,781,159	253,634	-	-	3,034,793
Allowance for reduction of inventories	494,568	3,978	-	-	498,546
Tax losses	1,223,490	(712,557)	-	-	510,933
Others	945,323	(599,052)	351,583	(3,018)	694,836
	$ 8,192,270	$ (734,475)	$ 426,736	$ (3,018)	$ 7,881,513
Deferred tax liabilities					
Temporary differences					
Unrealized foreign exchange gains	$ 27,024	$ 154,952	$ -	$ -	$ 181,976
Defined benefit plans	1,666	63	972	-	2,701
Others	168,209	7,393	-	694	176,296
	$ 196,899	$ 162,408	$ 972	$ 694	$ 360,973

Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets were as follows:

	December 31	
	2025	2024
Loss carryforwards		
Expiry in 2025	$ -	$ 18,125
Expiry in 2026	31,476	31,476
Expiry in 2027	68,415	68,415
Expiry in 2028	103,161	103,161
Expiry in 2029	206,151	206,151
Expiry in 2030	509,696	573,631
Expiry in 2031	1,548,035	1,548,035
Expiry in 2032	1,136,642	1,136,642
Expiry in 2033	75,326	75,326
Expiry in 2034	38,208	38,208
Expiry in 2035	56,102	-
	$ 3,773,212	$ 3,799,170
Other temporary differences	$ 5,765,208	$ 5,787,524

d. Unused tax loss carryforwards as of December 31, 2025 were as follows:

Expiry Year	Unused Amount
Mandarin Airline Co., Ltd.	
2030	$ 235,273
2031	1,339,212
2032	997,031
	$ 2,571,516
Taoyuan International Airport Services	
2030	$ 232,070
2031	35,653
2032	795,948
	$ 1,063,671
Taiwan Airport Services	
2032	$ 47,659
Cal Hotel Co., Ltd.	
2030	$ 19,080
2031	70,120
2032	31,014
	$ 120,214
Taiwan Aircraft Maintenance And Engineering Co., Ltd.	
2026	$ 31,476
2027	68,415
2028	103,161
2029	206,151
2030	255,343
2031	138,703
2032	108,597
2033	75,326
2034	38,208
2035	56,102
	$ 1,081,482

e. Income tax assessment

The income tax returns of the Company through 2023 have been examined by the tax authorities. The income tax returns of the Company's subsidiaries through 2023 have been examined by the tax authorities.

29. EARNINGS PER SHARE

	For the Year Ended December 31	
	2025	2024
Basic earnings per share	$ 2.42	$ 2.38
Diluted earnings per share	$ 2.38	$ 2.33
Net income for the period		
Earnings used in the computation of basic earnings per share	$ 14,700,319	$ 14,383,345
Effect of potentially dilutive ordinary shares:		
Interest on convertible bonds (after tax)	8,934	13,275
Earnings used in the computation of diluted earnings per share	$ 14,709,253	$ 14,396,620
In thousands of shares		
Weighted average number of ordinary shares in computation of basic earnings per share	6,081,043	6,051,387
Effect of potentially dilutive ordinary shares:		
Compensation of employees or bonuses issued to employees	41,649	30,094
Convertible bonds	60,860	87,922
Weighted average number of ordinary shares used in the computation of diluted earnings per share	6,183,552	6,169,403

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

30. CAPITAL MANAGEMENT

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

To support operating activities and purchase of aircraft, the Group needs to maintain sufficient capital. Therefore, the goal of capital management is to ensure that financial resources and operating plan is able to support the future working capital, capital expenditures, debt repayment, dividend payments and other needs in the next 12 months.

31. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial liabilities				
Bonds payable	$ 7,382,809	$ 7,615,919	$ 6,069,339	$ 6,616,629

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

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

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

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

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

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

December 31, 2025

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 221,180	$ -	$ -	$ 221,180
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	$ -	$ -	$ 19,941	$ 19,941
Unlisted shares - foreign	-	-	167,379	167,379
Listed shares - foreign	407	-	-	407
	$ 407	$ -	$ 187,320	$ 187,727
Financial assets for hedging	$ -	$ 4,132	$ 1,714	$ 5,846
Financial liabilities for hedging	$ 40,809,516	$ 686	$ 1,955	$ 40,812,157

December 31, 2024

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic money market funds	$ 196,217	$ -	$ -	$ 196,217
Financial assets at FVTOCI				
Investments in equity instruments				
Unlisted shares - domestic	$ -	$ -	$ 23,095	$ 23,095
Unlisted shares - foreign	-	-	117,423	117,423
Listed shares - foreign	368	-	-	368
	$ 368	$ -	$ 140,518	$ 140,886
Financial assets for hedging	$ 2,950,820	$ 37,664	$ 348	$ 2,988,832
Financial liabilities for hedging	$ 41,619,728	$ -	$ 11,461	$ 41,631,189

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

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

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

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

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

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

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

	Multiplier	Liquidity Discount
December 31, 2025	0.91-23.60	80%
December 31, 2024	0.75-25.43	80%

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

	Derivative Instruments	Equity Instruments
Balance on January 1, 2025	$ (11,113)	$ 140,518
Recognized in other comprehensive income	10,872	46,802
Balance on December 31, 2025	$ (241)	$ 187,320
Balance on January 1, 2024	$ (72,026)	$ 103,982
Recognized in other comprehensive income	60,913	36,536
Balance on December 31, 2024	$ (11,113)	$ 140,518

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

	December 31	
	2025	2024
Financial assets		
Financial assets at FVTPL	$ 221,180	$ 196,217
Financial assets for hedging	5,846	2,988,832
Financial assets at amortized cost (Note 1)	72,090,700	81,901,617
Financial assets at FVTOCI - investments in equity instruments	187,727	140,886
Financial liabilities		
Financial liabilities for hedging	40,812,157	41,631,189
Financial liabilities at amortized cost (Note 2)	157,144,253	143,175,818

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

The Group is primarily exposed to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk. The Group enters into foreign exchange forward contracts, foreign currency option contracts, and interest swap contracts with fair values that are highly negatively correlated to the fair values of hedged items and evaluates the hedging effectiveness of these instruments periodically.

a) Foreign currency risk

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

Sensitivity analysis

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

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

When New Taiwan dollars increased by one dollar against U.S. dollars and all other variables were held constant, there would be a increase in pre-tax profit and an increase in pre-tax other comprehensive income for the year ended December 31, 2025 of $336,188 thousand and $1,258,444 thousand, respectively; and a decrease in pre-tax profit and an increase in pre-tax other comprehensive income for the year ended December 31, 2024 of $371,411 thousand and $1,143,402 thousand, respectively.

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

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

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

Refer to Note 21 for rental contract for hedging.

December 31, 2025

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft prepayment - forward exchange contracts	NTD/USD	NTD1,226,415/ USD39,000	2026.01.26	31.314-31.405	Financial assets for hedging - current/liabilities for hedging - current	$ 896	$ 686

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft prepayments) was $210 thousand.

For the year ended December 31, 2025

Comprehensive Income	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ -	$ 10,496	(Note)
Aircraft prepayment	(58,809)	-	
	$ (58,809)	$ 10,496	

Note: Decrease in operating costs or exchange loss.

For the year ended December 31, 2025, the amount of hedging instrument settlements recognized as a increase of aircraft prepayments were $27,582 thousand.

December 31, 2024

Hedging Instruments	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge							
Aircraft prepayment - forward exchange contracts	NTD/USD	NTD1,180,328/ USD36,000	2025.01.24-2025.9.30	30.993-32.277	Financial assets for hedging - current/liabilities for hedging - current	$ 31,437	$ -

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (aircraft prepayments) was $31,437 thousand.

For the year ended December 31, 2024

Comprehensive Income	Hedging Gains (Losses) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge			
Aircraft rentals	$ 2,720	$ 14,446	(Note)
Aircraft prepayment	277,871	-	
	$ 280,591	$ 14,446	

Note: Decrease in operating costs or exchange loss.

For the year ended December 31, 2024, the amount of hedging instrument settlements recognized as a decrease of aircraft prepayments were $244,859 thousand.

b) Interest rate risk

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

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

	December 31	
	2025	2024
Fair value interest rate risk	$ 57,555,448	$ 55,955,007
Cash flow interest rate risk	92,891,154	83,196,088

Sensitivity analysis

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

Had interest rates increased by one yard (25 basis points) and all other variables been held constant, the Group's pre-tax profit for the years ended December 31, 2025 and 2024 would have decreased by $232,228 thousand and $207,990 thousand, respectively.

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

December 31, 2025

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39%-1.58%	Financial assets for hedging - current/liabilities for hedging - non-current	$ 3,236	$ -

Note: The Company recognized interest receivable for $324 thousand.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was $3,236 thousand.

For the year ended December 31, 2025

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge - Interest expense on long-term borrowings	$ (2,991)	$ 1,599	(Note)

Note: Decrease in financial costs or other losses.

December 31, 2024

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedge Interest expense on long-term borrowings - interest rate swaps	NTD	NTD900,000	2027.4.1-2027.5.24	1.39%-1.58%	Financial assets for hedging - current/liabilities for hedging - non-current	$ 6,227	$ -

Note: The Company recognized interest receivable for $307 thousand.

The abovementioned hedging instruments applied hedge accounting. The book value of other equity for each hedging item (interest expense on long-term borrowings) was $6,227 thousand.

For the year ended December 31, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedge - Interest expense on long-term borrowings	$ 11,735	$ 831	(Note)

Note: Decrease in financial costs or other losses.

c) Other price risk

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

December 31, 2025

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedges							
Aviation fuel - fuel options	USD	NTD401	2026.3.31-2026.6.30	USD 55 - USD 68.84	Financial assets for hedging - current/liabilities for hedging - current	$ 1,554	$ 1,955
Cash flow hedges							
Aviation fuel - swap	USD	NTD160	2026.11.06	USD 59.7	Financial assets for hedging - current/liabilities for hedging - current	160	-

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was $(241) thousand.

For the year ended December 31, 2025

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - aviation fuel options and swap	$ 10,872	$ (24,865)	(Note)

Note: Decrease in operating costs.

December 31, 2024

Hedging Instrument	Currency	Notional Amount	Maturity	Forward Rate	Line Item in Balance Sheet	Carrying Amount Asset	Carrying Amount Liability
Cash flow hedges							
Aviation fuel - fuel options	USD	NTD3,758	2025.3.31-2025.9.30	USD65-USD92.2	Financial assets for hedging - current/liabilities for hedging - current	$ 348	$ 4,106
Cash flow hedges							
Aviation fuel - swap	USD	NTD7,355	2025.1.6-2024.6.30	USD76.5-USD79.38	Financial assets for hedging - current/liabilities for hedging - current	-	7,355

Hedge accounting continues to be applied to the abovementioned hedging instruments. The carrying amount of other equity for each hedging item (fuel payments in U.S. dollars) was $(11,113) thousand.

For the year ended December 31, 2024

Comprehensive Income	Hedging Gain (Loss) Recognized in Other Comprehensive Income	Amount Reclassified to Profit and Loss and the Adjusted Line Item	
Cash flow hedges - aviation fuel options and swap	$ 60,913	$ 12,765	(Note)

Note: Decrease 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 Year Ended December 31			
	2025		2024	
	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)	Pre-tax Profit Increase (Decrease)	Other Compre-hensive Income Increase (Decrease)
Fuel price increase of 5%	$ 1,931	$ 20	$ 2,374	$ 468
Fuel price decrease of 5%	(1,931)	(20)	(2,551)	(468)

2) Credit risk

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

Operation - related credit risk

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

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

Since the customers of the aviation industry are dispersed and non-related, the credit risk concentration is not critical.

Financial credit risk

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

3) Liquidity risk

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

	Undrawn Bank Loan Commitments (Unsecured)	
	December 31	
	2025	2024
The Group (China Airlines, Ltd., Mandarin Airlines and Tigerair Taiwan Co., Ltd.)	$ 32,833,231	$ 37,188,619

Liquidity and interest rate risk 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.

December 31, 2025

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	3.0777	$ 4,882,729	$ 8,010,208	$ 10,694,453
Floating interest rate liabilities	2.1229	13,645,120	53,123,173	18,372,615
Hedging instruments	4.0544	9,930,493	23,178,563	12,094,300
Bonds payable	1.7091	1,758,990	5,848,274	-
		$ 30,217,332	$ 90,160,218	$ 41,161,368

December 31, 2024

	The Weighted Average Effective Interest Rate (%)	Less than 1 Year	1 to 5 Years	Over 5 Years
Lease liabilities	3.0341	$ 5,848,149	$ 9,767,305	$ 9,260,598
Floating interest rate liabilities	2.1279	13,476,295	43,647,832	16,993,421
Hedging instruments	3.7460	10,855,109	26,088,849	9,618,253
Bonds payable	1.3463	1,731,713	4,478,837	-
		$ 31,911,266	$ 83,982,823	$ 35,872,272

32. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and relationships

Related Party Name	Relationship with the Company
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
China Pacific Laundry Services	Joint venture
NORDAM Asia Ltd.	Joint venture (completed the dissolution and liquidation procedures in July 2025)
Delica International Co., Ltd.	Joint venture (completed the dissolution and liquidation procedures in October 2024)
China Aviation Development Foundation	Director of the Company and major shareholder
Others	Director, key management personnel, chairman, general manager of the Group, spouse and second-degree relatives

b. Operating transactions

		For the Year Ended December 31	
Account Items	Related Party Type	2025	2024
Other income	Major shareholders of the Company	$ 29,861	$ 18,402
	Joint venture	$ 30,604	$ 31,395

c. Purchases

Related Party Type	For the Year Ended December 31 2025	2024
Associate	$ 175,776	$ 221,913
Joint venture	$ 3,744,038	$ 3,124,963

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

Related Party Type	December 31 2025	2024
Joint venture	$ 2,511	$ 2,750
Major shareholders of the Company	2,969	3,472
	$ 5,480	$ 6,222

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

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

Related Party Type	December 31 2025	2024
Associates	$ 13,892	$ 18,681
Joint venture	979,839	784,468
Major shareholder of the Company	6,469	8,040
	$ 1,000,200	$ 811,189

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

f. Disposal of property, plant and equipment

Related Party Type	Proceeds December 31 2025	2024	Loss on Disposal December 31 2025	2024
Major shareholders of the Company	$ 671,613	$ -	$ (12,654)	$ -

g. Lease arrangements

Under an operating lease agreement, the Company rented flight training machines and flight simulators from the China Aviation Development Foundation to train pilots, and the Company paid the rental based on usage hours. For the years ended December 31, 2025 and 2024, the Company paid rentals of $62,956 thousand and $40,191 thousand, respectively.

h. Endorsements and guarantees

	December 31			
	2025		2024	
	Authorized Amount	Actual Amount Used	Authorized Amount	Actual Amount Used
The Company				
Cal Park	$ 3,400,000	$ 786,840	$ 3,400,000	$ 1,005,960
Tigerair Taiwan Co., Ltd.	2,044,025	41,727	2,131,148	84,907
Taiwan Aircraft Maintenance and Engineering Co., Ltd.	2,000,000	1,499,239	2,000,000	1,586,500

i. Remuneration of key management personnel

The compensation to directors and other key management personnel were as follows:

	For the Year Ended December 31	
	2025	2024
Short-term employee benefits	$ 72,720	$ 66,618
Post-employment benefits	3,260	3,030
	$ 75,980	$ 69,648

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

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2025	2024
Property, plant and equipment	$ 61,952,798	$ 56,711,730
Restricted assets	319,983	364,984
	$ 62,272,781	$ 57,076,714

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

34. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

In addition to those disclosed in the other notes, significant commitments and contingent liabilities of the Group at December 31, 2025 were as follows:

a. Taiwan Air Cargo Terminal Co. (TACT) signed a terminal construction contract with the Civil Aeronautics Administration (CAA) on January 14, 2000. The chartered operation period (COP) is 20 years from the date of the 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 at Taiwan Taoyuan International Airport and Kaohsiung International Airport and received approval from Taoyuan Airport Corporation and CAA in July 2013 and July 2015, respectively.

   In addition, TACT filed an arbitration to revise the total amount of expenditure to $6,840,000 thousand. As of December 31, 2025, TACT had signed the following construction contracts with unrelated parties:

Client Name	Contract Title	Contract Amount (VAT Included)
HTS CONSTRUCTION CO., LTD.	Waterproofing works for the export warehouse and administrative building rooftops, alongside comprehensive wall refurbishment.	$ 19,800

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

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

b. CAL Park Co., Ltd. (“CAL Park”) signed the “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 the contract expiration date, CAL Park has the first option to renew the contract with a 20-year extension.

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

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

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

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

c. In October 2019, the Company signed a contract with Airbus S.A.S. to purchase eleven A321neo aircrafts and an option to purchase five A321neo aircrafts. The total listed price of the eleven aircraft is US$1,687,810 thousand, and the listed price of the option to purchase five aircraft is US$769,922 thousand. The expected delivery periods of the eleven aircraft are from 2024 to 2026. As of December 31, 2025, five out of the eleven aircraft have been delivered. The total list price of the last remaining aircraft is US$932,935 thousand, and the list price had been paid in the amount of US$87,074 thousand (recognized as prepayments for aircraft). In October 2019, the Company signed a contract with International Aero Engines Company to purchase four backup engines for its A321neo. The total list price of the four engines was US$60,289 thousand. As of December 31, 2025, three out of the four backup engines have been delivered. The Company also signed related aircraft lease agreement; refer to Note 21.

d. On September 28, 2022, the Company signed a contract with the Boeing Company to purchase sixteen 787-9 aircrafts and the option to purchase eight 787-9 aircrafts. On May 23 and June 20, 2023, the Company exercised the option to purchase eight aircrafts, six of its 787-9 aircraft were converted to 787-10, with a total of twenty-four aircrafts (include eighteen 787-9 aircraft and six 787-10 aircraft). The total list price is approximately US$9,246,181 thousand. The expected delivery periods are from 2026 to 2029. As of December 31, 2025, the list price has been paid in the amount of US$1,131,216 thousand (recognized as prepayments for aircraft).

e. On March 31, 2025, the Company signed a contract with The Boeing Company to purchase ten 777-9 passenger aircraft and obtained purchase options for five additional aircraft. The total list price of the ten aircraft is approximately US$7,382,236 thousand. The delivery of the ten aircraft is scheduled to commence in 2030. As of December 31, 2025, payments of US$157,920 thousand had been made (recognized as prepayments for aircraft). On November 26, 2025, the Company exercised the option to purchase five aircraft. The total list price is approximately US$3,815,465 thousand.

f. On March 31, 2025, the Company also signed a contract with The Boeing Company to purchase four 777-8F freighter aircraft and obtained purchase options for four additional aircraft. The total list price of the four aircraft is approximately US$2,733,966 thousand. The delivery of the aircraft is scheduled to commence in 2031. As of December 31, 2025, payments of US$62,899 thousand had been made (recognized as prepayments for aircraft). On November 26, 2025, the Company exercised the option to purchase four aircraft. The total list price is approximately US$2,748,725 thousand.

g. On March 31, 2025, the Company signed a contract with Airbus S.A.S. to purchase ten A350-1000 passenger aircraft and obtained purchase options for five additional aircraft. The total list price of the ten aircraft is approximately US$5,477,580 thousand. The delivery of the aircraft is scheduled to commence in 2029. As of December 31, 2025, payments of US$87,549 thousand had been made (recognized as prepayments for aircraft). On November 26, 2025, the Company exercised the option to purchase five aircraft. The total list price is approximately US$2,899,348 thousand.

h. On June 25, 2025, the Board of Directors approved the introduction of three A321neo passenger aircraft and five A350-900 passenger aircraft. The related procurement negotiations are currently in progress; among them, three A350-900 aircraft are to be contracted with ILFC Ireland Limited, with a list price of approximately US$1,200,000 thousand for the three firm orders. The delivery of the aircraft is scheduled to commence in 2026, payments of US$36,000 thousand had been made (recognized as prepayments for aircraft).

i. On November 26, 2025, the Company's Board of Directors approved the acquisition of four 777F cargo aircraft. Among them, two aircraft have been ordered under a contract signed with The Boeing Company, with a total list price of approximately US$1,004,928 thousand. Payments of US$190,000 thousand had been made. The acquisition of the remaining two aircraft is still under negotiation.

j. On November 26, 2025, the Company's Board of Directors approved the disposal of four 747-400F cargo aircraft. Among them, two aircraft will be sold to Cargolux, while the disposal of the remaining two aircraft is still under negotiation.

k. On November 26, 2025, the Company's Board of Directors approved the purchase of one Rolls-Royce XWB-97 spare engine and three GE Aviation GE9X spare engines, with a total list price of approximately US$228,723 thousand.

l. In October 2019, Tigerair Taiwan Co., Ltd. signed a contract with Airbus S.A.S. to purchase seven A320neo aircraft and obtained options to purchase two additional A320neo aircraft. The total list price of the seven aircraft is approximately US$729,746 thousand. In December 2025, the Company converted the two A320neo options into firm orders for A321neo aircraft, with a total list price of approximately US$257,863 thousand. As of December 31, 2025, payments of US$65,726 thousand had been made for the A320neo aircraft (recognized as prepayments for aircraft). The aircraft are scheduled for delivery from 2026 to 2028.

m. On December 3, 2025, the Board of Directors of Tigerair Taiwan Co., Ltd. resolved to purchase two A321neo aircraft from Airbus S.A.S. and obtained options to purchase four additional A321neo aircraft. The total list price of the two aircraft is approximately US$327,764 thousand, and the related acquisition arrangements are currently under negotiation. Together with the conversion of A320neo options into firm orders for A321neo aircraft, as of December 31, 2025, payments of US$3,961 thousand had been made for the A321neo aircraft (recognized as prepayments for aircraft). The aircraft are scheduled for delivery from 2032 to 2033. The Company also signed related aircraft lease agreement; refer to Note 21.

n. On May 30, 2023, the Board of Directors of Mandarin Airlines approved the exercise of the option under the contract with AVIONS DE TRANSPORT REGIONAL G.I.E. to purchase three ATR72-600 aircraft, with a total contract price of approximately US$69,000 thousand. In addition, on September 30, 2024, the Board of Directors further approved the purchase of one additional ATR72-600 aircraft, with a total contract price of approximately US$24,000 thousand. The four aircraft are scheduled for delivery from 2025 to 2026. As of December 31, 2025, two aircraft had been delivered, and payments of US$7,000 thousand had been made for the remaining two aircraft (recognized as prepayments for aircraft).

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2025

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 762,107	31.4465	$ 23,965,643
EUR	19,570	36.9004	722,126
HKD	322,753	4.0339	1,301,949
JPY	4,807,218	0.2011	966,625
RMB	327,981	4.4863	1,471,429
Financial liabilities			
Monetary items			
USD	2,396,039	31.4465	75,347,135
EUR	7,080	36.9004	261,238
HKD	60,932	4.0339	245,792
JPY	7,448,082	0.2011	1,497,647
RMB	101,156	4.4863	453,817

December 31, 2024

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 1,457,742	32.7869	$ 47,794,831
EUR	20,505	34.1297	699,829
HKD	329,296	4.2230	1,390,617
JPY	4,388,567	0.2096	919,843
RMB	506,333	4.4924	2,274,650
Financial liabilities			
Monetary items			
USD	2,265,732	32.7869	74,286,341
EUR	10,414	34.1297	355,427
HKD	77,472	4.2230	327,164
JPY	6,529,364	0.2096	1,368,585
RMB	103,452	4.4924	464,748

For the years ended December 31, 2025 and 2024, the Group's net foreign exchange (losses) gains were $(542,658) thousand and $194,661 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

36. ADDITIONAL DISCLOSURES

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

1) Financing provided to others: Table 1 (attached)

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

3) Significant marketable securities held: None

4) 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)

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

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

b. Information on investments in mainland China: Table 6 (attached)

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

37. SEGMENT INFORMATION

a. Segment information

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

For the years ended December 31, 2025 and 2024, financial information of reportable segments is listed below:

	For the Year Ended December 31, 2025			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 202,330,126	$ 14,348,138	$ (7,539,498)	$ 209,138,766
Operating profit and loss	$ 18,808,960	$ 2,097,209	$ (69,951)	$ 20,836,218
Interest income				1,732,812
Investment income (loss) accounted for using the equity method				886,417
Revenue				474,310
Finance costs				(3,037,042)
Expenses				(834,105)
Profit before income tax				$ 20,058,610
Identifiable assets	$ 187,710,974	$ 12,171,065	$ (5,846,902)	$ 194,035,137
Investments accounted for using the equity method				3,094,871
Assets				157,693,909
Total assets				$ 354,823,917

	For the Year Ended December 31, 2024			
	Air Transportation	Others	Adjustments and Write-offs	Total
Operating revenue	$ 198,050,671	$ 12,635,837	$ (6,807,170)	$ 203,879,338
Operating profit and loss	$ 16,715,525	$ 1,557,341	$ (70,519)	$ 18,202,347
Interest income				2,231,421
Investment income (loss) accounted for using the equity method				663,236
Revenue				1,123,930
Finance costs				(2,755,707)
Expenses				(189,165)
Profit before income tax				$ 19,276,062
Identifiable assets	$ 178,148,021	$ 12,959,585	$ (6,075,099)	$ 185,032,507
Investments accounted for using the equity method				2,287,153
Assets				140,063,878
Total assets				$ 327,383,538

b. Geographical segment

The geographical segment information of the Company and its subsidiaries in 2025 and 2024 is listed below:

	For the Year Ended December 31, 2025								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 68,691,357	$ 48,145,545	$ 32,553,639	$ 21,261,631	$ 8,342,312	$ 12,839,871	$ 24,843,909	$ (7,539,498)	$ 209,138,766
Operation profit and losses									$ 20,836,218
Interest income									1,732,812
Investments income accounted for using the equity method									886,417
Revenue									474,310
Interest expense									(3,037,042)
Expenses									(834,105)
Profit before income tax									$ 20,058,610
Identifiable assets	$ 1,722,199	$ 50,482	$ 168,409	$ 59,786	$ 21,686	$ 78,605	$ 195,709,537	$ (5,846,902)	$ 194,035,137
Investments accounted for using the equity method									3,094,871
Assets									159,693,909
Total assets									$ 354,823,917

	For the Year Ended December 31, 2024								
	America	Northeast Asia	Southeast Asia	Europe	Australia	China	Domestic	Adjustment and Eliminations	Consolidation
Operating revenue	$ 66,390,645	$ 47,604,878	$ 33,741,355	$ 20,687,763	$ 8,287,543	$ 11,851,234	$ 22,123,090	$ (6,807,170)	$ 203,879,338
Operation profit and losses									$ 18,202,347
Interest income									2,231,421
Investments income accounted for using the equity method									663,236
Revenue									1,123,930
Interest expense									(2,755,707)
Expenses									(189,165)
Profit before income tax									$ 19,276,062
Identifiable assets	$ 1,711,578	$ 120,959	$ 190,015	$ 81,837	$ 20,173	$ 55,157	$ 188,927,887	$ (6,075,099)	$ 185,032,507
Investments accounted for using the equity method									2,287,153
Assets									140,063,878
Total assets									$ 327,383,538

CHINA AIRLINES, LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Cal-Dynasty International	Dynasty Hotel of Hawaii, Inc.	Notes receivable	Yes	$ 116,279	$ 110,063	$ 110,063	2.25	Short-term financing facility is necessary	$ -	Operating cycle capital expenditure	$ -	-	$ -	$ 164,102	$ 328,204	

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

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

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

Note 3: The balance of Cal-Dynasty International's loan to the Dynasty Hotel of Hawaii, Inc. as of December 31, 2024, was $114,754 thousand.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statement (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship										
0	China Airlines (the "Company")	Cal Park	100% owned subsidiary	$ 19,516,758	$ 3,400,000	$ 3,400,000	$ 786,840	$ -	3.48	$ 48,791,896	Yes	No	No
		Tigerair Taiwan Co., Ltd.	69.09% owned subsidiary by direct and indirect shareholdings	19,516,758	2,159,468	2,044,025	41,727	-	2.09	48,791,896	Yes	No	No
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	100% owned subsidiary	19,516,758	4,000,000	2,000,000	1,499,239	-	2.05	48,791,896	Yes	No	No

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

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

CHINA AIRLINES, LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable or Payable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
China Airlines, Ltd. ("China Airlines")	Dynasty Aerotech International Corp.	Subsidiary	Purchase	$ 427,351	0.28	2 months	$ -	-	$ (64,946)	(2.38)	-
	Cal Park	Subsidiary	Purchase	231,610	0.15	2 months	-	-	-	-	-
	Cal Hotel Co., Ltd.	Subsidiary	Purchase	242,188	0.16	2 months	-	-	(21,707)	(0.80)	-
	Mandarin Airlines	Subsidiary	Sale	(1,129,943)	(0.63)	2 months	-	-	218,562	2.14	-
	Mandarin Airlines	Subsidiary	Purchase	109,658	0.07	2 months	-	-	(146,450)	(5.37)	-
	Taiwan Air Cargo Terminal	Subsidiary	Purchase	562,739	0.37	30 days	-	-	(54,287)	(1.99)	-
	Taoyuan International Airport Service	Subsidiary	Purchase	1,331,135	0.88	40 days	-	-	(359,460)	(13.18)	-
	Taiwan Airport Services	Subsidiary	Purchase	421,003	0.28	40 days	-	-	(79,874)	(2.93)	-
	Tigerair Taiwan Co., Ltd.	Subsidiary	Sale	(637,957)	(0.36)	1 month	-	-	45,480	0.44	-
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Subsidiary	Purchase	412,018	0.27	1 month	-	-	(27,791)	(1.02)	-
	Kaohsiung Catering Service, Ltd.	Subsidiary	Purchase	634,576	0.42	90 days	-	-	(87,090)	(3.19)	-
	Eastern United International Logistics (Holdings) Ltd.	Associate	Purchase	171,088	0.11	2 months	-	-	(13,494)	(0.49)	-
	China Pacific Laundry Services	Joint venture	Purchase	177,017	0.12	90 days	-	-	(29,588)	(1.08)	-
	China Pacific Catering Services	Joint venture	Purchase	3,567,021	2.37	90 days	-	-	(950,251)	(34.84)	-
Mandarin Airlines	Taiwan Airport Services	Same parent company	Purchase	421,249	7.28	1 month	-	-	(20,261)	(2.18)	-
Tigerair Taiwan Co., Ltd.	Taoyuan International Airport Services	Same parent company	Purchase	328,184	2.68	40 days	-	-	(50,459)	(2.80)	-
	Taiwan Airport Services	Same parent company	Purchase	235,446	1.93	40 days	-	-	(36,366)	(2.02)	-
Cal Hotel	Cal Park	Same parent company	Purchase	114,637	30.79	1 month	-	-	(431)	(0.58)	-

CHINA AIRLINES, LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Taoyuan International Airport Service	China Airlines	Parent company	$ 359,460	3.71	$ -	-	$ 359,460	$ -
China Pacific Catering Services	China Airlines	Joint venture investment	950,251	4.18	-	-	643,329	-
Mandarin Airlines	China Airlines	Parent company	146,450	Note	-	-	143,600	-
China Airlines	Mandarin Airlines	Subsidiary	218,562	Note	-	-	210,420	-

Note: Due to the nature of the industry, accounts receivable and operating revenue are not directly related, and the turnover rate is not applicable.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2025			Net Income (Loss) of the Investee	Share of profit (Loss)	Note
				December 31, 2025	December 31, 2024	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	158,209,368	100.00	$ 1,925,212	$ 47,773	$ 81,175	Note 4
	Mandarin Airlines	Taipei, Taiwan	Air transportation and maintenance of aircraft	4,039,140	4,039,140	387,831,234	96.96	2,235,913	154,645	148,209	Notes 1 and 4
	Taiwan Air Cargo Terminal	Taoyuan, Taiwan	Air cargo and storage	1,080,000	1,080,000	108,000,000	54.00	1,580,167	645,159	348,346	Note 4
	Cal-Dynasty International	Los Angeles, U.S.A.	A holding company, real estate and hotel services	US$ 26,145	US$ 26,145	2,614,500	100.00	1,515,323	18,778	19,680	Notes 2 and 4
	China Pacific Catering Services	Taoyuan, Taiwan	In-flight catering	439,110	439,110	72,471,000	51.00	2,061,394	1,544,322	787,605	-
	Taoyuan International Airport Services	Taoyuan, Taiwan	Airport services	147,000	147,000	34,300,000	49.00	511,261	202,857	99,400	-
	Cal-Asia Investment	Territory of the British Virgin Islands	General investment	US$ 7,172	US$ 7,172	7,172,346	100.00	819,043	36,915	36,915	-
	Sabre Travel Network (Taiwan)	Taipei, Taiwan	Sale and maintenance of hardware and software	52,200	52,200	13,021,042	93.93	270,402	76,278	71,648	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	12,289	12,289	20,626,644	47.35	329,807	355,876	168,507	-
	Kaohsiung Catering Services	Kaohsiung, Taiwan	In-flight catering	383,846	383,846	21,494,637	53.67	598,653	327,431	173,680	Note 5
	Cal Hotel Co., Ltd.	Taoyuan, Taiwan	Hotel business	334,800	334,800	33,480,000	100.00	323,294	11,078	14,664	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	137,710	31,830	17,506	-
	Dynasty Aerotech International Corp.	Taoyuan, Taiwan	Cleaning of aircraft and maintenance of machine and equipment	77,270	77,270	77,270	100.00	136,916	35,515	35,596	Note 4
	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	5,560,884	5,560,884	300,879,050	65.48	4,791,799	2,467,072	1,615,386	Note 4
	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	Taoyuan, Taiwan	Aircraft maintenance	560,000	560,000	56,000,000	100.00	280,763	(55,849)	(55,849)	-
Mandarin Airlines	Tigerair Taiwan Co., Ltd.	Taipei, Taiwan	Air transportation and maintenance of aircraft	183,846	183,846	16,613,624	3.61	264,862	2,467,072	89,259	-
	Taiwan Airport Services	Taipei, Taiwan	Airport services	11,658	11,658	469,755	1.08	7,502	355,876	3,833	-
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	48,154	10,903	3,816	-
Taiwan Airport Services	Taiwan Airport Service (Samoa)	Samoa	Airport services and investment	US$ 5,877	US$ 5,877	-	100.00	422,897	37,338	37,338	Note 3

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

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

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

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

Note 5: The difference is due to acquisition.

CHINA AIRLINES, LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars/Renminbi/U.S. Dollars in Thousands, Unless Stated Otherwise)

China Airlines

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2025	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2025	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2025	Accumulated Repatriation of Investment Income as of December 31, 2025
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,141,674 (RMB 254,480)	Indirect (Note 1)	$ 131,634 (US$ 4,186)	$ -	$ -	$ 131,634 (US$ 4,186)	$ 209,051 (RMB 47,790)	14.00	$ 27,438 (RMB 6,691)	$ 316,607 (RMB 70,572)	$ 133,685 (US$ 4,251) (Note 2)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,808 (RMB 14,000)	Indirect (Note 1)	61,240 (US$ 1,947)	-	-	61,240 (US$ 1,947)	79,456 (RMB 18,164)	14.00	11,307 (RMB 2,543)	108,739 (RMB 24,238)	133,609 (US$ 4,249) (Note 2)
Taikoo (Xiamen) Landing Gear Services	Landing gear maintenance services	2,612,890 (US$ 83,090)	Indirect (Note 1)	67,648 (US$ 2,151)	-	-	67,648 (US$ 2,151)	-	2.59	-	-	-
Taikoo Spirit Aerospace Systems (Jinjang)	Composite material	366,761 (US$ 11,663)	Indirect (Note 1)	20,000 (US$ 636)	-	-	20,000 (US$ 636)	-	5.45	-	131,111 (RMB 29,225)	29,760 (US$ 946)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
$280,522 (US$8,920)	$679,041 (Note 3)	$61,524,131 (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, 2025	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2025	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2025	Accumulated Repatriation of Investment Income as of December 31, 2025
					Outward	Inward						
Airport Air Cargo Terminal (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	$ 1,141,674 (RMB 254,480)	Indirect (Note 5)	$ 126,363 (US$ 4,018)	$ -	$ -	$ 126,363 (US$ 4,018)	$ 209,051 (RMB 47,790)	14.00	$ 27,438 (RMB 6,691)	$ 313,907 (RMB 69,970)	$ 165,276 (US$ 5,256)
Airport Air Cargo Service (Xiamen) Co., Ltd.	Forwarding and storage of air cargo	62,808 (RMB 14,000)	Indirect (Note 5)	60,590 (US$ 1,927)	-	-	60,590 (US$ 1,927)	79,456 (RMB 18,164)	14.00	11,307 (RMB 2,543)	108,360 (RMB 24,154)	86,779 (US$ 2,760)

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2025	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$186,953 (US$5,945)	$186,953 (US$5,945)	$417,918 (Note 4)

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

Note 2: As of December 31, 2025, the inward remittance of earnings amounted to US$4,251,192 and US$4,248,772.

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

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

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

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

(Concluded)

CHINA AIRLINES, LTD. AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND IMPORTANT TRANSACTIONS BETWEEN CHINA AIRLINES, LTD. AND ITS SUBSIDIARIES
FOR THE YEAR ENDED DECEMBER 31, 2025
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
0	China Airlines, Ltd.	Mandarin Airlines	a	Air freight revenue	$ 1,028,929	The same as ordinary transactions	0.49
		Mandarin Airlines	a	Other operating revenue	100,936	The same as ordinary transactions	0.05
		Tigerair Taiwan Co., Ltd.	a	Other operating revenue	637,957	The same as ordinary transactions	0.31
		Taoyuan International Airport Services	a	Airport service cost	1,331,135	The same as ordinary transactions	0.64
		Taiwan Airport Services	a	Airport service cost	421,003	The same as ordinary transactions	0.20
		Dynasty Aerotech International Corp.	a	Airport service cost	427,351	The same as ordinary transactions	0.20
		Taiwan Air Cargo Terminal	a	Other operating cost	562,739	The same as ordinary transactions	0.27
		Cal Park	a	Other operating cost	231,610	The same as ordinary transactions	0.11
		Cal Hotel Co., Ltd.	a	Other operating cost	242,188	The same as ordinary transactions	0.12
		Kaohsiung Catering Services	a	Other operating cost	634,576	The same as ordinary transactions	0.30
		Mandarin Airlines	a	Other operating cost	108,762	The same as ordinary transactions	0.05
		Mandarin Airlines	a	Accounts receivable - related parties	218,562	The same as ordinary transactions	0.06
		Mandarin Airlines	a	Accounts payable - related parties	146,450	The same as ordinary transactions	0.04
		Taoyuan International Airport Services	a	Accounts payable - related parties	359,460	The same as ordinary transactions	0.10
		Taiwan Aircraft Maintenance and Engineering Co., Ltd.	a	Operating costs	412,018	The same as ordinary transactions	0.20
1	Taiwan Air Cargo Terminal	China Airlines, Ltd.	b	Sales revenue	562,739	The same as ordinary transactions	0.27
2	Mandarin Airlines	China Airlines, Ltd.	b	Air freight costs	1,028,929	The same as ordinary transactions	0.49
		Taiwan Airport Service	c	Airport service cost	421,249	The same as ordinary transactions	0.20
		China Airlines, Ltd.	b	Operating expenses	100,936	The same as ordinary transactions	0.05
		China Airlines, Ltd.	b	Other operating revenue	108,762	The same as ordinary transactions	0.05
		China Airlines, Ltd.	b	Accounts receivable - related parties	146,450	The same as ordinary transactions	0.04
		China Airlines, Ltd.	b	Accounts payable - related parties	218,562	The same as ordinary transactions	0.06
3	Taoyuan International Airport Services	China Airlines, Ltd.	b	Airport service revenue	1,331,135	The same as ordinary transactions	0.64
		China Airlines, Ltd.	b	Accounts receivable - related parties	359,460	The same as ordinary transactions	0.10
		Tigerair Taiwan Co., Ltd.	c	Airport service revenue	328,184	The same as ordinary transactions	0.16
4	Dynasty Aerotech International Corp.	China Airlines, Ltd.	b	Operating revenue	427,351	The same as ordinary transactions	0.20
5	Cal Park	China Airlines, Ltd.	b	Operating revenue	231,610	The same as ordinary transactions	0.11
		Cal Hotel Co., Ltd.	c	Operating revenue	114,637	The same as ordinary transactions	0.05
6	Kaohsiung Catering Services	China Airlines, Ltd.	b	Operating revenue	634,576	The same as ordinary transactions	0.30

(Continued)

No.	Company Name	Related Party	Natural of Relationship (Note 1)	Intercompany Transactions			
				Financial Statement Account	Amount	Transaction Criteria	% of Total Consolidated Total Revenue or Assets
7	Tigerair Taiwan Co., Ltd.	Taiwan Airport Services	c	Operating cost	$ 235,446	The same as ordinary transactions	0.11
		China Airlines, Ltd.	b	Operating expenses	637,957	The same as ordinary transactions	0.31
		Taoyuan International Airport Services	c	Airport service costs	328,184	The same as ordinary transactions	0.16
8	Taiwan Airport Services	China Airlines, Ltd.	b	Operating revenue	421,003	The same as ordinary transactions	0.20
		Mandarin Airlines	c	Operating revenue	421,249	The same as ordinary transactions	0.20
		Tigerair Taiwan Co., Ltd.	c	Operating revenue	235,446	The same as ordinary transactions	0.11
9	Cal Hotel Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	242,188	The same as ordinary transactions	0.12
		Cal Park	c	Operating costs	114,637	The same as ordinary transactions	0.05
10	Taiwan Aircraft Maintenance and Engineering Co., Ltd.	China Airlines, Ltd.	b	Operating revenue	412,018	The same as ordinary transactions	0.20

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

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

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

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

(Concluded)